İŞ FAKTORİNG

2019 ANNUAL REPORT

COVER VISUAL

Newton's Cradle consists of a series of five balls. It gives an idea about the basic physical laws of the Earth. It suggests the chain of movement and change. Things continually change and this change does not occur spontaneously. In his book, "Mathematical Principles of Natural Philosophy", Newton explains the "Law of Inertia" and says "An object at rest stays at rest and an object in motion stays in motion with the same speed and in the same direction unless acted upon by an unbalanced force." It is hard to take the first step, but once the first step is taken, things become easier. It is the first ball that starts the motion.



GETTING STARTED

Our company has left behind a hard year under the current economic conditions owing to its strong brand value, long-established corporate values, specialized working staff and effective capital and risk management.

Continuing also this year to be a reliable and preferred company for its clients, bolstered by its know-how and expertise, our Company is strongly building on its business-making model with a view to offering easier and faster financial services to its clients every year. In this context, we continue also this year to expand our technological applications with our effective risk management approach.

We are pleased to announce that we have shown a high level of social awareness by taking certain steps in 2019 in order to raise awareness on climate change and environmental risks, i.e. the global risks on the world's agenda. For this reason, we wish to underline this very important topic in this year's Annual report.

With the power of being a member of İş Bankası Group and the trust we vest in Turkey's future, we are proud to express that we will continue to offer high quality and reliable services to our clients.

Ömer KARAKUŞ
General Manager

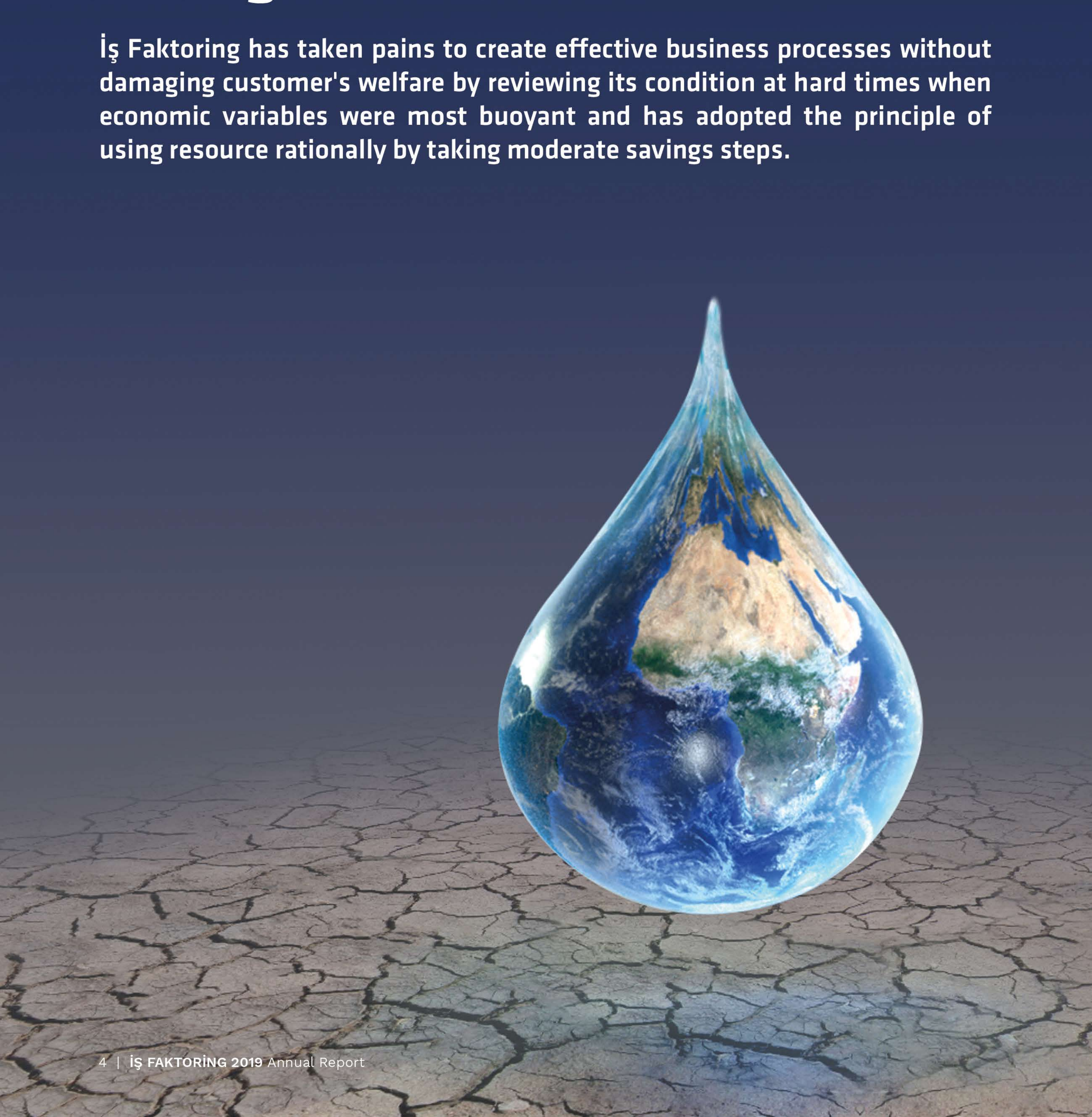
Climate change occurs as a result of increased global temperature caused by greenhouse gas emissions due to human activities. As a result of the frequency of extreme weather conditions caused by climate change, such as the draught, floods, violent storms as well as factors such as heightened ocean and sea levels, increased acidity in oceans, and melting of glaciers, both ecosystems and human communities are exposed to serious risk. Countries are implementing policies to improve adaptation to climate change and resiliency to disasters. With measures such as increasing renewable resource share and forest surface area, reducing greenhouse gas emissions which causes heating of the atmosphere and demonstrated a rise of 1.5% in the last decade, more concrete steps may be taken for a carbon-free future.

Adaptation to Climate Change

İş Faktoring has strengthened its decision-making mechanisms for taking the right steps at the right times by reviewing business models against the changing conditions of economy and has perceived the market signal's by making good use of the circumstances.

Savings

İş Faktoring has taken pains to create effective business processes without damaging customer's welfare by reviewing its condition at hard times when economic variables were most buoyant and has adopted the principle of using resource rationally by taking moderate savings steps.



Life on Earth began in water. Water is a vital need, a nest, a source and a climate regulator. Global warming affects water resources the most. While 40% of the world's population faces the danger of drought due to the mismanagement and misuse of water, 1 billion people are deprived of water and 1.5 million children die of polluted water every year. Even though 2 to 5 tons of water is spent annually to produce the annual food requirement of a person, 30% of the food produced is wasted. The wetlands in the world that control water balance and natural balance are half dried. Individual awareness must be promoted for economic use of water against the scarcity of water expected to increase in the world, and to that end, organized state policies must be developed, and more efficient use of water, and recycling of water as in paper and plastics should be ensured.

Sustainability: means the ability of a system to be productive in the long term and to exist constantly. From the ecological aspect, sustainability means to protect natural resources to include also social factors, and to leave behind a world worth living in for the future generations. Because the most straightforward way to leave resources to the future is to use them efficiently, i.e. to reduce energy and food consumption per capita, or to replace consumption, mankind must change its behavior and make it a habit to use recycled things.

Sustainability

İş Faktoring considers economic, environmental and social factors in its corporate activities and decision-making mechanisms along with the corporate governance principles with a view to creating long-term value and enables its clients to access services and products that meet their needs. It focuses on efficiently guaranteeing the continuity of its operations by taking reasonable risks and firm steps.

Responsibility

İş Faktoring approaches its community, environment, employees, stakeholders and clients by assuming the responsibility of its brand. It makes no compromises on its firm stance, observing social benefits, treating the environment sensitively, offering its employees a peaceful work environment, and instilling trust to its clients and stakeholders.

The continuity of life is contingent upon our responsible behavior on our part in order to protect the scarce resources we have, knowing what restrictions we are bound by. Today, we should not ignore that 5 million hectares of land are globally lost every year, and the resulting desertification and land destruction threaten the living area of the world population. Desertification is among the biggest environmental problems in both the global and regional scales. Particularly, land deteriorations and reduced vegetation that occur in dry and semi-dry areas due to climate change and human impact accelerate desertification. Most of the population living in dry areas in the world rather reside in developing countries. Desertification and drought threaten 4 billion hectares of land and directly affect a population of 1.2 billion living in 110 countries. Every year 6 billion hectares of land become a desert. In order to fight desertification, it is of utmost importance to use natural resources without wasting, to produce land use plans according to scientific criteria, to involve the local people in the struggle, to protect water sources and vegetation and to carry out afforestation efforts.

Innovation

İş Faktoring regenerates itself in line with the needs of time and its clients owing to its unique applications, proactive approach and the importance attached to innovations, i.e. the indicator of the digital products that it has developed, and continues to build on its corporate power by leading the industry.



We need to turn towards innovative studies that explore sustainable sources of energy in order to limit resource use by preventing excessive consumption, to meet the energy needs of the future generations and to minimize damage to the environment in order to make the world a place worth living in. It is apparent that nature needs itself to rejuvenate by giving weight to solar energy, wind energy, hydroelectric power derived from the running water, geothermal energy, biomass energy derived from wood and forestry wastes, hydrogen energy formed with the processing of the hydrogen gas that exists in its natural state, wave and tidal energy derived from the motion of the sea waves and the pressure formed by the waves.



Thanks to the sustainable life principle, great changes can be achieved with small individual contributions and support of volunteering and conscious people who are sensitive to the future of their country and the world, relying on science for the protection of natural assets. In this sense, it is essential to raise ecologic citizens by instilling this sensitivity to an individual as from the date he or she is born, and then help him or her internalize environmental awareness since early childhood. In every step, we should remember that even the slightest individual elaboration may, through solidarity, leave social and universal influences, and only in that way, the world can remain standing.

Solidarity

İş Faktoring considers its employee as a member of the family, not an element of a business process. The human being is beyond everything, and every employee is valuable for his or her own character and part of a whole with the job he or she does. We owe our success to the harmony of each piece that constitute the whole, and to the awareness that "united we stand, divided we fall".

Company Identity

REPORTING PERIOD
01.01.2019-31.12.2019

TRADE NAME
İş Faktoring A.Ş.

HEAD OFFICE
Istanbul

DATE OF INCORPORATION
06.07.1993

CONTACT DETAILS
İş Kuleleri, Kule 1 Kat 10 34330 Levent / Istanbul
Phone: (212) 317 00 00 Fax: (212) 317 00 99

TRADE REGISTRY NUMBER
300765

MERSIS (CENTRAL REGISTRATION SYSTEM)
0481005923700010

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FINANCIAL REPORT

CONTACT

İş Faktoring in Brief



A COMPANY THAT BEARS THE RESPONSIBILITY OF "İŞ" BRAND TOWARD ITS SOCIETY, ENVIRONMENT, EMPLOYEES, STAKEHOLDERS, AND CLIENTS, AND ACCORDS IMPORTANCE TO MAKING A DIFFERENCE FOR A SAFER AND SUSTAINABLE LIFE

Offering fast, reliable and competitive services to its clients in the field of finance, guarantee and collection in its 26-year financial life, İş Faktoring, established in 1993 as an Affiliate of Türkiye İş Bankası, has been performing successfully in the industry since then, taking a corporate stance worthy of the good reputation of the family name.

Working in collaboration with the wide branch and regional network of Türkiye İş Bankası in Turkey, and its affiliates overseas, our Head Office Team and 6 branches have the capability to serve the clients in every province of our country, and as a member of Factors Chain International (FCI), the world's largest extra-banking finance services network, since the day it was established, the Company has a strong position also in the international markets.

It regenerates itself in line with the needs of time and its clients, and builds on its economic and corporate power with its difference-making applications in the sector, its proactive approach, rational management style, the importance attached to innovation as evidenced by its digital products. It enables its clients to access services and products that meet their needs without ignoring the principle of profitability in the scope of its sustainable business model. It focuses on continuing its operations in the future by taking reasonable risks and firm steps. By reviewing its circumstances at such times when economic volatility is high and adapting to changing conditions, and remaining highly motivated, it is able to respond to the financial needs of its customers with its 114 employees by face-to-face communication as well as remotely through digital products.

It has strengthened its decision-making mechanisms for taking the right steps at the right times by reviewing business models against the changing conditions of economy, and has perceived the market signal's by making good use of the circumstances, and continued its foresighted and effective risk management approach also in 2019.

İş Faktoring has targeted to be a good player in the finance market in order to support our national economy especially in 2019.

It has attached importance to draw attention to the actions that need to be taken regarding the protection of natural life, struggle with environmental risks, economic use of resources, and living in a clean environment for a sustainable world.

Rational Use of Resources

By reviewing its circumstances in 2019 when question marks caused from time to time by uncertainties could cut the speed; İş Faktoring has taken pains to keep an optimum level of capacity usage without damaging customer's welfare by reviewing its condition at hard times when economic variables were most buoyant, and has adopted the principle of using resource rationally by taking moderate savings steps.

Giving weight to efficiency-increasing efforts, İş Faktoring has added another investment to its existing investments in the area of technology and digitalization by switching to robotic processes.

Capital and Shareholding Structure

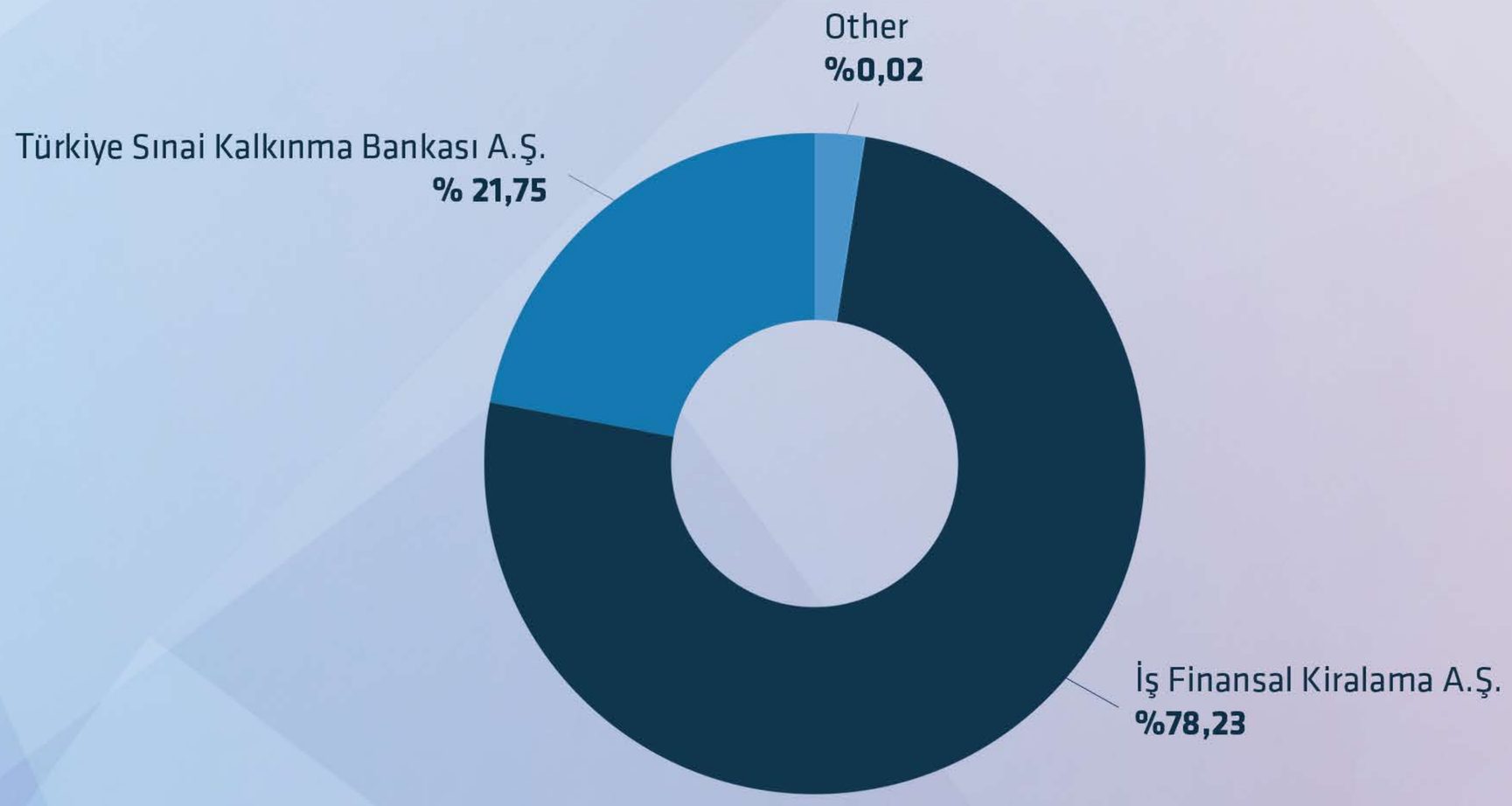
İş Faktoring's paid-in capital is TL 63,500,000 consisting of 6,350,000,000 fully paid-in shares each having a value of 1 kuruş.

The Company's shareholders, and the distribution of their profits in the Company's capital as of December 31, 2019 are presented in the following table.

İş Faktoring has no preferred shares representing the capital.

SHAREHOLDING 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
Topkapı Yatırım Holding A.Ş.	3.969	0,0063
TOTAL	**63.500.000**	**100**



Major Financial Indicators and Ratios

İş Faktoring continued to create lasting value for its stakeholders under the volatile market conditions of 2019.

By the end of 2019, the Company achieved a factoring receivable balance of TL 3.2 billion and had a 9% market share in its sector. On the other hand, the Company increased its market share in the industry to 9% and 8%, respectively, by creating an asset size of TL 3.3 billion and a turnover of TL 11 billion as of the end of 2019.

Using its competences in the most effective manner on the basis of the great power represented by its brand, İş Faktoring is determined to offer services to a greater number of clients in the upcoming period, and to increase is business volume and markedly raise its current performance in the factoring market of our country that offers a potential for sustainable growth.

Financial Indicators (Million TL)	**2017**	**2018**	**2019**
Size of Assets	4.268	2.770	3.265
Factoring Receivables	4.205	2.729	3.160
Turnover	12.252	10.519	10.767
Average Factoring Receivables	2.738	2.683	1.950
Equity	189	301	300
Net Profit	49,5	147,0	-23,4

Basic Ratios	**2017**	**2018**	**2019**
Return on Assets	1,39	4,23	-0,78
Return on Equity	31,72	60,56	-7,45
NPL Ratio	0,99	1,12	6,72
Number of Clients	5.249	6.395	7.948

Funding Resources and Ratings

Funding Resources

The total credit limit allocated to our Company by domestic and foreign banks as of 31.12.2019 is TL 11 billion, representing a 12% increase in our bank limits compared to 2018.

Discounted bonds at a nominal value of TL 909 million were issued in total in 2019, and bonds with a nominal value of TL 1,499 million were redeemed during the year.

In order to strengthen and diversify its resource structure, and to gain a cost advantage, İş Faktoring preferred foreign currency loans and derivative transactions, and created a foreign currency resource through these transactions.

İş Faktoring has enriched its liabilities structure through these transactions and has reflected the cost advantages it achieved to its clients.

İş Faktoring - Saha Credit Ratings

As a result of the examination conducted by the company Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in 2019, İş Faktoring received a short term (National) rating of (TR) A1 + and long term rating of (TR) "AA" on May 7, 2019. The outlook was evaluated as "Stable" in the short and long term.

Our Vision

To be one of the leading and most preferred corporations of the sector through our strong capital structure, our expert team, and our client-oriented principle of operating.

Our Mission

Acting upon the principle of providing our clients, whom we consider the reason for our existence, with the best service, to produce fast and effective solutions that are compatible with our customers' needs and to position ourselves as the solution partner of our customers.

Our Products and Services

Boasting a diversified product portfolio geared towards domestic and international transactions, İş Faktoring provides fast, high-quality solutions to an extensive client base mainly consisting of exporters/importers, companies with a widespread network of suppliers and dealers, and SMEs. İş Faktoring's products and services are grouped under three categories:

Financing

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

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

With the services in question, the seller's long-term accounts receivable is converted into cash, and thereby, the balance-sheet is rendered more liquid and the company benefits from regular cash flow and working capital.

Guarantee

In cases where a company to which a limit is provided meets payment difficulties, the account receivable is placed under guarantee provided that all the conditions under the agreement that is concluded have been met.

Sales can be carried out without risk thanks to the guarantee limits provided by this service model that can be used for both domestic and international transactions, also preferred by clients more frequently compared to other financial products as it provides protection for accounts receivable.

Collection

Companies can collect the amounts of the goods and services that are sold through İş Faktoring.

These services offer companies the opportunity to save on the number of employees and operational processes.

İŞ FAKTORİNG

4G

ÇekMatik

Faktoring Nedir?

Hakkımızda

Bize Ulaşın

Merhaba ben Çekmatik! İş Faktoring tarafından size yardımcı olmak için en son teknolojilerle geliştirildim.

Lütfen yapmak istediğiniz işlemi seçiniz.

Yeni İşlem Talebi

İşlem Sorgulam

www.cekmatik.com.tr

ÇekMatik

Message from the Chairman of the Board



Mehmet ŞENCAN
Chairman

In recent years, climate change has started to be considered as the biggest risk for humanity and the global economy. In the last 5 years, we see that natural disasters are experienced more frequently with record temperature increases in the world. As a result, the concept of "Sustainability" has become a social and economic agenda, whereas, in the macro-scale, countries and in the micro scale, companies have started to produce and implement serious policies related to the continuity of nature and life.

On the other hand; trade wars and geopolitical tensions as well as deterioration in investment, production and confidence indicators negatively affected global growth during 2019. The Fitch Ratings' Global Economic Outlook Report pointed out that the outlook for the global economy has deteriorated significantly due to the escalation of the US-China trade war. However, the positive opinion of the central banks of developed and developing countries about practices adopted against slowdown reduces global recession expectations. In addition, with the re-escalation of concerns over global trade in the second quarter of 2019, the elaboration of the geopolitical risks stemming from the Middle East and the slowdown of the global manufacturing industry, the economic growth rate fell, and the weakening in foreign trade continued.

In its Global Economic Outlook Report, the IMF has reduced its global economic growth forecast by 0.1 point to 2.90 percent compared to its January update, and by 0.1 point to 3.3 percent for the year 2020, and stated that global economy faces a synchronized slowdown, and reduced the growth forecast for developed countries from 1.9 percent to 1.7 percent in 2019, and left it at 1.7 percent for the year. For emerging economies, the growth forecast was reduced from 4.1 percent to 3.9 percent for 2019 and from 4.7 percent to 4.6 percent for 2020.

In 2019 and 2020, the growth estimates for Turkey's economy were increased from minus 2.5 percent to 0.2 percent, and from 2.5 percent and to 3 percent, respectively.

FED REDUCED POLICY INTEREST RATE TO 1.50 - 1.75 PERCENT RANGE IN LINE WITH MARKET EXPECTATION

During the FOMC (Federal Reserve Open Market Transactions Committee) meeting held on December 10-11, 2019, the US Federal Reserve Bank (FED) reduced policy interest rate by 25 basis points compared to September and lowered it to the range of 1.50-1.75 percent.

According to revised projections, the median expectation of policy interest rate fell from 2.4% to 1.9% for 2019 , and from 2.1% to 1.9% for 2020. While FED members increased 2019 growth forecast increased from 2.1% to 2.2%, they preserved 2020 forecast at 2%. FED stated that it cut interest rates to provide insurance against risks including weak global growth and resurgent trade tensions. When inflation indicators are considered; the announced annual CPI inflation represented the peak of the last one year with 2.1%. It is believed that they will take a positive course with the signature of the first phase trade deal between the USA and China.

EURO ZONE ECONOMY CONTINUES TO SLOW DOWN, THE UNCERTAINTY ABOUT BREXIT REMAINS

The European Central Bank (ECB) has announced that it has restarted purchases under its asset purchase program and cut the deposit rates. It reduced the 2019 growth forecast from 1.2 percent to 1.1%, and the 2020 forecast from 1.4% to 1.2%. Inflation forecasts were also revised downwards. Accordingly, inflation expectations for the Euro Zone were decreased from 1.3% to 1.2% for 2019, and from 1.4% to 1% for 2020. It was stated that interest rates would remain at current or lower levels until an improvement is seen in inflation rates.

The European Central Bank (ECB) pointed out that the uncertainties relating to increased protectionism threat in global trade, volatility in financial markets, and vulnerabilities in emerging markets damaged the Euro area growth outlook. Brexit uncertainty still prevails. Private sector debt increased worldwide, whereas oil prices remained under downward pressure due to trade wars.

THE COURSE OF GROWTH THAT STARTED IN 2019 IS EXPECTED TO CONTINUE IN 2020

In the IMF's "Global Economic Outlook" the growth estimates for Turkish economy for the years 2019 and 2020 were increased from minus 2.5% to 0.2%, and from 2.5% to 3%, respectively.OECD revised the growth forecast of Turkey for 2019 revised from -2.6% to 0.3%. In 2019, our country recorded a growth of by 0.9% in GDP. According to 2019 UNIDO "Competitive Industrial Performance Index" data, Turkey was ranked 28 in 150 countries.

Bolstered by the gradual recovery in domestic demand in November, the rise in import volume continued. The weak course in European Union economies causes the pressure on export volume to continue. It is understood that in the upcoming period the foreign trade deficit will gradually increase when the recovery in domestic economic activity becomes clear. In this framework, the 12-month cumulative current account balance is expected to return back to the negative zone in the first half of 2020.

The domestic unemployment rate increased by 2.4 points annually in September 2019 and reached 13.8%. Housing and automotive sales increased with the effect of the decrease in interest rates. According to the temporary foreign trade data announced by the Ministry of Commerce, exports stood at USD 171.6 billion and imports amounted to USD 202.7 billion throughout 2019.

The World Bank revised its forecast that Turkish economy will contract 1 percent in 2019 down to 0.0 percent and reiterated its GDP growth forecast as 3.0% and 4.0% for the years 2020 and 2021, respectively. NEP 2020 growth expectations were announced as 5%.

WE TOOK CAUTIOUS STEPS WITH PROTECTIVE POLICIES AND RESOURCE SAVINGS IN 2019

In view of its purpose to remain stronger in the future, İş Faktoring completed the year 2019 by sniffing the air correctly, managing its risk effectively, ensuring more efficient use of its processes and resources, and taking reasonable savings steps. As the year 2019 brought a stagnation to the entire industry, the company carried out its activities with a more protective approach and maintained its solid stance in the industry.

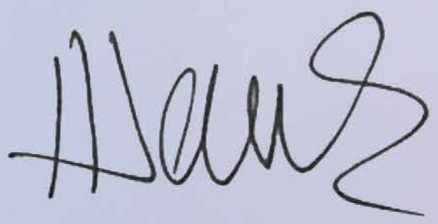
İş Faktoring did not compromise on its customer-oriented approach at such times when its customers needed it, and continued to serve with its experienced staff and wide range of products with a view to supporting to the country's economy that experienced some hardship during the year.

During this time, İş Faktoring has reviewed its processes, took steps to implement innovative business models, developed the first digital products in the industry and benefited from its experience. However, it added new steps to the Robotic Process Automation Project, delegated standard and repeatable operations, thereby reduced the process burden, and started to carry out joint projects with our Bank in order to deploy the products.

Due to the economic cycle that continued to prevail in 2019, despite an excessively sensitive approach to risk, iş Faktoring analyzed the market well, and thus expanded its customer base, and focused on SME and micro segment customers more in order to improve customer diversity.

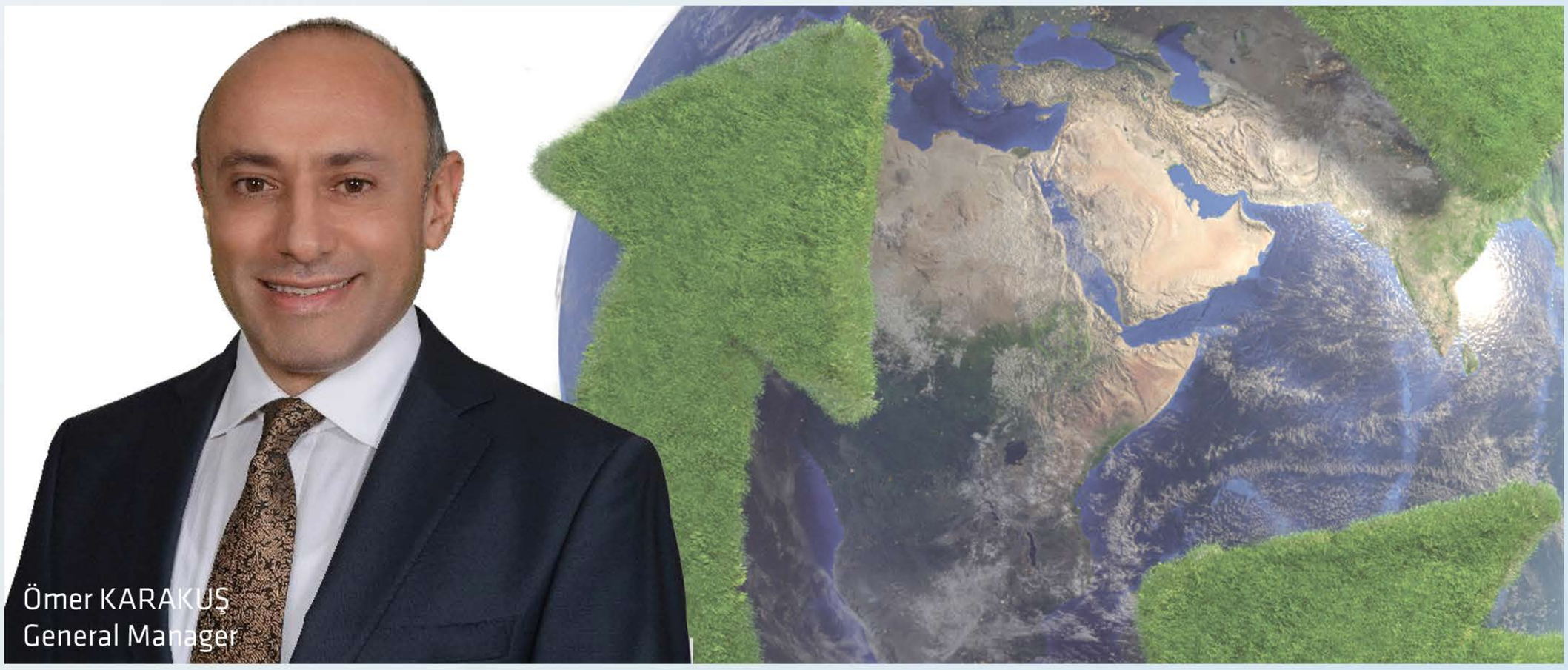
On the path to sustainable success, İş Faktoring will continue to its efforts in the year ahead to add value to the national economy as it has always done. On behalf of our Board of Directors I owe it a duty to thank our employees, our greatest support in our success on this challenging path, our clients who trust us, and all our stakeholders.

Best Regards,



Mehmet ŞENCAN
Chairman

Message from the General Manager



In 2019 when environmental threats constantly increased, İş Faktoring continued its activities for a sustainable ecosystem by taking measures specific to its field of activity. In the period ahead, we are determined to continue our way of doing-business during which we take into account ecological concerns while attaining our economic goals.

Dear Stakeholders,

Year 2019 has been a tough period for our country when efforts were used to reinstate the deteriorated macroeconomic balance, domestic demand and investments were postponed, the economy experienced employment losses, predictability decreased, and geopolitical risks were intensively felt.

Particularly during the first half of the year, credit supply declined, the financial strength of the companies deteriorated, commercial activities contracted, and cash cycle decreased in line with the reduced risk appetite of the financial sector. The expansionary monetary policies pioneered by the public authorities in the second half of the year with the help of macro cautionary measures taken to overcome stagnancy in economy helped to trigger a partial recovery in economy in the last quarter of the year.

In 2019 when relatively harder conditions prevailed, our company adopted a selective investment management through a prudent approach. We developed a "Balance-sheet Prediction Model" that helped us to evaluate companies with projected data taking account of both past and current conditions. The relevant model was also used as a decision support system in order to identify the right type of credit, credit term and collateralization principles for a company.

In this challenging period, we continued effective management of risks on the one hand, and on the other hand, invested in digitalization and technology investments in order to improve our quality of service. In the recent years, when the influences of technological innovations were intensively felt nation- and world-wide, our company attached special importance to continually upgrading its technological infrastructure and improving its processes. In this context, the ongoing activities included the system developments started in the previous years, data mining efforts that help to take decision quickly, and establishment of automatic decision support systems in which decision processes are based on data analyses.

The Robotic Process Automation application based on artificial intelligence and machine learning, designed to simplify operational processes by taking on voluminous and repeatable tasks has been developed to include several processes of our Company as of the first half of 2019. In this framework, 137 robotic processes were created, and savings of approximately 37,000 minutes were achieved in all our departments.

In 2019, 32% of the cheque transaction requests received by our Company were submitted through digital channels, and the use of digital channels in this field continued its upward trend. We estimate that in the period ahead, the digital channel will be increasingly used, and our mobile product, "Çekmatik" will become more widespread.

Having completed the year with a turnover of TL 11 billion in Total, our Company achieved an export factoring turnover of TL 1.8 billion, a domestic turnover of TL 8.8 billion, and an import factoring turnover of TL 196 million thanks to its services and solutions.

A 26-year member of Factors Chain International (FCI), İş Faktoring has placed the cost-effective foreign currency funds secured from foreign financial institutions through its broad correspondent network and the sources secured from IBRD (The International Bank for Reconstruction and Development) through TSKB (the Industrial Development Bank of Turkey) to the use of its exporter clients. On the other hand, it has been ranked the 6th among 200 companies in the "Best Export Factoring Company" segment, which ranking is made every year by FCI, and has been awarded the "Excellent" rating which only 12 companies managed to get worldwide. This achievement is the obvious indicator of the positive perception of our Company in the international markets.

YEAR 2020 WILL BE A PERIOD WHEN WE WILL INCREASE OUR EFFICIENCY IN THE SME SEGMENT AND EXPORT FACTORING WITH THE SUPPORT OF TECHNOLOGY

2020 will be a year when we will focus more on our current and potential customers in the SME segment. It is one of our priorities to provide affordable and fast finance to small and micro scale companies by developing our product and service offerings to the said company segment that constitutes the most vital element of economy. Expanding the risk base by increasing the use of "ÇekMatik, a product that our company developed in the recent years in order to procure faster access to cash by SMEs, is among our basic targets.

We will continue to offer receivable guarantee and cash collection service through our extensive correspondent network to our exporter customers who wish to guarantee their sales and to make a collection prior to the maturity of the receivables. It is also our strategic target to develop our efficiency and customer portfolio in this area with the help of our strengthened foreign trade specialization unit.

Our human-oriented culture supported by technology is one of our corporate value. It will continue to be a basic working principle to match our company's expectations with our customers' benefits and to achieve a win-win situation for both.

We will work with all our might to contribute to the production, trade and economy of our company without losing our hope and trust also this year when we will continue to have different challenges in a difficult geography. In addition to our human capital, our most valuable asset in the process, we will increasingly continue to work with the pride and power we derive from being a part of Türkiye İş Bankası.

With these evaluations, I would like to thank to my devoted colleagues, our customers who add value to our company, our business partners and our stakeholders, and wish to work with them also in this year.

Best Regards,

Ömer KARAKUŞ
General Manager

With our "Balance-sheet Prediction Model" project, we were chosen as a finalist in the Financial Innovation Awards 2019.

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The London Institute
of Banking & Finance

FINANCIAL
INNOVATION
AWARDS

AWARDS
PROGRAMME
2019

World Economic Outlook

While signature of the first phase of the trade deal on January 15 subject to the conciliation reached between US and China in 2019 supported the markets positively, the US-Iran conflict that escalated with the killing of the Iranian general on the first days of the year rapidly lost its effect. While the ounce price of gold, which started 2020 with a steep rise with the effect of geopolitical developments, saw USD 1.583 on January 6, the highest level since April 2013, but retreated to USD 1.540 due to positive news. The data announced recently in the USA, whose growth in the third quarter of 2019 was confirmed as 2.1%, shows a positive picture regarding the country's economy in general. Fed kept the policy interest rate at the range of 1.50 - 1.75% at its last monetary policy meeting of 2019. While no correction is observed in the growth and inflation forecasts of Fed members, it is predicted that 13 out of 17 Fed members will preserve the current interest rate the next year. This outlook supports the comments that FED may prefer to keep waiting prior to US Presidential Elections in November 2020. The production data relating to the last quarter of 2019 in the Euro Area generally show a weak outlook, whereas signs of recovery are observed in inflation. In October, industrial production fell 0.5% per month in line with expectations.

In Germany the biggest economy in the area, production PMI continued to reveal signs of shrinkage in the sector. ECB did not make any changes in interest rates at its first meeting chaired by Christine Lagarde. The fact that the decision text was different from that in the previous meeting was interpreted as a sign that the new president would hold the current monetary policy stance. No significant change was noted in the macroeconomic projections of ECB. ECB anticipates a 1.1% growth for the Euro Zone economy in 2020 after its 1.2% expansion in 2019. In China, policymakers are taking new steps to support economy. In the general election held in UK on December 12, the Conservative Party led by Boris Johnson, the Prime Minister, won the election by a huge margin. Although comments were made that the uncertainties regarding the Brexit process were diminished after the elections, Johnson's statements that kept the possibility of a "Hard-Brexit" alive in the subsequent days caused the risk perception to deteriorate again. The Central Bank of China reduced the required reserve rates for the eighth time since early 2018, whereas the Chinese State Council announced new employment incentives. A liquidity of Yuan 800 billion (USD 114.9 billion) is expected to be provided to the market with the incentives applied. In addition, the Chinese State Council announced a roadmap for further promotion of employment. According to the announcement, the aim is to increase the financial support for private and small-scale enterprises in order to help them expand their investments and employment. Japan continues to present a weak progress. While retail sales fell 2.1% year-on-year in November, slightly above the estimates, the decline in industrial production was 6.7%.

In this period, the export volume declined annually for the 12th month with uninterrupted succession, whereas the import volume recorded its fastest decline since October 2016 with 15.7%. The Central Bank of Japan, which did not make any changes in its monetary policy at its meeting in December, announced that downside risks on the economy continued to outweigh.

United States of America

The data announced recently in the USA, whose growth in the third quarter of 2019 was confirmed as 2.1%, continues to show a positive picture regarding the country's economy in general. The industrial production which decline on a monthly basis recorded an increase above the expectations with 1.1% toward the year-end. While non-agricultural employment continued to increase above expectations, unemployment rate continued to prevail at the lowest levels in the last 50 years with 3.5%. Inflation indicators were continued to be closely monitored in the country. Annual CPI inflation was announced to be 2.1%, marking the peak level in the last one year. The data relating to the last month of the year indicate that the moderate trend in the economy will continue in 2020 as well. The signature of the first phase trade deal between the USA and China will promote positive developments. US growth is projected to be 1.8% for 2020.

The Federal Reserve Bank (FED) kept the policy interest rate at the range of 1.50 - 1.75% at its last monetary policy meeting of the year. FED that announced a 25-basis points interest rate cut at its July, September and October meetings in 2019 signaled that in the following period, no further interest rate cuts would be made in the USA unless economic activity deteriorates. While no revision is observed in the growth and inflation forecasts of Fed members taking into account the macroeconomic projections of Fed members for 2020 after the December meeting, it is predicted that 13 out of 17 Fed members preserve the current interest rate the next year. On the other hand, 4 members estimate that an interest rise of 25 basis points can be made throughout the year. This outlook supports the comments that FED may prefer to keep waiting prior to US Presidential Elections in November 2020.

Europe

The final manufacturing PMI data in the euro area indicated that the contraction in the sector was carried to the 11th month with 46.3 in December. In Germany the biggest economy in the area, production PMI continued to reveal signs of shrinkage in the sector. Inflation in the area gained some momentum in November and December. Annual core CPI inflation reached its highest level since October 2018, with 1.4% in both months.

The fact that ECB did not make any changes in interest rates at its first meeting under Christine Lagarde and that decision text was different from that in the previous meeting gave rise to the expectation that the new president would hold the current monetary policy stance. ECB anticipates a 1.1% growth for the Euro Zone economy in 2020 after its 1.2% expansion in 2019.In the general election held in UK on December 12, the Conservative Party led by Boris Johnson, the Prime Minister, won the election by a huge margin. Although comments were made that the uncertainties regarding the Brexit process were diminished after the elections, Johnson's statements that kept the possibility of a "Hard-Brexit" alive in the subsequent days causes the risk perception to deteriorate again. January 31, 2020 is the date when UK will formally leave the European Union.

China

The weak course of economic activity prompts policy makers to take steps to revive slowing economic activity in China. To these ends, the Central Bank of China (PBoC) reduced its short-term borrowing costs on December 18 for the first time since 2015.

New measures are also taken to prevent adverse impact of the loss of momentum in economic activity in China on the employment market. The Chinese State Council announced a roadmap for further promotion of employment. According to the announcement, the aim is to increase the financial support for private and small-scale enterprises in order to help them expand their investments and employment.

The data recently released in China confirm the easing in trade war concerns. While the Chinese growth is forecasted to be 6.1% in 2019, it is anticipated to be 5.8% in 2020.

2020 Economic Outlook

• Year 2020 economy is seen as a year a recovery after 2019. The global growth estimate for the end of 2020 is 2.5%.

• Although the 1st phase of the trade deal signed between the USA and China is seen as a positive development for world trade, the compliance with the terms of the deal will be closely monitored by the world.

• Monetary policies and macro policies that loosened in 2020 create the possibility of providing relatively more money inflows to the markets.

• The depreciation of the dollar against the developing country currencies is perceived positively for the emerging markets.

• However, the recurrence of the China-US tension, the changes in FED and the European Central Bank (ECB) policies, the slowdown in China and the European economy are seen as risk factors for 2020.

• In 2020, the Chinese economy is expected to slow down and growth to fall below 6%.

• In order to attain the growth and inflation targets in the European Region, the ECB is expected to continue monetary loosening by lowering interest rates by 10 basis points.

• Climate change has started to be considered as the biggest risk for humanity and the global economy. In the last 5 years, natural disasters were experienced more frequently with record temperature increases in the world. The massive fire in Australia and the rapid melting of glaciers are the greatest indicator of this. Warning that the tipping point is not far away if climate change continues its current pace, the experts declare that this will result in losses of life, social and geographical tensions and consequently trigger negative economic effects.

Turkey Economic Outlook

The domestic unemployment rate increased by 2.4 points annually in September 2019 and reached 13.8%. In this period, the unemployment rate in the young population between the ages of 15-24 was 26.1%, 4.5 points up compared to the same period of 2018. The sector where employment decreased the most was construction with 432 thousand people, while the only sector it increased was the services sector with 68 thousand people.

The year-on-year increase trends seen since August in mortgage-backed house sales driven by the cuts in interest rates also continued through to the year-end. In November 2019, home sales in Turkey reached 138,372, up 54.4% on an annual basis driven by the low base effect. In the same period, mortgage-backed home sales reached eight times the level in November 2018. It was another positive development that the other sales that showed a dropping trend since April increased by 12.1% in November. Home sales to foreigners which had been declining since August continued to contract by shrinking 14.6%.

The gradual recovery in domestic automotive sales driven by the fall in interest rates and deferred demand continued in December. However, the automotive market shrank 22.9% in 2019 compared to 2018, and the sales figure remained at 479 thousand units. In terms of the total market volume, this level indicates the lowest volume recorded since 2003. In 2019, car sales decreased 20.4% and declined to 387,256, whereas light commercial vehicle sales fell to 31.8%, and stood at 91,804. In 2020, the total market is expected to achieve 525,000 - 575,000 units.

While the export volume was USD 15.5 billion, indicating a horizontal level compared to the previous year, import volume stood at USD 17.7 billion in November, 9.7% up. Therefore, the foreign trade deficit continued to expand rapidly and reached USD 22 billion in November. The export/import coverage ratio, which reached 95.8% in November last year, was 87.4% in the same month of this year. According to 12-month cumulative data, the export volume, which has been around USD 171 billion since July, maintained this trend in November as well. The import volume whose decline lost momentum according to cumulative data again exceeded USD 200 billion after 5 months. According to the temporary foreign trade data announced by the Ministry of Commerce, exports stood at USD 171.6 billion and imports amounted to USD 202.7 billion throughout 2019.

While Germany remains the country to which the largest export was made; Iraq and UK were the largest export markets, respectively, after Germany. In this period, it was observed that, among the first 5 export countries, only the exports to Iraq increased. The export volume to USA which is expected to increase its trade volume with Turkey declined by 18.2% year on year. When analyzed by country groups, it is seen that exports to EU countries decreased by 4.9% in November and exports to Near and Middle East countries increased by 10.2%.

Bolstered by the gradual recovery in domestic demand in November, the rise in import volume continued. The weak course in European Union economies causes the pressure on export volume to continue. It is understood that in the upcoming period the foreign trade deficit will gradually increase when the recovery in domestic economic activity becomes clear. In this framework, the 12-month cumulative current account balance is expected to return back to the negative zone in the first half of 2020.

According to the report published by IMF in October 2019 it is projected Turkish economy will grow 0.2 and 3% in 2019 and 2020, respectively. The World Bank revised its forecast that Turkish economy will contract 1 percent in 2019 down to 0% and reiterated its GDP growth forecast as 3% and 4% for the years 2020 and 2021, respectively. NEP 2020 growth expectation was announced as 5%.

An Overview of the Factoring Sector

The cyclical developments experienced in 2018, when the risk perception of the economy was high, caused a sudden halt in both loan demand and loan supply, prompting firms to protect and/or reduce their balance sheets, and forcing financial institutions to act with the motive to maintain their asset quality. The first half of 2019, shadowed by these impacts, was rather a process of balancing the non-financial sector and the financial sector. As of the second half of the year, both demand and supply dynamics were re-activated on the credit side, due to factors such as recovery signals in economic data, declining interest rates thanks to the expansionary monetary policies applied by the CBRT, and the relative stability of exchange rates. In this context, 2019 was a year that compensated for the losses experienced in the previous year and supplied impetus to all players in the non-financial sector and financial sector in terms of growth.

According to the data published by the Banking Regulation and Supervision Agency for 2019; the asset size of the sector reached TL 37 billion with an increase of 7% compared to the same period of the previous year. A total of 56 factoring companies reached a factoring receivable balance of approximately TL 34 billion through nearly 84,000 customers. The gross amount of non-performing loans of the sector players that offered more financing opportunities with the expansionary credit approach increased slightly (2%) compared to the previous year, and the sector's non-performing loans ratio decreased from 6.3% to 5.9%. In parallel, dishonored cheque rates declined throughout the market, and amounted to 3% in total in 2019.

The loans used by the sector that started to grow its balance sheets again, increased by 11% compared to a year ago, and the ratio of loans used to liabilities increased from 67% to 69%. Shareholders' equity which increased by 20%, stood at TL 8.1 billion.

The net profit of the sector in 2019 increased by 5% compared to the previous year and stood at TL 1.4 billion. The total number of clients of the 56 companies operating in the sector was 83.636 by the end of 2019, the number of branches was 352, and the number of employees 4.269.

EXPECTATIONS IN 2020

The factoring sector is expected to continue its growth in 2020 as in 2019. Factoring companies, especially those meeting the short-term financing needs of SMEs, will continue to pursue policies to expand their customer and contract base.

It is believed that supplier financing and export factoring products in the sector will continue to be top agenda item as in the current year. The players in the sector, which are constantly making new breakthroughs towards digitalization, aim to contact more customers by placing speed and quality in the foreground.



We enjoyed a significant success by winning awards in 4 different categories with our 2018 Annual Report in the "Vision Awards" competition organized annually by LACP (League of American Communications Professionals), one of the most prestigious public relations platforms in the world that evaluates annual reports and sustainability reports.

Year 2019

A Summary of Operations

Marketing



The Marketing Department is responsible for creating dynamic and suitable marketing and sales plans with priority to customer satisfaction, in order to continuously improve the client experience in line with the Company's goals and strategies, ensuring their implementation through effective team management, and achieving the desired results by revising the plans and goals, where necessary, according to the changing market conditions and trends.

İş Faktoring serves many companies that need financing and financial guidance support across the country through its sales and marketing channels and helps them achieve their growth targets. With its fast and effective solutions, it also contributes to the national economy by meeting the financial needs of its clients.

Able to provide the common products of the factoring sector to its clients, the Company distinguishes positively from its competitors with its competent and experienced staff and its ability to produce customized solutions for the clients' needs and experiences. This point of view of the marketing function has proved an important support for companies in properly and effectively managing their balance sheets over the values they themselves create.

In line with its approach of being an easily accessible business partner for its clients, it continues its marketing and sales efforts with six branches in five provinces (Ankara Ostim, Tuzla / Istanbul, İstoç / Istanbul, Adana, Izmir and Bursa), in addition to the Head Office teams.

In 2019, İş Faktoring ramped up marketing efforts targeting companies that use factoring services to a lesser extent, or not at all. Many potential clients were contacted through client visits and training/presentation activities and were informed about İş Faktoring's service process which also includes consultancy in the field of finance. In addition, İş Bankası employees were demonstrated our products during branch visits, and their cooperation were requested. As a result of these efforts, the client base continued to be expanded. With the diversity of our product offering and our customer-oriented service approach, supported by 2,652 visits, we established close contact with our clients also in 2019, and the number of our customers reached 7,948, 24% up compared to the end of 2019.

In order to create greater value for its customers, İş Faktoring continued to integrate technology into its products and services also in 2019.

ÇekMatik, the technological product of İş Faktoring, which was launched in 2017, was made available to a larger population in 2019. This application, which allows companies in the microenterprise and SME segment to reach cash in a fast and reliable manner in a digital channel, and which is a first in the world factoring sector, added value to the İş brand.

Approximately 90% of the 101 thousand clients receiving service in the factoring sector in our country are companies of Micro/ SME scale. Thanks to supplier financing and the ÇekMatik product, İş Faktoring has succeeded in developing fast and effective solutions for companies operating in this segment.

Launching the receivables insurance product for the export receivables of its clients in countries where the correspondent-guaranteed export factoring product cannot be used effectively, our Company offers yet another ground-breaking product along with ÇekMatik. To support our country's efforts to increase exports through the guarantee services it offers, the Company enabled the sector to gain new clients thanks to this innovative product.

"Transfer of Letter of Guarantee", which İş Faktoring activated in cooperation with Türkiye İş Bankası, is another product which attracted attention in the scope of marketing activities, giving the companies the opportunity to transform their non-cash guarantees into cash loans.

Fast and effective solutions were developed for SMEs' needs arising from international transactions.

During the past year, İş Faktoring increased its marketing efforts targeted at international factoring transactions, export factoring, while further improving its processes in this area. During this period the Company mainly focused on SME and microenterprise clients, providing low-priced loans to companies that had trouble accessing low-cost financing to boost their competitiveness in international markets, and helping them in penetrating into new markets and clients.

Taking a win-win approach to customer relationships, İş Faktoring extended Türk Eximbank loans especially to exporters seeking low-cost financing. In 2019, the Company added new companies to the list of exporters in its portfolio.

On the other hand, export transactions carried out with a suitable fund obtained from correspondents in foreign transactions enabled İş Faktoring to distinguish itself positively from the sector. In 2019, the entire private fund supplied from the world's biggest development bank, IBRD (The International Bank for Reconstruction and Development) via the TSKB (Industrial Development Bank of Turkey), was lent to our exporter clients.

Treasury

The Treasury Department is responsible for providing the most appropriate solutions to meet the financing needs of İş Faktoring customers from its pool of low-cost financing sources in addition to managing the Company's cash flow. Thanks to its strong relationships with domestic and foreign banks, credit institutions and correspondent factoring companies abroad, İş Faktoring has access to various funding sources and the capability to eliminate financial risks.

Instant cooperation and communication are carried out with the Marketing Department within the scope of the Headquarters and Branch network; a pricing strategy is created that will facilitate sales opportunities and maximize customers' funding costs, taking into account the impact of market developments on customer demands and needs.

The Treasury Department also manages interest rate, foreign exchange and liquidity risks to maximize İş Faktoring's balance sheet net margin and protect the Company against market fluctuations. Aiming to achieve high returns, the Department closely monitors market fluctuations and economic developments, performs transactions on spot and derivatives markets by conducting analyses, as needed, monitors factoring receivables and the maturities of bank loan accounts to manage cash flow and liquidity risk. Through effective capital management, the Treasury Department improves asset quality in line with the Company's goals by using alternative investment channels, and contributes to overall profitability.

In 2019, the Treasury Department kept its borrowing costs at minimum, and generated solutions that are in line with İş Faktoring's financing needs. The number of banks with which the Company works was increased during the year, making it possible to fund at the lowest cost possible. In the upcoming period also, the company also plans to increase its efforts to finance foreign trade transactions, especially with banks located abroad.

The bond issue it started in 2014 significantly contributed to İş Faktoring's fund management in 2019 as well. Discounted bonds at a nominal value of TL 909 million were issued in total in 2019, and bonds with a nominal value of TL 1,499 million were redeemed during the year. Planning to continue its current strategy in the volatile interest and exchange rate environment also in 2020, İş Faktoring will continue to consider bond issuance among the priority transactions in the period ahead.



International Factoring and Correspondent Relations

İş Faktoring, a member of Factors Chain International (FCI) for 26 years, continued to support its exporter customers in 2019 with its wide correspondent network.

The competitive activities of the exporters in foreign markets were supported in two main areas.

The first of these was to provide intelligence and commercial decision-making support to exporters when they had export negotiations with a buyer that they did not know. In this way, exporters can both allocate a maturity to the buyer and safely engage in open-account exports with the buyer without creating an additional bureaucracy.

The other was to reach cost-effective foreign exchange funds for the exporters through financial institutions abroad, owing to the reputation of İş Group. The creation and maintenance of the funding is one of the concentration issues of the International Factoring and Correspondent Relations Department. In addition to the correspondents and banks that we currently work with, negotiations and contacts are constantly carried out in order to create new, cost-effective fund resources for our exporter customers, when needed.

The Department conduct the relations with Türk Exim Bank in order to offer the Turkish Exim Bank Rediscount Loan to exporters in 2019 and continued to provide technical support for our customers regarding the loan specifications.

In addition, the loan in the scope of the "World Bank Innovative Access to Finance Project", an important prestigious source for our country, was available to our customers via Industrial Development Bank of Turkey (TSKB). Within this framework, the allocation processes of the loans to exporters were coordinated with TSKB, and information and legislation support was provided to our customers.

One of İş Faktoring's competitive advantages and the strongest one is the customer-oriented approach. This is best reflected by the wide product range. Another is our effort to proactively and continuously raise the quality of service to improve in line with customers' needs even in respect of such issues where customers do not have any demands. Using the robotic process automation (RPA) that our company has invested in, CRM reporting that visibly improves the quality of service has been developed. Our Company has been proud when our customers expressed their satisfaction with these unsolicited reports which allowed them to follow up matters related to their buyers on an administrative basis.

The correspondent guaranteed export factoring is one of the products that our company attached utmost importance. The International Factoring and Correspondent Relations Department will give more weight to one-on-one meetings in 2020, as it does every year, to increase the existing good relations with the correspondents and to expand the correspondent network. One of the most important targets for 2020 is to investigate the prospect of cooperation in order to offer receivable guarantee service to our clients in geographies where Turkey has a potential in its increased exports, but no FCI correspondent exists yet.

On the other hand, İş Faktoring was ranked the 6th among 200 companies in the "Best Export Factoring Company" rating made every year by FCI. Only 12 companies in the world were awarded the "Excellent" rating received by our company. This achievement best reflects the dedication to the product by our Company, a subsidiary of Türkiye İş Bankası with 100% Turkish capital, which has no participation in any global finance group, as well as the profile of our competent employees who represent us before the correspondents and who have a good command of the legislation, and the positive perception that our company enjoys in the international arena.



Loans



Aiming at effectively managing the credit risk with the culture and perspective of İşbank Group with which it is affiliated, İş Faktoring Loan Department supports the sales activities in keeping with the Company's Credit Risk Policies.

During the loan allocation process, financial analyses works are conducted on the client and the creditworthiness of sellers and buyers is identified, and allocation decisions are made accordingly. In addition, the state of the sector, market conditions, economic/cyclical developments are regularly monitored by the Loan Department with a view to protecting the loan portfolio in line with the Company's targets by taking measurable risks.

The year 2019, particularly the first half, that we started under the influence of economic and cyclical developments experienced in 2018, was a period when loan supply declined as the risk appetite of the financial sector diminished, and the non-financial sector reduced its loan demand and companies entered a phase of shrinkage as a result of problems in receivables collection due to high interest rates, volatile exchange rates, increased concordat applications, and other reasons. However, with the recovery in economic indicators as well as expansionary credit policies implemented particularly after the second quarter, signs of recovery in the economy have started to be seen. In 2019, the risk monitoring activities, in which weight was given to the previous year, were continued and accordingly, the credit portfolio of our Company was reviewed based on quarterly financial data, and the necessary measures were taken with a proactive approach by monitoring the effects of economic developments and expectations on the balance sheets.

The "Balance-sheet Prediction Model" developed by the Loan Department helped us to evaluate companies with projected data taking account of both past and current conditions. Utilized in the scope of early warning activities, the model is also used as a decision support system in order to identify most effectively the right type of credit, credit term and collateralization principles for a company.

Assessing 5,840 loan applications in 2019, the Loan Department performed limit allocation at TL 11 billion.

Intelligence

While conducting its operations, the Intelligence Department considers reliable and rich data sources, the current market conditions that it monitors closely, and information such as sectoral developments and the economic cycle. The Department produces accurate, fast and reliable results, and works to constantly improve its research and development capabilities.

The department constantly improved its visionary, fast, efficient and reliable working structure in business processes through advanced digitalization activities and robotic processes in 2019, as in every year, and executed the inquiry of 70,000 transactions.

With its experienced staff and digital processes, the Department made a significant contribution to the Company's success and efficiency by identifying the problems in the economy and the market in a timely manner and taking the necessary measures.



How ÇekMatik Works?

ÇekMatik is introduced

Only your basic details (VKN / TCKN, Title, GSM) are entered and introduced to ÇekMatik

Check details are forwarded

With the QR code on the check to be processed, the term, amount, and other information are forwarded to ÇekMatik

The request is reviewed

ÇekMatik quickly evaluates your request

The result of the transaction is communicated

The result of the evaluation of your request is transmitted. If your transaction is approved, then you will be informed by ÇekMatik about the net balance payable to you

The document set is forwarded

Your customer representative contacts you to share the document set for the transaction

Your payment is made

After you deliver the necessary information/documents, your payment will be made after the necessary checks are conducted by the employees of İş Faktoring

The process is completed

It's so simple to carry out your transaction with ÇekMatik


İŞ FAKTORİNG
ÇekMatik

Operation

The objective of the Operations Department is to complete the checking and entry of domestic and foreign factoring procedures in a timely manner in accordance with legislation and regulatory arrangements as well as the Company's policies and procedures in coordination with the business units, and to contribute to the improvement of processes, when necessary, with an eye to our clients' interests.

The Department also follows the developments in the legislation and, if necessary, communicates information to the relevant departments, offers its opinion on the integration of any changes into the system, and leads in-house development efforts.

In 2019, the operation team, with its experienced staff, continued to specialize by improving itself to meet all kinds of operational needs related to all transactions, including diverse products of our Company.

Measuring the operational efficiency of our Company regularly, the Department has contributed to the "Robotic Process Automation" project, which was initiated at the end of 2018 to increase the service quality and efficiency of the Company, to use the workforce in more qualified tasks and to cut down operational costs in line with the emerging needs.

Changes were made in our processes for the purpose of increasing our transaction volumes and providing faster service to our customers by expanding the use of ÇekMatik, a product developed by our company within the scope of its digitalization efforts.



Risk Monitoring and Collection



The Risk Monitoring and Collection Department carries out studies for the early detection and management of risk with a view to identifying the firms which may become problematic beforehand, and makes attempts to complete collection by administrative means as well as carries out legal proceedings related to the companies for which administrative means have proved fruitless in an effective and expedient fashion.

In addition to the company-specific factors such as examining the financial structure and payment performances of the companies in the portfolio and invoice payors within the scope of monitoring activities the portfolio quality is monitored and necessary actions are taken by evaluating market and industry conditions and micro/macroeconomic developments as a whole. On the other hand, with the automatic decision support system activated in 2019 for the product ÇekMatik, different fraud attempts have become automatically detectable and reportable. In this way, necessary actions can be taken without taking any risks and/or in a very short time.

Regarding the non-performing / potentially non-performing receivables in the portfolio, administrative negotiations are in the first place held with the company and the invoice payor for closing the risk via payment of the debt in certain term and/or at a certain deadline, obtainment of additional collateral, execution of a new receivable assignment in which a company with strong financial structure becomes the payer, etc. For receivables for which means of collection via administrative do not exist or are extremely limited, It is legal proceedings are initiated.

The Company has 1 lawyer and 4 contracted law offices, and the performance of these law firms is monitored by the Risk Monitoring and Collection Department. By always staying in touch with our contracted law firms, the details of the companies are kept up-to-date.

The files not capable of collection, which were followed up in the Accounts to be Liquidated, were again transferred to Asset Management Companies in 2019 as in 2018.

The Risk Monitoring and Collection Department also responds to letters addressed to the Company by official bodies and third persons with respect to the debtors following the necessary research and notifies the concerned departments of the Company. In this context, decree laws and declarations of concordat are followed, and the necessary information is shared with the relevant official institutions without delay.

In 2019, the Risk Monitoring and Collection Department developed bots in the scope of robotic process efforts in order to reduce the operational workload in both monitoring and legal collection processes, thereby savings of approximately 1,600 minutes of workforce per month were achieved.

Information Technologies



Efforts to Comply with the Communiqué on Management and Inspection of Information Systems

The Communiqué on Management and Inspection of the Information Systems of Financial Leasing, Factoring and Finance Companies was published by the Banking Regulation and Supervision Agency in the Official Journal issue dated April 6, 2019. The purpose of the Communiqué is to determine the procedures and principles regarding the management of the information systems used by Financial Leasing, Factoring and Finance Companies in the performance of their activities covered by the Law and inspection by authorized independent audit institutions, and the Companies have to align their current activities and systems with the provisions of this Communiqué within one year as of its effective date. Comprehensive studies regarding compliance with the provisions of the communiqué were carried out within our company and a road map was identified for all the necessary issues. Our Company pays utmost attention to align with all articles within the specified period.

Robotic Process Automation

The Robotic Process Automation (RPA) is a new business process automation technology based on artificial intelligence and machine learning methods, and software which runs under certain rules by simulating routine transactions conducted by employees. With the RPA, which enables to provide services in a shorter time, without error and with the same standard, it is expected that a better customer experience will be achieved, and the operational risk will decrease in line with increased efficiency. More than a hundred robotic processes have been activated as a result of the Phase 1 studies of the Robotic Process Automation Project started in 2019 at our company, and the Phase 2 studies of the project are planned to be started in 2020.

Human Resources and Training

Human resource policies and practices were also aligned with the conditions of the time in 2019 when risk monitoring perception was high, and savings measures were taken. It was a period in which the efficiency of the workforce was identified as a top priority by trying to retain the current staff as much as possible, and we paid more attention to the proper use of our resources. Human resources practices were also continued, taking into consideration the needs and motivations of our employees.

Without stepping back from the vision of being a company that satisfies its employees and stakeholders and acting upon a human resource vision aligned with the corporate culture of the İş brand, we have been working to attract qualified labor force to our company by using modern human resources systems, to adopt a culture that raises the managers of the future internally, does not compromise ethical principles, acquired behaviors and data-based decisions, and to become an organization where sustainable success maps are drawn.

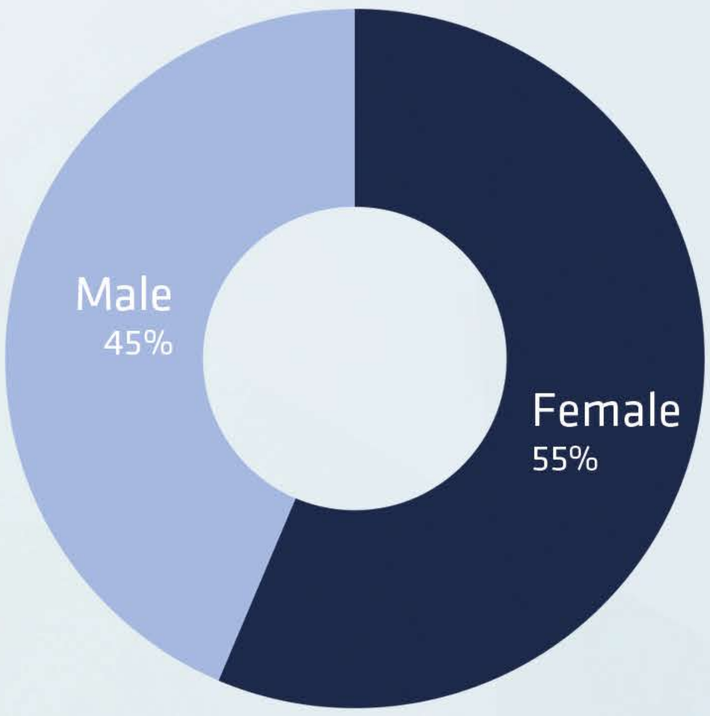
Efforts were used to increase the efficiency of our existing staff by adhering to the concept of efficiency that especially stood out in 2019, and it was aimed to close human resource deficits that occurred due to various reasons with internal resources by assigning appropriate personnel to the appropriate place where his or her experience and knowledge are needed. Thus, opportunities were created for our employees to use their experiences in different departments and to experience new business processes.

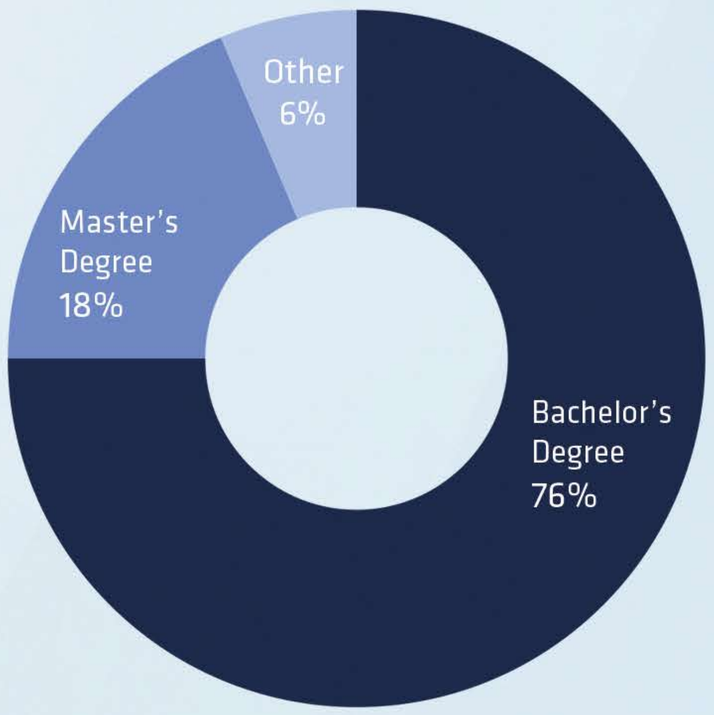
İş Faktoring owes the reliable position maintained in its own sector and the ever-increasing competitiveness, to its human resource which attaches importance to the added value they create and stand out with the competencies they possess. Operational efficiency has always been a priority in creating human resources systems that are believed to shape the future, and organizational structuring has been implemented where necessary in line with this target.

HUMAN RESOURCES PRACTICES IN 2019

Trying to renew its processes gradually, İş Faktoring, continues also this year to implement the target-based performance evaluation system that it started last year, and improve its processes and to build integrated processes in order to increase objectivity and make the evaluation results a meaningful input to other human resources practices, and transform them into benefits. This is exemplified by the preparation of development assessment studies aimed at planning training and development activities related to employees subsequent to performance evaluations, envisaging training activities for the individual by drawing a personal development path from the beginning of the year, and using the budget accordingly.



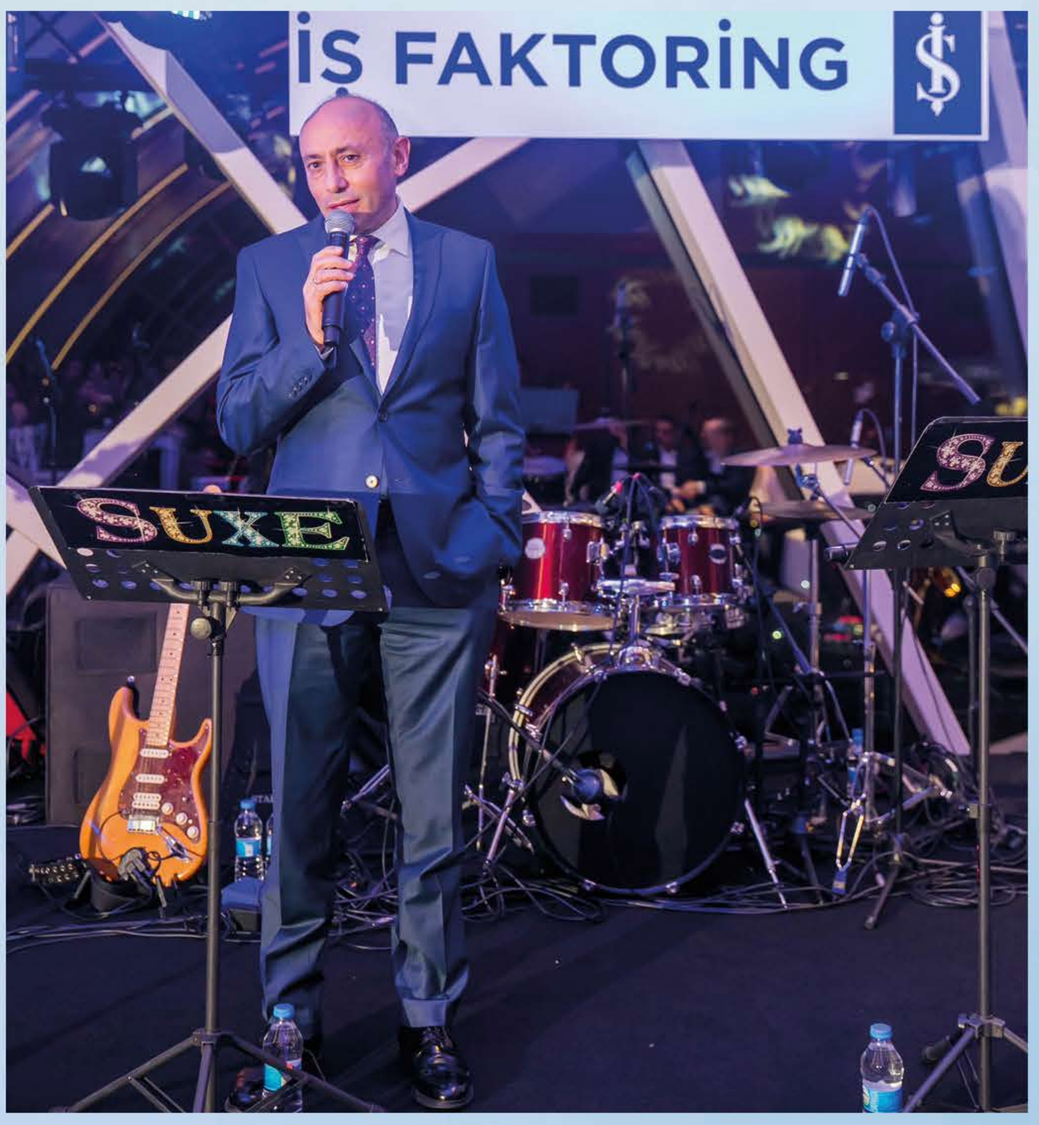




İş Faktoring gave more weight to technology trainings in 2019, and henceforth, will continue to support its employees' development through technical and personal development trainings, conducting process analyses to increase efficiency. When making training plans, high efficiency and success are targeted, giving priority to the principle of justice. For this reason, various sources are examined under İş Faktoring training plans in order that the employees are informed about and acquaint themselves with the innovations and developments in the sector to the greatest extent. The Association of Financial Institutions and The Bank's Association of Turkey are the sources where we get the most support from in terms of training.

We were happy to inform our Bank's employees in our field by providing factoring trainings within the scope of Sub Manager Development Programs held again in cooperation with our Bank this year.





SOCIAL ACTIVITIES

With its social activity efforts, İş Faktoring prioritizes the motivation and satisfaction of the employees, with a view to strengthening loyalty to the company with social activities and interdepartmental interaction.

During the Company Breakfast that we organized in November 2019, we had a nice time during which all our employees come together and listened to the fun and nice presentation of Mr. Mehmet Auf where he showed instances of business and private life, and motivations that might trigger positive changes in our lives, and we also listened to his speech that contained messages from our General Manager.

All colleagues who attended the New Year's party organized in December had a nice night during which they left behind a tiring year and left themselves to the charm of the music band and entertainment with good hopes and expectations for the new year.



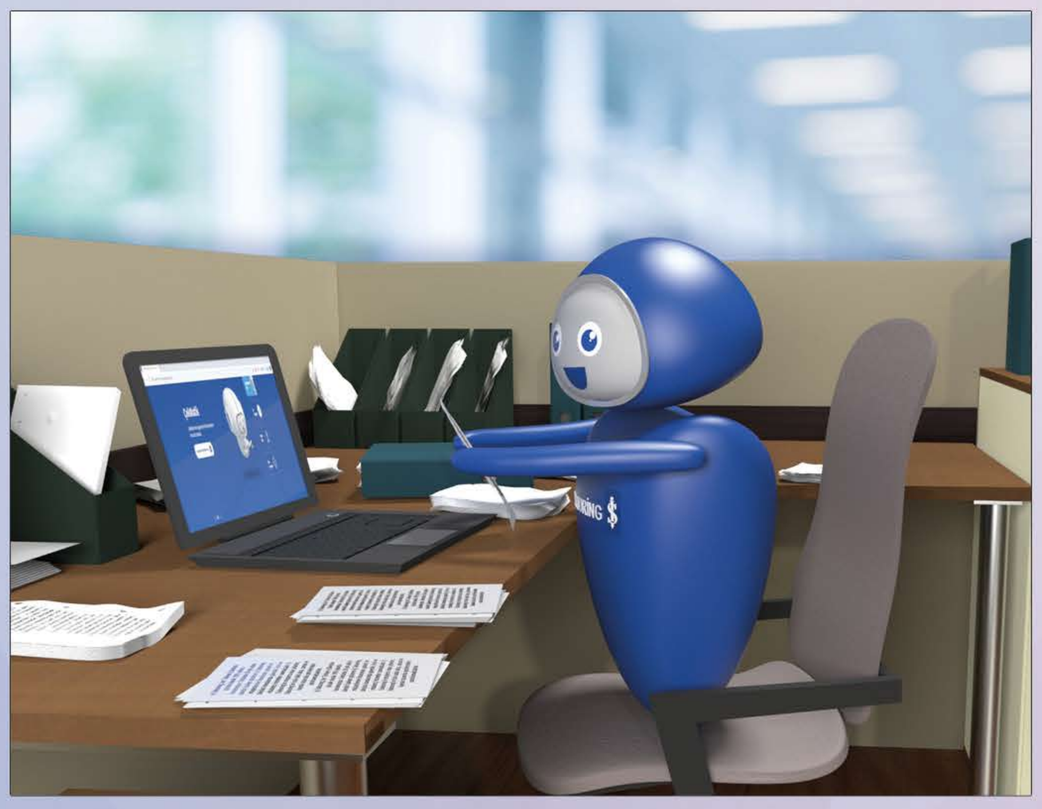
ENVIRONMENTALLY SENSITIVE PRACTICES

Considering that the biggest global risk in the world are climate crisis and environmental risks; we wished to take measures for our planet, to the extent that we could, by dedicating 2019 to drawing attention to environmental events and the dangers that climate change will pose for the future and human beings. For a sustainable life, we, as a company, took some small steps within the framework of our corporate communication activities.

We continued to separate our waste. For our 2020 calendar concept, we prepared contents recommending economic use of water, reduction of paper consumption, increasing efficiency, protecting forests, making more use of solar energy as a source of energy without harmful smoke, gas, carbon monoxide, and radiation emissions, recycling and re-use of waste, reducing energy consumption by developing electronic instruments yielding high efficiency with low energy, reducing carbon monoxide production by decreasing driving time. By again producing our 2020 diary with recycled substances. we again wished to draw the attention of our employees and clients to environmental protection. To take firmer steps, we donated 10 saplings per employee, i.e. 1,140 saplings in total, to TEMA Foundation to be planted in the Çorum Kızılcakışla Forest. Thereby, we wished to take a step toward sustainability of our forests which have to exist for us to survive.

WE HAVE ROBOT COLLEAGUES

By continuing to use the Robotic Process Automation in human resource processes, we delegated voluminous and repeatable tasks to robots which combined the use of artificial intelligence and software as in other digital products developed before, and thereby directed our workforce to tasks that could bring more benefits.




Türkiye İş Bankası
k 1993 yılında
törde 20 yılı aşkın
steren İş Faktoring,
nsman, garanti ve
güvenilir, hızlı ve
r sunmaktadır. İş
isi olan şirketler,
it akışı, zaman ve
getirilerinden
tadırlar.
rkiye İş Bankası
993 yılında
de 20 yılı aşkın
İş Faktoring,
ranti ve
zlı ve
ÇekMatik
ÇekMatik mobil uygulaması ile faturalı çekinize
hızlı nakit cebinizde.
LANSMAN VERSİYONU İLE!

Having well adapted to its job in our company, our robot is working on checks, reports, etc. at full speed.



Our Targets and Projects for the Year 2020

MARKETING

Our priority in 2020 is growth with our companies in the SME segment. Marketing and sales planning to be carried out in line with the growth strategy of our company will continue without slowing down in order to serve more customers in 2020. The focus of marketing activities planned according to customer needs will be easier and faster access to cash by SMEs in 2020.

Expanding the base by increasing the use of "ÇekMatik, a product that our company developed in the recent years in order to procure faster access to cash by SMEs, is among our basic targets for 2020. We will demonstrate the ability of our specialized marketing teams to produce solutions on a case by case basis also in 2020 by considering the needs and experiences of our clients as the most important data. With this approach, we will continue to contribute to economic activity by combining our know-how in receivable management and trade finance and the expertise of İş Bankası with the wide customer network and the joint projects to be activated.

TREASURY

In 2020, İş Faktoring will continue to its existence in the market subject to global economic risks and domestic political developments and carry on funding its clients in a sound and sustainable manner by attaching importance to asset quality through an effective risk management. To achieve this aim, the Treasury Department will continue to take timely and effective measures to meet the financing needs of İş Faktoring.

The target of the Department that observes financial markets closely is to increase the Company's profitability. In this framework, in 2020 too, the Treasury Department plans to give priority to the issue of financing bonds in order to diversify its funding sources and reduce borrowing costs.

INTERNATIONAL FACTORING AND CORRESPONDENT RELATIONS

İş Faktoring offers receivable guarantee and cash collection service through our extensive correspondent network to our exporter customers who wish to guarantee sales abroad by 100% and to make a collection prior to maturity. We will be able to offer fund and collection security to more exporters in 2020 with our product by which we prepare buyer limits in a short period of time and place 100% of customer receivables under İş Faktoring's assurance with the support of our competent and experienced team. It will again be among our priorities to extend the affordable resources that we supplied from correspondents and Türk Exim Bank to more customers under export factoring.

LOANS

İş Faktoring Credit Department will continue its system development efforts with a view to concluding the entire process from credit allocation to collection without compromise on the quality of the credit portfolio quickly and effectively in accordance with the general lending principles, and taking the actions required by the cyclical developments in a timely manner. In this context, the aim is to develop robotic processes by focusing on system infrastructure efforts, to increase efficiency and improve effective risk management.

INTELLIGENCE

Acting in accordance with the strong and reliable foundation of the "İŞ" brand, İş Faktoring's Intelligence Department aims to maximize speed and efficiency rate by minimizing fault rate through increasing Automatic Decision Support System and business volume in robotic processes currently used to raise customer satisfaction, by closely monitoring the country/world economy and current market data within the framework of regulatory arrangements and Group/Company policies.

OPERATION

The Operation Department will continue to work towards achieving the highest level of efficiency by managing the Company's customer portfolio and operational processes in the best possible way with a customer-oriented approach. In this sense, the Department which will continue harmonization of new practices and workflows with the system in 2020 plans developments and changes to meet both infrastructure and system solution needs to cover in particular overseas operational transactions.

RISK MONITORING AND COLLECTION

The Risk Monitoring and Collection Department aims to maintain financial strength by following the Company's risk in the framework of economic conditions, risk appetite and corporate practices in 2020. In this context, the Department will continue to demonstrate an understanding focused on increasing the Company's profitability through ensuring collection via administrative means by managing an effective negotiation process with non-performing companies as well as with potential non-performing companies. Through the projects to be carried out in house and with business partners, developments aimed at robotic processes as well as detection of various fraud attempts will be continued. In this way, it is planned to automate the early detection and elimination of risk processes and to use the workforce more effectively.

INFORMATION TECHNOLOGIES

Efforts will be continued to align with the provisions of the "Communiqué on Management and Inspection of the Information Systems of Financial Leasing, Factoring and Finance Companies" published by the Banking Regulation and Supervision Agency. On the other hand, the development of the Automatic Decision Support System used in our company, and our efforts in the field of Robotic Process Automation will continue in 2020.

HUMAN RESOURCES and TRAINING

İş Faktoring has shaped its 2020 targets for the purpose of creating effective human resources policies. In this context, the Company aims to continue its efforts to ensure that its employees achieve their goals both in their professional and social lives with high motivation, coordination and efficiency.

Efforts will be carried out to achieve a more measurable target-based performance evaluation system, the foundations of which have been laid in 2019, to ensure that the system yields clear results, and all our employees will be involved in the efforts. This way, it is expected to switch to a performance assessment process increasing efficiency and service quality, under which Company and personal targets are objectified, and corrective steps are taken, and the process is anticipated to serve as a basis for other systems that may be established in the future when needs arise.

We aim to continue the training and development activities, which have been slightly reduced in 2019, more actively by determining and calibrating areas for improvement of our employees either themselves or by their managers, and to organize improvement programs to help employees get the job done in a more quality manner and to prepare themselves for positions and tasks.

Board of Directors



Mehmet ŞENCAN
Chairman of the Board of Directors

Mr. Mehmet Şencan, born in 1964, is a graduate of the Business Engineering Department of Istanbul Technical University. When he was a clerk at Galata Branch of Türkiye İş Bankası A.Ş. where he first took office in 1988, he became an Assistant Inspector at the Inspection Board in 1989. When he was a IVth Class Inspector, he was appointed Assistant Manager of Bursa Branch in 1997. Having taken office as Manager of Antakya, Gebze, Denizli and Bursa Branches respectively, Mr. Şencan was appointed Bursa Corporate Branch Manager in 2007, Capital Corporate Branch Manager in 2011, and Kozyatağı Corporate Branch Manager in 2016. He was appointed as Assistant General Manager of Türkiye İş Bankası A.Ş. on April 27, 2017. Mr. Mehmet Şencan, who started working as the General Manager of Anadolu Anonim Türk Sigorta Şirketi as of September 1, 2019, still continues this duty.



U. Şafak ÖĞÜN
Vice-Chairman of the Board of Directors

Mr. Şafak Öğün was born in 1974 and graduated from the Department of Business Administration of Bilkent University, and then earned his Master's degree in International Banking and Finance from the University of Birmingham. From 1995 to 2005, Mr. Öğün served as Inspector at Türkiye İş Bankası A.Ş., and then he took office as Assistant Manager of Corporate Marketing (2005-2007), Deputy President of Inspection Board (2007-2008), Manager of Corporate Banking Sales Department (2008-2009), and Manager of Corporate Banking Marketing and Sales Department (2009-2016) respectively. Appointed Manager of Güneşli Corporate Branch of Türkiye İş Bankası A.Ş. in 2016, Mr. Öğün still holds this position.



Nurlan EROL
Member of the Board of Directors

Born in 1973, Ms. Nurlan Erol was graduated from the Department of Economics in English of the Faculty of Economics of Istanbul University in 1994. She then earned her Master's degree in Banking from Marmara University. After embarking her career as a Financial Analyst at Yapı ve Kredi Bankası in 1994, Ms. Erol joined Türkiye Sınai Kalkınma Bankası A.Ş. in 1995. Having held various positions in the Financial Analysis, Corporate Marketing, Loans, Project Finance and Loan Monitoring Departments, respectively, Ms. Erol has been serving as Loans Manager since January 2017.



Necati ÇAĞLAR
Member of the Board of Directors

Mr. Necati Çağlar was born in 1974 and graduated from the Department of Public Finance of the Faculty of Political Sciences of Ankara University. He began his career on January 1, 1997 at the Inspection Board of Türkiye İş Bankası A.Ş. When he was a IVth Class Inspector, Mr. Çağlar was appointed Assistant Manager of Istanbul IV. Regional Directorate on August 26, 2005; Assistant Manager of Istanbul Maltepe Region of the Commercial Loans Department on August 27, 2007; Manager of Kuruköprü Branch on May 21, 2008; Manager of Kocaeli Region of the SME Loans Allocation Department on August 25, 2009; and Manager of Bayrampaşa Region of the SME Loans Allocation Department on December 27, 2012. Mr. Çağlar has been serving as Manager of the SME Loans Allocation Department since February 26, 2016.



İ. Volkan ERGAN
Member of the Board of Directors

Mr. İbrahim Volkan Ergan was born in 1971 and graduated from the Department of Business Administration of the Faculty of Economics and Administrative Sciences of Gazi University in 1994. Having started his career in 1992 as a Clerk at Yenişehir Branch of Türkiye İş Bankası A.Ş., Mr. Ergan took office in Ankara Regional Directorate of the Intelligence and Financial Analysis Department between 1997-2008. He served as Regional Manager of Ankara Regional Directorate of the Retail Loans Monitoring and Collection Department from December 2008 to September 2014 and as Manager of İskenderun Commercial Branch from September 2014 to February 2016, and then he was appointed Manager of the Retail Loans Monitoring and Collection Department on February 26, 2016.



Ethem ELİAÇIK
Member of the Board of Directors

Born in 1972, Mr. Ethem Eliaçık was graduated from the Marmara University Faculty of Economics and Administrative Sciences, Department of International Relations in 1994. Having started his career as a clerk at Şişli Branch of Türkiye İş Bankası A.Ş. the same year, Mr. Eliaçık served as Assistant Specialist and Specialist at Güneşli Branch, the Retail Banking Marketing Deposits Department and the Corporate Marketing Department between 1996-2004, after which he was appointed Assistant Manager of Trakya Regional Directorate. Promoted to Unit Manager in the Commercial Banking Sales Department in 2007, Mr. Eliaçık was appointed Manager of the Hadımköy Commercial Branch in 2011, and Unit Manager at the SME and Enterprise Banking Sales Department in 2015, after which was appointed Department Manager of the Commercial Banking Marketing Department on April 27, 2017.



Özge KÜLLAH KURTULUŞ
Member of the Board of Directors

Ms. Özge Küllah Kurtuluş, in 1978, graduated from ODTÜ Faculty of Economics and Administrative Sciences, Department of Political Science and Public Administration in 2000, and then completed her master's degree in Marketing Communication Management at Galatasaray University. Kurtuluş, who started to work as an assistant expert in T. İş Bankası 1st Loans Department in 2000, is still serving as the Unit Manager in T. İş Bankası Corporate Loans Allocation Department.



Doruk YURTKURAN
Member of the Board of Directors

Born in 1980, Mr. Doruk Yurtkuran was graduated from the Department of Business Administration of the Middle East Technical University in 2002 and in 2003 he embarked his career as Assistant Inspector at Türkiye İş Bankası A.Ş. Following his service of a total of nine years at the Inspection Board of Türkiye İş Bankası A.Ş., he was appointed Assistant Manager of the Subsidiaries Department of Türkiye İş Bankası A.Ş. in 2012. Currently serving as Assistant Manager of the Subsidiaries Department, Mr. Yurtkuran is also a Member of the Board in İş Finansal Kiralama A.Ş., Topkapı Yatırım Holding A.Ş. and JSC İŞBANK.

Board of Directors



Ömer KARAKUŞ
Member of the Board and General Manager

For biographical information, please see page 57.

Senior Management



Ömer KARAKUŞ
General Manager

Born in 1965 in Gümüşhane, Ömer Karakuş was graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences of Gazi University. Mr. Karakuş, who started to work as an Assistant Inspector in the Board of Inspectors of Türkiye İş Bankası A.Ş. in 1989, was appointed Assistant Manager of the Accounting Department in 1998 and Department Manager in 2005. Mr. Karakuş, who served as Branch Manager of Yenişehir / Ankara Branch in 2007, Manager of Human Resources Management Department in 2008 and as Chairman of the Board of Inspectors in 2016, was appointed Assistant General Manager on April 27, 2017. Appointed General Manager of our Company on August 26, 2019, Mr. Ömer Karakuş still holds this position and also serves as a Board Member of our Company.



Hüseyin ÇALIŞKAN
Assistant General Manager

Mr. Hüseyin Çalışkan was born in 1971 and graduated from the Department of Business Administration of the Middle East Technical University in 1993. The same year, Mr. Çalışkan started his career as Assistant Inspector at the Inspection Board of Türkiye İş Bankası A.Ş. After he served as Assistant Manager of the Commercial Loans Allocation Department between 2002 and 2007 and Unit Manager of the SME Loans Allocation Department between 2007 and 2013, Mr. Çalışkan was appointed Assistant General Manager in our Company on 02.05.2013 and still holds this position.



Ahmet Z. KALYONCU
Assistant General Manager

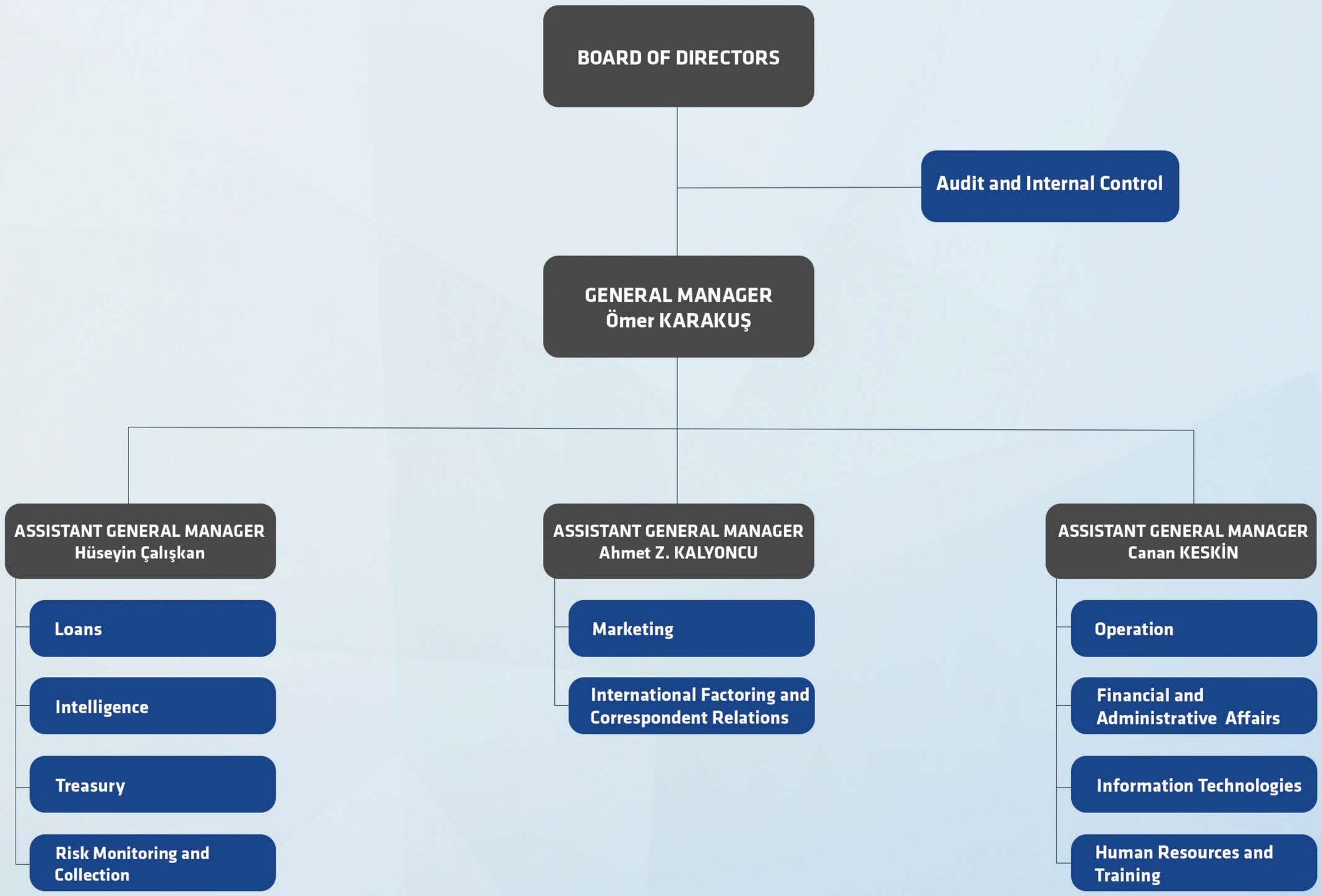
Born in 1974, Mr. Ahmet Zafer Kalyoncu was graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1999. Kalyoncu, who, the same year, started as Assistant Inspector at Türkiye İş Bankası A.Ş. Loans Department Number II, worked as Assistant Specialist and Specialist between 1999 and 2009 at Loans Department Number II, Taksim Branch and Kozyatağı Corporate Branch, respectively. Mr. Kalyoncu was appointed as the Deputy Manager of the Gebze Corporate Branch in 2009 and then promoted to the Unit Manager position in the Commercial Banking Sales Department in 2016 and was finally appointed as the Assistant General Manager of İş Faktoring A.Ş. on 29 June 2018.



Canan KESKİN
Assistant General Manager

Ms. Canan Keskin was born in 1976 and graduated from the Department of Economics in English of the Faculty of Economics and Administrative Sciences of Marmara University in 1998, and earned her Master's degree in Economics from Guelph University in Canada. Having started her banking career as Assistant Inspector at the Inspection Board of Türk Dış Ticaret Bankası A.Ş. (Fortis Bank A.Ş.) in 2000, Ms. Keskin served as Credit Rating Manager at the Credits Group of the same bank between 2006-2007, Unit Manager of the Corporate and Commercial Loans Monitoring, Administrative Proceedings and Legal Proceedings Department between 2007-2009, and Director at the same department between 2009-2011. After working as Corporate Loans Monitoring Department Manager at Türk Ekonomi Bankası A.Ş between February 2011-December 2011, she started as Operations Manager at our Company in December 2011, and was appointed Executive Director on April 1, 2017, and finally, Assistant General Manager on January 1, 2020.

Organization Chart



Risk Management and Internal Control

RISK MANAGEMENT POLICIES

Risk policies are general standards which include the organization and scope of the risk management function. Is Faktoring places great importance on risk management systems and processes that are aligned with the scope, volume and complexity of the Company's operations; and implementation of risk policies aimed at identifying, measuring, managing and reporting risks that arise from the Company's activities across the entire organization.

CREDIT RISK

Credit risk is the risk of financial loss by the Company arising from the failure of a party to a financial instrument to meet a contractual obligation. The Company aims to work with parties that have appropriate credit ratings and strives to decrease credit risk by obtaining adequate guarantee where possible. Credit risks to which the Company is subject, and customers' credit levels are continuously monitored. Credit risk is also controlled through internal restrictions which were defined for the customers by the Board of Directors.

Factoring receivables cover a large number of customers in various sectors. The active loan portfolio is continuously scanned via organized business processes and early detection mechanisms are conducted for the possible problems.

Developments were made to enable company analyses with a significant variety of data within the lending processes.

LIQUIDITY RISK

The managing bodies of our Company formed a liquidity risk management strategy according to short-, mid- and long-term funding and liquidity requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturities and amounts of financial assets and liabilities and maintaining adequate reserve borrowing facilities.

On the other hand, several banks established loan limits for the Company after continuous negotiations with domestic and international creditor institutions to ensure the continuation of our operations at times of liquidity crunch.

As a result of work aimed at creating alternative funding sources, finance bonds are also issued.

Cash and cash equivalents of our Company are assigned high credit ratings by prestigious credit rating organizations and kept in banks which are allocated limits 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. The market risks encountered by the Company are measured according to susceptibility analyses.

Our Company, which shows ultimate attention to provide funds that are in the same currency as those of loans, adopts not carrying a short position as a principle policy. The Company does not have any speculative financial instruments (which also include financial instruments in the nature of derivative products) nor any activity related to trading of such instruments.

No changes took place in the market risk to which our Company is subject, in our method of handling the risks, or in our method of measuring the risks in 2019 compared to the previous year.

OPERATIONAL RISK

Operational risks are defined as the risks caused by operational mistakes which the company experiences while continuing its operations. In order to minimize operational errors during operations, regular training sessions are provided to employees, amendments in the regulations and various situations which occur during implementation are clearly explained, and utmost attention is shown to assigning different people as operators and makers/checkers.

AUDIT AND INTERNAL CONTROL ACTIVITIES

Reviews conducted by the Audit and Internal Control Department are classified in two main categories - transaction and process audits. Examinations are carried out on samples, which were chosen from finance, guarantee and collection activities, and any problems that were detected were shared with the concerned units for appropriate action. During the process audits it was assessed whether the control systems on the process being audited works sufficiently and efficiently, and proposals were submitted to decrease the risk exposure of the process. Root cause analyses were carried out as much as possible for the problems detected during audits, and efforts were carried out for defining controls which will prevent the repetition of the problem by examining underlying reasons. Within this scope, the transactions and processes of the Risk Monitoring and Collection, Operations, Marketing, Credit, Information Technologies, Treasury, Financial and Administrative Affairs departments, and Adana, Bursa, İzmir and Güneşli Branches were audited in 2019.

Declaration by the Committee Responsible for the Internal Control System

İŞ FAKTORİNG A.Ş. COMMITTEE IN CHARGE OF AUDIT

Resolution No : 2020/3
Resolution Date : 29/01/2020
Meeting Time : 16:00

SUBJECT: Declaration by the Committee Responsible for the Internal Control System

The internal audit system of our Company is structured and managed in order to carry out operations efficiently and productively in accordance with the Law and applicable legislation, the corporate principles and customs, and to provide timely information. The Board of Directors authorized the Audit Committee for the supervision and evaluation of internal control activities.

The Audit Committee periodically assesses the effect of the internal control system through the internal audit and control reports prepared by the Audit and Internal Control Department, and shares these reports with the Board of Directors, along with any action required. The assessments made on the results of the audit and control activities conducted in 2019 revealed no control deficiencies likely to prevent effective, reliable and continuous performance of the activities regarding the business processes.

The fact that an effective and adequate internal control mechanism compatible with our Company's operational structure is maintained will be monitored again through the Audit Committee in 2020.

Doruk YURTKURAN
Member of the Audit Committee

Uygar Şafak ÖĞÜN
Member of the Audit Committee

Mehmet ŞENCAN
Chairman of the Audit Committee

COMMITTEE IN CHARGE OF AUDIT

The Audit Committee is responsible for 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 applicable regulations, company policies, laws and customs, and that the information is acquired in a timely manner.

The Audit Committee, which consists of three members, is chaired by Mr. Mehmet Şencan, the Chairman of the Board of Directors of the Company. The other members of the Committee are Mr. Uygar Şafak Öğün and Mr. Doruk Yurtkuran.

In 2019, the Audit Committee convened 10 times and adopted 10 resolutions. The Committee made examinations and evaluations on the following subjects at its meetings;

• Approval of Year 2019 Audit and Internal Control Plan

• Evaluation of the Compliance, Risk, Audit and Internal Control Reports prepared quarterly and deciding to submit the said reports to the Board of Directors,

• Making an evaluation and declaration that an effective and sufficient internal control environment compatible with the Company's activity structure has been established in the sope of the audit and internal control activities carried out in 2018,

• Evaluating the 2018 Internal Control System Self-Assessment Statement (COSO) and deciding to submit the report to the Board of Directors.

EARLY RISK DETECTION COMMITTEE

The 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.

The members of the Committee are Mr. Uygar Şafak Öğün, Mr. Necati Çağlar and Mr. Doruk Yurtkuran.

CREDIT COMMITTEE

The Credit Committee is responsible for examining the loan proposals that fall within the scope of its loan allocation authorization limits, which are specified as part of the Company's credit risk policy. The Credit Committee is chaired by Company Chairman of the Board Mr. Mehmet Şencan, and the other Committee members are Mr. Ömer Karakuş and Mr. Necati Çağlar.

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

ASSETS & LIABILITIES COMMITTEE

The Assets and Liabilities Committee determines principles and implementation methods in order to enable optimum management of the Company balance sheet by observing the balance between risk-capital-profitability in line with financial policies and strategies.

The Committee operates on the basis of meetings. Directed by the General Manager, the Committee meets at least once every two weeks with the participation of the Assistant General Managers, and officials from the Treasury, Marketing, International Factoring and Correspondent Relations, Loans, Intelligence, and Risk Monitoring and Collection Departments.

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

The meeting agenda of the Committee includes economic forecasts in domestic and international markets, predictions and assessments on the progress of risk factors for funding costs and possible funding requirements, evaluations of the liquidity position, and operation results of the previous period.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee consists of the Company General Manager, Assistant General Managers, and the Human Resources and Training Manager.

The Committee oversees employees' responsibilities, obligations, duties, rights, job assignments and promotions, compensation and social benefits.

The Human Resources Committee makes decisions on employment, reassignment in the Company, assignment and promotion, and salary and financial support for Director and lower positions.

The content and organization principles of the Performance Evaluation Form is defined and announced by the Human Resources Committee during the performance periods. Employee participation fees to private certificate programs and/or exams under the conditions defined by the Company may be paid by the Company upon the decision of the Human Resources Committee.

Ideas of employees which support profitability, time-savings, improvement of work quality or operations, submitted to the Human Resources and Training Department, are evaluated by the Human Resources Committee. If an idea is found to be appropriate and is implemented, the employee may be rewarded. The Human Resources Committee decides on the presentation of an award, and its details.

TRAINING COMMITTEE

The Training Committee has been established in order to gather and evaluate training requests of the employees with the participation of one representative from each department. The Training Committee meets at least twice a year. The training agendas are organized by evaluating training requests, which are submitted for the individual and technical development of the employees and researching training companies. Training organizations are carried out according to the plan that emerges.

PRODUCT COMMITTEE

The Committee has been established 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, to conduct examinations in all aspects for the suitability of the product in terms of legislation and operational process and provide approval for the maturation and implementation of the product by Committee members. The Product Committee consists of the Managers of the Operations Department, International Factoring and Correspondent Relations Department, Accounting and Administrative Affairs Department, and Audit and Internal Control Department, and Assistant General Managers.

INFORMATION TECHNOLOGIES COMMITTEE

The Committee is responsible for evaluating purchases required in the field of information technologies, and for reviewing system and security issues related to the information technologies function. The Committee consists of the Company General Manager, Assistant General Managers, and the Manager of the Information Technologies Department.

OPERATION COMMITTEE

This Committee is responsible for the periodical assessment of our Company's operational efficiency. The Committee consists of the Company General Manager, Assistant General Managers, and Manager of the Operations Department, Directors of the Marketing Department, and Manager of the Information Technologies Department.

PERSONAL DATA PROTECTION COMMITTEE

The Personal Data Protection Committee is responsible for determining the manner of application and conditions for the processing, storage and destruction of personal data within the scope of the integration process of the Law on the Protection of Personal Data No. 6698 (PDP Law), and taking and supervising the necessary administrative and technical measures. The Committee consists of the Company General Manager, Assistant General Managers, and the Manager of the Information Technologies Department.

Agenda of the General Assembly Meeting

İŞ FAKTORİNG A.Ş.
2019 Ordinary General Assembly Meeting
March 23, 2020, Monday. Head Office, 14:00 hrs.

1. Opening and election of the Presiding Committee,
2. Reading and discussion of the Board of Directors Annual Report for 2019, and of the Independent External Auditing Reports,
3. Presentation, discussion and approval of the independent audited balance sheet and profit/loss accounts for 2019 accounting period,
4. Submitting the new Board Members appointed to fill vacated positions during the year for approval,
5. Release of the Members of the Board,
6. Electing Board Members and determining their terms of office,
7. Discussing and resolving upon the Board of Directors' profit distribution proposal,
8. Discussing and deciding on the deduction of accumulated losses of the Company by transferring them to the extraordinary reserve fund account,
9. Acceptance, amendment or rejection of the proposal to increase the paid-in capital of the Company from TL 63,500,000 to TL 150,000,000, of which TL 86.500.000 is to be covered from extraordinary reserves, and in this context, discussion and resolving on the amendment of article 6 of the Articles of Association of the Company entitled "Capital",
10. Election of the Independent Auditor,
11. Establishing the remunerations of Members of the Board of Directors,
12. Empowering the members of the Board pursuant to Article 395 and 396 of the Turkish Commercial Code,
13. Wishes and expectations.

Profit Distribution Policy and Proposal

DISTRIBUTION OF PROFIT FOR THE PERIOD (TL)

Year 2019

1. Profit (Loss) for the Period	(30.303.801)
2. Taxes Payable and Legal Obligations	6.956.045
Corporation Tax	(0)
Deferred tax effect	6.956.045
PROFIT / (LOSS) FOR THE PERIOD	**(23.347.756)**
3. Accumulated Losses	(31.364.971)
NET PROFIT SERVING AS A BASIS FOR LEGAL RESERVE ALLOCATION	**-**
4. Primary Legal Reserve Fund	-
DISTRIBUTABLE NET PROFIT FOR THE PERIOD	**-**
5. First Dividend To Shareholders	-
6. Dividends to the Board of Directors	-
7. Second Dividend to Shareholders	-
8. Secondary Legal Reserve Fund	-
9. Extraordinary Reserves	-
10. Retained Earnings	-

PRINCIPLES OF OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors convenes at such frequency that will enable it to perform its duties effectively. The agenda of the Board of Directors is prepared by the Chairman of the Board of Directors, taking account of the suggestions of other members and the General Manager. Documents and information related to matters in the agenda of the Board of directors are submitted for the review of the members for a reasonable period of time prior to the meeting. In 2019, a total of 2 Board meetings were held in May and November.

EXTRAORDINARY GENERAL ASSEMBLY MEETINGS HELD DURING THE YEAR

No Extraordinary General Assembly Meeting was held in 2019.

BENEFITS GRANTED TO BOARD MEMBERS AND SENIOR EXECUTIVES

Senior Management, which consists of members of the Board of Directors, the General Director and the Deputy General Directors, was provided with salary and other financial rights in the amount of TL 4,619 thousand during 2019.
No bank loans were given to members of the Board of Directors and senior managers in FY 2019.

INFORMATION ON DIRECT OR INDIRECT AFFILIATES, AND THEIR SHAREHOLDING RATIOS

Name of Investment	Main Operation	Place of Incor. and Operations	Voting Power(%)	Participation Rate(%) 2019	2018	Registered Value 2019	2018
TRADED ON THE EXCHANGE							
İş Yatırım Menkul Değerler A.Ş.	Investments and Securities Services	İstanbul	2,43	2,43	2,43	39.480	17.780
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Venture Capital	İstanbul	0,89	0,89	0,89	2.594	1.337
NOT TRADED ON THE EXCHANGE							
Yatırım Finansman Menkul Değerler A.Ş.	Investments and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elek. Bilgi Üret. Dağ Tic. ve İlet. Hiz. A.Ş.	Infor. Commun. and Tech. Services	İstanbul	1,00	1,00	1,00	686	686
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	5,00	5,00	2.000	2.000
TOTAL						**44.799**	**21.842**

INFORMATION ON SHARES ACQUIRED

No treasury shares were acquired by the Company during the operating year.

REMARKS CONCERNING PRIVATE AND PUBLIC AUDITS CONDUCTED DURING THE YEAR

The Company has not been subject to any public audit in 2019. During 2019 accounting period, Güney Bağımsız Denetim ve Serbest Muhasebesi Mali Müşavirlik A.Ş. performed a limited independent audit in the interim period and an independent audit of the Company at the end of the year.

INFORMATION ON LAWSUITS BROUGHT AGAINST İŞ FAKTORİNG A.Ş., AND THEIR POSSIBLE RESULTS

No lawsuits were brought against the Company in 2019, which might affect its financial position and operations.

ADMINISTRATIVE AND JUDICIAL SANCTIONS IMPOSED ON İŞ FAKTORİNG A.Ş. AND MEMBERS OF ITS EXECUTIVE BODY

The Company is obliged to comply with legislation regarding the BRSA and other legal corporations and institutions to which it is subject. The Company internally develops policies and procedures to ensure compliance with the provisions of the laws and other legislation to which it is subject and is careful to comply with these.

Compliance with legal regulations, one of the most important policies for the Company, has prevented the executive organ, any members, or the Company from facing administrative or criminal sanctions arising from unlawful practices. No administrative and criminal sanctions were faced by our Company and the members of our executive body as a result of practices contrary to legislation in FY 2019.

RESEARCH AND DEVELOPMENT EFFORTS AND INVESTMENTS

The total cost of the development of the system infrastructure for improving operational processes, the development of the factoring software that is used, and the purchase of various equipment as well as other investments was TL 1,181 thousand.

EXPENSES RELATED TO CHARITABLE DONATIONS AND SOCIAL RESPONSIBILITY PROJECTS

Within the scope of the company's social responsibility project, a non-cash donation of saplings amounting to TL 12 thousand was made to TEMA Foundation in 2019.

DETERMINATION ON WHETHER THE CAPITAL IS UNRETURNED, AND THE MANAGEMENT'S ASSESSMENT

The Company’s 2019 year’s end equity capital is TL 300 million, and the capital was not unreturned.

RELATIONS WITH THE HOLDING COMPANY, AND A COMPANY AFFILIATED WITH THE HOLDING COMPANY

As İş Finansal Kiralama A.Ş. owns 78.23% of the Company’s shares, and the ultimate controlling party is Türkiye İş Bankası A.Ş., in 2019 no legal proceedings were carried out or avoided with, or upon the instructions of, Türkiye İş Bankası A.Ş and İş Finansal Kiralama A.Ş, and companies affiliated to the controlling company, for the benefit of the above.

REMARKS ON THE MAIN SHAREHOLDER AND ULTIMATE CONTROLLING PARTY AND CONCLUSION PART OF THE AFFILIATED COMPANY REPORT

No changes occurred in the main partner and ultimate controlling party companies in FY 2019.

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

In 2019, the Company continued to be a direct affiliate of İş Finansal Kiralama A.Ş. and an indirect affiliate of Türkiye İş Bankası A.Ş. in line with the applicable provisions of the Turkish Commercial Code. According to Article 199 of the Turkish Commercial Code, our Board of Directors declared the following statement in the affiliation report, concerning its relations with the controlling Company and its affiliated companies:

"In all transactions carried out with the controlling company and companies affiliated to the controlling company during the fiscal year between 1 January - 31 December 2019, all transactions carried out with, or upon instructions by, the controlling company and companies affiliated to the controlling company in FY 2019 for the benefit of the controlling company and the companies affiliated to the controlling company, and all actions taken or avoided for the benefit of the controlling company and companies affiliated to the controlling company were examined to the best of our knowledge. We hereby declare, to the best of our knowledge, that the Company suffered no loss as a result of such transactions in FY 2019."

CHANGES IN FACTORING LAWS AND REGULATIONS THAT AFFECT THE COMPANY'S OPERATIONS

The Regulation on Amendments to the Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies, published by BRSA in the Official Journal Issue 30673 of 01.02.2019,

New Financial Statement formats shown in Annex-1 attached to the Regulation have been published effective from 01.01.2019 (Balance Sheet, Memorandum Accounts, Profit or Loss Statement and Other Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement, Profit Distribution Statement).

Pursuant to the Communiqué Amending the Communiqué on Uniform Chart of Accounts to be applied by Financial Leasing, Factoring and Finance Companies published by BRSA in the Official Journal Issue 30673 of 01.02.2019;

Within the scope of TFR5-9 and TFRS-16, some accounting accounts in the Communiqué have been amended, some of them have been repealed, effective from 01.01.2019.

In the scope of the Regulation on Amendments to the Regulation on the Incorporation and Operating Principles of Financial Leasing, Factoring and Financing Companies, published by BRSA in the Official Journal Issue 30682 of 10.02.2019,

To be effective from 10.02.2019; the following provisional article has been added to the Regulation: "The debt balances of consumer loans with overdue principal and / or interest payments prior to the effective date of this article may be restructured up to sixty months if requested by the debtor." (PROVISIONAL ARTICLE-6).

Pursuant to the Communiqué Amending the Communiqué on the Decision Number 32 on the Protection of the Value of Turkish Currency published by the Ministry of Treasury and Finance in the Official Journal Issue 30703 of 03/03/2019;

The validity period of the provisions regarding the Communiqué, which was published in the Official Gazette dated 04.09.2018 and numbered 30525, was extended from 6 months to 1 year (Article 13, paragraph 2).

Pursuant to the Communiqué on Management and Inspection of the Information Systems of Financial Leasing, Factoring and Finance Companies published by BRSA in the Official Journal issue 30737 of 06.04.2019;

The procedures and principles regarding the management of the information systems used by Financial Leasing, Factoring and Finance Companies in the performance of their activities covered by the Law and inspection by authorized independent audit institutions have been arranged. The Communiqué put into force brings significant innovations and obligations on information systems management, information systems risk management, information security management, authorization and access control, authentication, creating audit trails, management of information systems assets, information systems continuity plan, external service procurement and management, and confidentiality of transaction data.

Within the scope of Article 26 of the Law Amending the Income Tax Law and Certain other Laws published in the Official Journal Issue 30836 of 17.07.2019;

The phrase "Financial leasing and finance companies" mentioned in the second paragraph of article 16 (entitled "Provisions") of the Law on Financial Leasing, Factoring and Financing Companies No. 6361 has been replaced by the phrase "Company". Therefore, all special provisions allocated by Factoring Companies are considered expenses in determination of corporate tax base.

Within the framework of the Regulation on Amendments to the Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies, published by BRSA in the Official Journal Issue 30961 of 27.11.2019,

That part of the receivables recorded in "receivables qualifying as loss" account pursuant to article 6 of this Regulation and for which provision for lifetime expected credit loss or special provisions are set aside may be written off pursuant to TFRS 9 as of the first reporting period succeeding their transfer to the account "receivables qualifying as loss" (interim period of year-end reporting period) to the extent there are no reasonable expectations as to their recovery. It is an accounting practice that the receivables with no collection possibility are written off within the scope of the first paragraph of this article and this does not result in the waiver of the receivable right. Indicators determined by the company as to the absence of reasonable prospects for the recovery of receivables, and the derecognition policy including policies regarding the non-performing receivables which are being followed up although they have been written off, and the amounts written off within the period pursuant to TFRS 9, and the effect of this on the NPL ratio are explained in the footnotes of the financial statements.

İş Faktoring A.Ş.

Financial Statements
As at and for the year ended
31 December 2019
With Independent Auditors' Report

Independent Auditors' Report

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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish
Independent Auditor's Report
To the Shareholders of İş Faktoring A.Ş.
Report on the audit of the Financial Statements

Opinion

We have audited the accompanying unconsolidated statement of financial position of İş Faktoring A.Ş. ("the Company"), which comprise the unconsolidated statement of balance sheet as at December 31, 2019 and the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2019 and its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with the Communique on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter	Kilit denetim konusunun denetimde nasıl ele alındığı
Impairment of financial assets into financial statements and related important explanations	
As presented in disclosure 7, we considered provision for depreciation of financial assets as a key audit matter due to: - Financial assets that are subject to expected credit loss calculation is material for the unconsolidated financial statements - The policies that is established by the Company management to calculate the expected credit losses has the legislation and other required risks - The new, important and complex judgments and estimations in the calculation of expected credit losses	- Evaluating the appropriateness of accounting policies and global and local requirements - Evaluating the reasonableness of management's key estimates and judgements in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies, our business understanding and industry practice - Involving Financial risk management specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates - Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss - Testing mathematical accuracy of Expected credit loss by using samples. - Evaluating the reasonableness and the accuracy of post-model adjustments.

Responsibilities of management and those charged with governance for the unconsolidated financial statements

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the unconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with InASs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Reports on independent auditor's responsibilities arising from other regulatory requirements

1. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2018 are not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.
2. In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Additional paragraph for convenience translation into English of financial statements as of December 31, 2019 and independent auditors' report originally issued in Turkish

As explained in detail in Note 2.1, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, SMMM
Sorumlu Denetçi

28 Ocak 2020
İstanbul, Türkiye

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 DECEMBER 2019
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	ASSETS	Notes	Audited			Audited		
			Current Period 31 December 2019			Prior Period 31 December 2018(*)		
			TL	FC	Total	TL	FC	Total
I.	**CASH,CASH EQUIVALENTS and CENTRAL BANK**	**4**	**997**	**6.879**	**7.876**	**2.107**	**5.448**	**7.555**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL ASSETS**	**5**	**146**	-	**146**	**979**	-	**979**
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)**	**6**	**44.799**	-	**44.799**	**21.842**	-	**21.842**
V.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)**	**7**	**2.570.506**	**608.217**	**3.178.723**	**2.200.533**	**524.334**	**2.724.867**
5.1	**Factoring Receivables**		**2.545.266**	**614.482**	**3.159.748**	**2.201.496**	**528.479**	**2.729.975**
5.1.1	Discounted Factoring Receivables (Net)		623.702	141.297	764.999	315.924	101.991	417.915
5.1.2	Other Factoring Receivables		1.921.564	473.185	2.394.749	1.885.572	426.488	2.312.060
5.2	**Finance Loans**		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Commercial Installment Loans		-	-	-	-	-	-
5.3	**Lease Receivables(Net)**		-	-	-	-	-	-
5.3.1	Financial Lease Receivables		-	-	-	-	-	-
5.3.2	Operating Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	**Other Fınancial Assets Measured at Amortised Cost**		-	-	-	-	-	-
5.5	**Non-performing factoring receivables**	**7**	**227.541**	-	**227.541**	**31.016**	-	**31.016**
5.6	**Expected Credit Losses/Specific Provisions (-)**	**7**	**(202.301)**	**(6.265)**	**(208.566)**	**(31.979)**	**(4.145)**	**(36.124)**
VI.	**INVESTMENTS**		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (Net)**	**9**	**1.328**	-	**1.328**	**1.373**	-	**1.373**
VIII.	**INTANGIBLE ASSETS (Net)**	**10**	**1.081**	-	**1.081**	**1.228**	-	**1.228**
IX.	**INVESTMENT PROPERTY (Net)**		-	-	-	-	-	-
X.	**CURRENT TAX ASSETS**	**11**	**12.819**	-	**12.819**	-	-	-
XI.	**DEFERRED TAX ASSETS**	**12**	**12.631**	-	**12.631**	**5.608**	-	**5.608**
XII.	**OTHER ASSETS**	**13**	**5.692**	**133**	**5.825**	**6.854**	**348**	**7.202**
	SUBTOTAL		**2.649.999**	**615.229**	**3.265.228**	**2.240.524**	**530.130**	**2.770.654**
XIII.	**ASSETS HELD FOR SALE AND TERMINATED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held for sale purpose		-	-	-	-	-	-
13.2	Asset of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**2.649.999**	**615.229**	**3.265.228**	**2.240.524**	**530.130**	**2.770.654**

(*) The financial statements prepared as of 31 December 2019 is presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published on 01 February 2019 by the Banking Regulation and Supervision Agency. In order to be comparable with the financial statements dated 31 December 2019, the financial statements dated 31 December 2018 were restated in accordance with the new financial statement format.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 DECEMBER 2019
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	LIABILITIES	Notes	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018(*)		
			TL	FC	Total	TL	FC	Total
I.	FUNDS BORROWED	14	2.622.200	327.744	2.949.944	1.699.454	164.542	1.863.996
II.	FACTORING PAYABLES	7	1.765	1.090	2.855	2.106	1.742	3.848
III.	LEASING TRANSACTIONS PAYABLES (Net)	15	309	-	309	-	-	-
IV.	DEBT SECURITIES ISSUED (Net)	16	-	-	-	577.835	-	577.835
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS			-		-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	17	3.116	-	3.116	-	-	-
VII.	PROVISIONS	19	3.570	-	3.570	2.742	-	2.742
7.1	Restructuring Provision		-	-	-	-	-	-
7.2	Reserves For Employee Benefits	19	3.570	-	3.570	2.742	-	2.742
7.3	General Provision		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	CURRENT TAX LIABILITY	20	3.314	-	3.314	20.089	-	20.089
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITIES	18	656	970	1.626	299	722	1.021
	SUBTOTAL		2.634.930	329.804	2.964.734	2.302.525	167.006	2.469.531
XII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held for sale purpose		-	-	-	-	-	-
12.2	Discontinued operations		-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY		300.494	-	300.494	301.123	-	301.123
13.1	Paid-in Capital	21	63.500	-	63.500	63.500	-	63.500
13.2	Capital Reserves	21	5.277	-	5.277	5.277	-	5.277
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		5.277	-	5.277	5.277	-	5.277
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(318)	-	(318)	(79)	-	(79)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	21	32.104	-	32.104	9.146	-	9.146
13.5	Profit Reserves	22	254.644	-	254.644	107.626	-	107.626
13.5.1	Legal Reserves		12.700	-	12.700	8.439	-	8.439
13.5.2	Status Reserves		-	-		-	-	-
13.5.3	Extraordinary Reserves		241.944	-	241.944	99.187	-	99.187
13.5.4	Other Profit Reserves			-		-	-	-
13.6	Profit or Loss		(54.713)	-	(54.713)	115.653	-	115.653
13.6.1	Previous Years Profit or Loss		(31.365)	-	(31.365)	(31.365)	-	(31.365)
13.6.2	Period Net Profit or Loss		(23.348)	-	(23.348)	147.018	-	147.018
	TOTAL LIABILITIES		2.935.424	329.804	3.265.228	2.603.648	167.006	2.770.654

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İŞ FAKTORİNG ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
			TL	FC	Total	TL	FC	Total
I.	**RECOURSE FACTORING TRANSACTIONS**		**58.645**	**253.234**	**311.879**	**58.178**	**65.715**	**123.893**
II.	**NON-RECOURSE FACTORING TRANSACTIONS**		**126.107**	**80.548**	**206.655**	**223.224**	**47.935**	**271.159**
III.	**GUARANTEES RECEIVED**	**23**	**23.938.799**	**15.844.494**	**39.783.293**	**20.716.876**	**14.063.343**	**34.780.219**
IV.	**GUARANTEES GIVEN**	**23**	**21.152**	**39.345**	**60.497**	**1.081.269**	**4.397**	**1.085.666**
V.	**COMMITMENTS**		-	-	-	-	-	-
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1	Operating Lease Commitments		-	-	-	-	-	-
5.2.2	Other revocable commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**23**	**284.710**	**284.353**	**569.063**	**428.915**	**427.443**	**856.358**
6.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
6.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
6.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
6.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
6.2	Trading Transactions		284.710	284.353	569.063	428.915	427.443	856.358
6.2.1	Forward buy/sell transactions					-	-	-
6.2.2	Swap buy/sell transactions		284.710	284.353	569.063	428.915	427.443	856.358
6.2.3	Optional buy/sell transactions		-	-	-	-	-	-
6.2.4	Futures buy/sell transactions		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**	**23**	**431.131**	**95.790**	**526.921**	**173.995**	**109.502**	**283.497**
	TOTAL OFF BALANCE SHEET COMMITMENTS		**24.860.544**	**16.597.764**	**41.458.308**	**22.682.457**	**14.718.335**	**37.400.792**

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

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	PROFIT OR LOSS ITEMS	Notes	Audited Current Period 1 January – 31 December 2019	Audited Prior Period 1 January – 31 December 2018(*)
I.	**OPERATING INCOME**	**26**	**477.229**	**530.465**
	FACTORING INCOME		477.229	530.465
1.1	Interest Received from Factoring Receivables		462.780	489.758
1.1.1	Discounted		73.557	92.664
1.1.2	Other		389.223	397.094
1.2	Fees and Commissions Received from Factoring Receivables		14.449	40.707
1.2.1	Discounted		2.572	4.883
1.2.2	Other		11.877	35.824
	FINANCE LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASING INCOME		-	-
1.5	Financial Leasing Income		-	-
1.6	Operational Leasing Income		-	-
1.7	Fees and Commissions Received from Leasing Transactions		-	-
II.	**FINANCIAL EXPENSES (-)**	**27**	**357.782**	**455.243**
2.1	Interest Paid for Borrowings		281.559	364.783
2.2	Interest Paid for Factoring Transactions		-	-
2.3	Financial Lease Expense		269	-
2.4	Interest Paid for Securities		59.544	71.773
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions		16.410	18.687
III.	**GROSS PROFIT/LOSS (I+II)**		**119.447**	**75.222**
IV.	**OPERATING EXPENSE (-)**	**28**	**33.672**	**29.725**
4.1	Personnel Expenses		24.119	20.786
4.2	Provision Expense for Employment Termination Benefits		295	188
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		9.258	8.751
4.5	Other		-	-
V.	**GROSS OPERATING PROFIT/LOSS (III+IV)**		**85.775**	**45.497**
VI.	**OTHER OPERATING INCOME**	**29**	**393.456**	**1.287.006**
6.1	Interest Received from Banks		331	22
6.2	Interest Received from Securities		-	-
6.3	Dividend Income		2.191	2.716
6.4	Trading Account Gain/Losses		213	344
6.5	Gain/losses from Derivative Transactions		54.647	124.785
6.6	Foreign Exchange Gain/Losses		298.352	1.140.710
6.7	Other		37.722	18.429
VII.	**PROVISIONS**		**202.294**	**10**
7.1	Specific Provision		-	-
7.2	Expected Loss Provision		202.294	10
7.3	General Provision		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**		**307.240**	**1.138.527**
8.1	Impairment of Marketable Securities		-	-
8.2	Impairment of Fixed Assets		-	-
8.3	Trading Account Loss		-	-
8.4	Loss from Derivative Financial Transaction		3.151	595
8.5	Foreign Exchange Loss		291.854	1.137.894
8.6	Other		12.235	38
IX.	**NET OPERATING INCOME/EXPENSE (V+…+VIII)**		**(30.303)**	**193.966**
X.	**MERGER PROFIT I**		-	-
XI.	**SURPLUS WRITTEN AS GAIN AFTER MERGER PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY**		-	-
XII.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XIII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (IX+…+XII)**		(30.303)	193.966
XIV.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS(±)**	**32**	**(6.955)**	**46.948**
14.1	Current Tax Provision		-	**38.743**
14.2	Deferred Tax Expense Effect (+)		**74**	**8.593**
14.3	Deferred Tax Income Effect (-)		**(7.029)**	**(388)**
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**(23.348)**	**147.018**
XVI.	**INCOME FROM TERMINATED OPERATIONS**		-	-
XVII.	**EXPENSES FROM TERMINATED OPERATIONS (-)**		-	-
17.1	Expenses from Assets Held for Resale		-	-
17.2	Loss on Investment and Associates, Subsidiaries and Joint Ventures		-	-
17.3	Other Expenses		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM TERMINATED OPERATIONS (XVI-XVII)**		-	-
XIX.	**TAXATION ON INCOME FROM TERMINATED OPERATIONS (±)**		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	**NET PROFIT/LOSS FROM TERMINATED OPERATIONS (XVII±XVIII)**		-	-
XXI.	**NET PROFIT/LOSSES (XIV+XIX)**		**(23.348)**	**147.018**
	EARNINGS PER SHARE	33	**(0,368)**	**0,0232**

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İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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

	PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME	Notes	Audited Current Period 1 January – 31 December 2019	Audited Prior Period 1 January – 31 December 2018(*)
I.	**PERIOD INCOME/LOSS**		**(23.348)**	**147.018**
II.	**OTHER COMPREHENSIVE INCOME**		**22.719**	**(3.284)**
2.1	**Items that will not be reclassified to profit or loss**		(239)	(83)
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans	19	(307)	(104)
2.1.4	Other items that will not be reclassified to profit or loss		-	-
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		68	21
2.2	**ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS**		**22.958**	**(3.201)**
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	6	22.958	(3.201)
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**(629)**	**143.734**

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İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

CHANGES IN SHAREHOLDER'S EQUITY	Notes					Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss						
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/Loss	Total Equity
Prior Period (01.01 – 31.12.2018) (Audited)(*)															
I. Balance at the Beginning of the Period	**21**	**63.500**	**-**	**-**	**5.277**	**-**	**4**	**-**	**-**	**12.347**	**-**	**58.096**	**-**	**49.530**	**188.754**
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	**(31.365)**	-	**(31.365)**
III. New Balance (I+II)		**63.500**	**-**	**-**	**5.277**	**-**	**4**	**-**	**-**	**12.347**	**-**	**58.096**	**(31.365)**	**49.530**	**157.389**
IV. Total Comprehensive İncome		**-**	**-**	**-**	**-**	**-**	**(83)**	**-**	**-**	**(3.201)**	**-**	**-**	**-**	**147.018**	**143.734**
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	**49.530**	-	**(49.530)**	-
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	49.530	-	(49.530)	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2018)		**63.500**	**-**	**-**	**5.277**	**-**	**(79)**	**-**	**-**	**9.146**	**-**	**107.626**	**(31.365)**	**147.018**	**301.123**
Current Period (01.01 – 31.12.2019) (Audited)															
I. Balance at the Beginning of the Period	**21**	**63.500**	**-**	**-**	**5.277**	**-**	**(79)**	**-**	**-**	**9.146**	**-**	**107.626**	**(31.365)**	**147.018**	**301.123**
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)		**63.500**	**-**	**-**	**5.277**	**-**	**(79)**	**-**	**-**	**9.146**	**-**	**107.626**	**(31.365)**	**147.018**	**301.123**
IV. Total Comprehensive İncome		**-**	**-**	**-**	**-**	**-**	**(239)**	**-**	**-**	**22.958**	**-**	**-**	**-**	**(23.348)**	**(629)**
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	**147.018**	-	**(147.018)**	-
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	147.018	-	**(147.018)**	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2019)		**63.500**	**-**	**-**	**5.277**	**-**	**(318)**	**-**	**-**	**32.104**	**-**	**254.644**	**(31.365)**	**(23.348)**	**300.494**

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Audited Current Period	Audited Prior Period(*)
		Notes	31 December 2019	31 December 2018
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**91.871**	**123.679**
1.1.1	Interests received/Lease income		429.148	489.758
1.1.2	Interests paid/Lease expense		(333.706)	(436.556)
1.1.3	Dividends Received		2.191	2.716
1.1.4	Fee and Commissions Received		14.449	40.707
1.1.5	Other Income		54.647	124.785
1.1.6	Collections From Previously Written-Off Receivables		18.834	8.136
1.1.7	Payments to Personnel and Service Suppliers		(33.377)	(20.786)
1.1.8	Taxes Paid		(12.819)	(46.948)
1.1.9	Others		(47.496)	(38.133)
1.2	**Changes in Operating Assets and Liabilities**		**473.316**	**(454.581)**
1.2.1	Net (Increase) Decrease in Factoring Receivables		(592.666)	1.479.990
1.2.2	Net (increase) decrease in finance loans		11.246	(3.262)
1.2.3	Net (increase) decrease in lease receivables		(893)	2.069
1.2.4	Net (Increase) Decrease in Other Assets		-	-
1.2.5	Net (Increase) Decrease in Factoring Payables		-	-
1.2.6	Net Increase (Decrease) in Lease Payables		(6.956)	-
1.2.7	Net Increase (Decrease) in Funds Borrowed		1.062.585	(1.933.378)
1.2.8	Net Increase (Decrease) in Matured Payables		-	-
1.2.9	Net Increase (Decrease) in Other Liabilities		-	-
I.	**Net Cash From Operating activities**		**565.187**	**(330.902)**
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		22.657	932
2.3	Purchases of Tangible and Intangible Assets		-	(72)
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		-	-
II.	**Net Cash Used in Investing Activities**		**22.657**	**860**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Debt Securities Issued		-	590.150
3.2	Cash Used for Repayment of Funds Borrowed and Debt Securities Issued		(589.350)	(271.774)
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**		**(589.350)**	**318.376**
IV.	**Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents**		**1.827**	**1.445**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**321**	**(10.221)**
VI.	**Cash and Cash Equivalents at the Beginning of the Year**		**7.555**	**17.776**
VII.	**Cash and Cash Equivalents at the End of the Year**	**4**	**7.876**	**7.555**

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İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2019

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

		Audited Current Year (31 December 2019)	Audited Prior Year (31 December 2018)
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT (*)**		
1.1	PROFIT FOR THE YEAR	**(30.303)**	**193.966**
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	(6.955)	46.948
1.2.1	Corporate Tax (Income Tax)	-	38.743
1.2.2	Withholding Tax	-	-
1.2.3	Other Taxes and Duties (**)	(6.955)	8.205
A.	**NET PROFIT FOR THE YEAR (1.1-1.2)**	**(23.348)**	**147.018**
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)]**	-	**147.018**
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	STATUS RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	147.018
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTION OF RESERVES	-	-
2.2	DIVIDENTS TO SHAREHOLDERS (-)	-	-
2.2.1	To Owners of Ordinary Shares	-	-
2.2.2	To Owners of Privileged Shares	-	-
2.2.3	To Owners of Redeemed Shares	-	-
2.2.4	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)	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
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 2019.

(**) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, and therefore the part of the period profit arising from the said assets should not be subject to profit distribution and capital increase. Deferred tax income that will not be subject to distribution is TL 6.955 (31 December 2018: None).

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 2019, the number of employees of the Company is 114. (31 December 2018: 124)

The head office of the Company is located at:
İş Kuleleri, Kule 1 Kat: 10 34330 4. Levent / Istanbul Türkiye

Dividend payable:
None.

Approval of the financial statements:
The financial statements as of 31 December 2019 have been approved by the Board of Directors of the Company and authorized for issue at 28 January 2020. 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 Standarts Authority ("POA") and the regulations, communiqués, statements and circulars published by BRSA on accounting and financial reporting principles (together referred to as "BRSA Accounting and Financial Reporting Principles").

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.
As of December 31, 2018 financial statements are presented in new financial statement format in accordance with "regulation on amendments related to regulation on accounting applications and financial statements of financial leasing, factoring and financing companies" published by BRSA on February 1, 2019.

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.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

2.1.1 Functional and Reporting Currency

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

2.1.2 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.

2.1.3 Clarification/Offsetting

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

2.1.4 Going Concern

The financial statements have been prepared based on the going concern assumption.

2.1.5 Comparative information and correction of prior periods' financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation or reclassification of the financial statements.

2.1.6 Accounting estimates

The preparation of financial statements in accordance with reporting standarts 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 19 – Employee benefits
Note 23 – Commitments and contingencies

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

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

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs. There is no significant accounting policy change in the current year, except that the Company started to apply the TFRS 16 "Leases" standard.

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date ecognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to ecognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

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

Transition to IFRS 16 :
The company has implemented IFRS 16 with a facilitated backward approach.

The Company elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The standard is applied for annual periods beginning on or after January 1, 2019.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets
Tangible Assets (right of-use assets) 1.823

Liabilities
Lease Liabilities 1.823

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (Continued)

TFRS 16 Leases (Continued)

Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:
(a) the amount of lease liabilities recognized,
(b)lease payments made at or before the commencement date less any lease incentives received and
(c)initial direct costs incurred.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include
(a) fixed payments
(b) variable lease payments that depend on an index or a rate,
(c) amounts expected to be paid under residual value guarantees.
(d) the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease,
(e) if the lease term reflects the company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the effective date of the lease, the company measures the lease obligation as follows:
(a) The book value is increased to reflect the accretion of interest of lease liabilities
(b) The book value is reduced to reflect the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (Continued)

Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the company.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (Continued)

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Company

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The POA issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

IFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

IFRS 17 - The new Standard for insurance contracts
The PAO issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Definition of a Business (Amendments to IFRS 3)
In May 2019, the PAO issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
The amendments:
- Clarify the minimum requirements for a business;
- Remove the assessment of whether market participants are capable of replacing any missing elements;
- Add guidance to help entities assess whether an acquired process is substantive;
- Narrow the definitions of a business and of outputs; and
- Introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.
The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Definition of Material (Amendments to TAS 1 and TAS 8)
In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.
The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)
The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 17 - The new Standard for insurance contracts
The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.4 Segment Reporting
None.

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 lifes 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:

Descriptions	Years
Furniture and fixtures	5 years
Leasehold improvements	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments

Financial assets

As of 1 January 2018, the Company within the scope of "TFRS 9 Financial Instruments", classifies and accounts its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets at Measured at Amortised Cost" by taking into account their business model and contractual cash flow characteristics. Financial assets are recognized or derecognized according to TFRS 9 "Recognition and Derecognition in the financial statements" requirements. The Company recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason. Financial assets which are derivative instruments not acting as a hedging instrument against financial risk is also classified under Financial assets at fair value through profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets where the company has the intention and ability to held to the maturity, fixed or determinable payment plan, fixed-term debt instruments. Financial assets measured at amortized cost are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Financial Assets at Fair Value Through Other Comprehensive Income

The Company has equity investments and debt securities quoted on an active market and investments in fair values are classified as financial assets carried at fair value through other comprehensive income.The Company has equity instruments that are not traded and not quoted in an active market whose fair value differences are reflected in other comprehensive income and are measured at cost, since their fair value cannot be measured reliably.

Gains and losses arising from changes in the fair value impairment loss recognized in the income statement, interest and monetary assets and interest and monetary assets calculated using the effective interest method are recognized in other comprehensive income and the financial assets are accumulated in the fund of revaluation. In the event that the investment is disposed of or is impaired, the total profit / loss accumulated in the revaluation fund of financial assets is classified in the income statement.

Dividends on equity instruments recognized at fair value through other comprehensive income are recognized in income statement when the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

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 "TFRS 9-Financial Instruments, the Company recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income or financial assets measured at amortized cost.
Under TFRS 9, the expected credit loss and specific provision is calculated according to the "three-stage" impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Stage 1:

An important determinant for calculating the expected credit loss in accordance with TFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument's lifetime expected credit loss. In order to classify a financial asset in the second stage, the following criteria is considered:

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is reclassified as stage 2.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Stage 3

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Expected credit loss of these financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic factors are considered for the classification of a financial asset in the third stage:

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a certain opinion on this matter

Specific provision is provided for factoring receivables in Stage 3.

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 fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. The change in fair value is accounted under the statement of profit or loss. The net gain or loss recognized in profit or loss includes 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 to net present value of financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Derivative Financial Instruments

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 financial risks associated with foreign currency and interest rate fluctuations in relation to forecasted currency and loan transactions. In addition, the FC-TL direction foreign currency swap transactions are chosen due to its cost of advantage and are used to create foreign currency financing. TL is obtained from the banks as loan which is then converted into foreign currency by swap transactions and the interest paid is shown under finance expense in the financial statements of the Company.

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 2019 and 31 December 2018 are as follows:

	31 December 2019	**31 December 2018**
USD	5,9402	5,2609
EUR	6,6506	6,0280
GBP	7,7765	6,6528
AUD	4,1433	3,7026

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Current Tax

The provisional article added to the Corporate Tax Law numbered 5520 with the article 91 of Law No. 7061, the tax rate for the corporate earnings for the corporate taxation periods of 2018, 2019 and 2020 (accounting periods starting in the relevant year for the institutions for which special accounting period has been determined) is 22%. It has been determined that it will be applied. 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

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 deductable 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.

The Company calculates and accounts for deferred tax in accordance with TAS 12 "Income Taxes" for the temporary differences between the applied accounting policies and valuation principles and the tax base value determined in accordance with the tax legislation.

Deferred taxes on assets directly related to equity are associated with the equity account group and netted off with the related accounts in this group.

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:

	31 December 2019	31 December 2018
Discount rate	4,20%	4,22%
Expected rate of salary/limit increase	7,20%	11,3%
Probability of retirement	100%	100%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 6.379,86 effective from 31 December 2019 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2018: full TL 5.434,42).

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. CASH and CASH EQUIVALENTS

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Demand Deposits	997	6.879	2.107	5.448
	997	**6.879**	**2.107**	**5.448**

As at 31 December 2019, EUR 238 thousand ,USD 751 Thousand, GBP 99 thousand, AUD 16 thousand, total TL 6.879 thousand portion of total foreign currency deposits (31 December 2018: EUR 451 thousand ,USD 474 thousand, GBP 26 thousand, AUD 16 thousand, total TL 5.448) and TL 997 thousand portion of total TL deposits (31 December 2018: TL 2.107) 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 2019	31 December 2018
Demand deposits	7.876	7.555
Time deposits (Up to 3 months)	-	-
Cash and cash equivalents	**7.876**	**7.555**

As at 31 December 2019 and 31 December 2018, there is no blockage on cash and cash equivalent.

5. DERIVATIVE FINANCIAL ASSETS

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 2019 and 31 December 2018, details of derivative financial assets and derivative financial liabilities are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Financial Assets from Swap Transactions	146	-	979	-
	146	**-**	**979**	**-**

6. FINANCIAL ASSETS at FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2019 and 31 December 2018, details of financial assets at fair value through other comprehensive income (Formerly known as 'Financial assets available for sale'):

				Ownership rate (%)		Carrying Amount	
Title of the investment	**Core business**	**Incorporation and location**	**Voting right (%)**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş	Investment and Securities Services	İstanbul	2,43	**%2,43**	2,43	**39.480**	17.780
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	**%0,89**	0,89	**2.594**	1.337
Unquoted investments:							
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	**686**	686
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	**%5,00**	5,00	**2.000**	2.000
TOTAL						**44.799**	**21.842**

7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	31 December 2019	31 December 2018
Import and domestic factoring receivables	2.875.781	2.370.696
Export factoring receivables	264.271	325.298
Factoring interest income accruals	33.632	42.897
Unearned interest income (-)	(13.936)	(8.916)
Expected Credit Loss - Stage 1	(23.504)	(9.422)
Expected Credit Loss - Stage 2	(4.674)	(2.875)
Total factoring receivables	**3.131.570**	**2.717.678**
Non-performing factoring receivables	227.541	31.016
Expected Credit Loss- Stage 3	(180.388)	(23.827)
Factoring receivables, net	**3.178.723**	**2.724.867**

Ratings	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Total portfolio	3.080.137	79.611	227.541	**3.387.289**
Very good	1.774.204	-	-	**1.774.204**
Standard	1.305.933	-	-	**1.305.933**
Substandard	-	79.611	227.541	**307.152**
Expected credit losses	**23.504**	**4.674**	**180.388**	**208.566**
Factoring receivables, net	**3.056.633**	**74.937**	**47.153**	**3.178.723**

	Carried value			**Expected credit loss**		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Financial assets	7.876	-	-	18	-	-
Factoring receivables	3.080.137	79.611	227.541	23.486	4.674	180.388

As at 31 December 2019, TL 449.874 thousands, EUR 7.583 thousands, USD 4.111 thousands and GBP 1.695 thousands of factoring receivables have variable rates (31 December 2018: TL 524.262, EUR 17.219, USD 10.678 and GBP 2.054) while TL 2.117.293 thousands, EUR 52.244 thousands, USD 29.640 thousands, GBP 2 thousands of factoring receivables have fixed rates (31 December 2018: TL 1.581.783, EUR 17.731 thousands, USD 65.270 thousands).

As at 31 December 2019, the average interest rate applicable for the factoring receivables is; 15,03% for TL, 6,26% for USD, 2,76% for EUR and 5,50% for GBP (31 December 2018: 34,93% for TL, 14,33% for USD, 6,22% for Euro and 6,51% 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:

	31 December 2019	31 December 2018
Domestic irrevocable	1.992.269	1.564.723
Domestic revocable	919.887	817.689
Foreign revocable	135.800	118.471
Foreign irrevocable	130.767	223.994
	3.178.723	**2.724.877**

As of the balance sheet date, the Company does not have any restructured factoring receivables balance, that may be overdue or doubtful if it is not restructured. (31 December 2018: None)

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

	31 December 2019	31 December 2018
Between 0-90 days	15.401	719
Between 90-180 days	64	10.201
Between 180-360 days	192.699	5.702
Over 360 days	19.377	14.394
	227.541	**31.016**

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

The movement of expected credit loss and specific provision is as follows:

	31 December 2019	31 December 2018
Allowance at the beginning of the period	(36.124)	(79.851)
Provision reversed during the period	(202.294)	8.496
Collections	18.827	8.136
Write-Off	11.025	27.095
Allowance at the end of the period	**(208.566)**	**(36.124)**

Factoring Payables:

As at 31 December 2019 and 31 December 2018, details of factoring payables are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Factoring payables	1.765	1.090	2.106	1.742
	1.765	**1.090**	**2.106**	**1.742**

As at 31 December 2019, details of Standard and factoring receivables under close monitoring and amendments related to the extension of the payment plan of the factoring receivables under close monitoring are as follows:

	Standard Loans	Loans Under Close Monitoring
Expected credit loss for 12 months	23.486	-
Significant Increase in Credit Risk	-	4.674

	Standard Loans	Loans Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	1.125
Extended for 1 or 2 Times	-	-
Extended for 3,4 or 5 Times	-	1.125
Extended for More than 5 Times	-	-

	Standard Loans	Loans Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	1.125
0-6 Months	-	-
6 Months – 12 Months	-	1.125
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

8. RELATED PARTIES

Banks	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş. Demand Deposit	3.749	4.637
İşbank AG Demand Deposit	193	459
Türkiye Sınai Kalkınma Bankası A.Ş.	12	43
	3.954	**5.139**

Derivative Financial Assets	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş.	108	89
Türkiye Sınai Kalkınma Bankası A.Ş.	-	675
	108	**764**

Factoring receivables	**31 December 2019**	**31 December 2018**
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	9.852	18.848
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	2.796	2.774
Toksöz Spor Malzemeleri	2.381	-
	15.029	**21.622**

Payables	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş.	189	-
Anadolu Sigorta A.Ş.	-	11
İş Merkezleri Yönetim ve İşletim A.Ş.	6	12
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş	6	2
	201	**25**

8. RELATED PARTIES (Continued)

Borrowings

As at 31 December 2019 and 31 December 2018, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2019
TL	11,20-29,40	31.01.2020 – 31.12.2021	997.212
EUR	0,75	03.01.2020 – 02.04.2020	121.393
			1.118.605

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2019
TL	10,50	06.01.2020	50.123
USD	4,00	20.06.2020	49.571
			99.694

İşbank AG

Currency	Interest Rate %	Maturity	31 December 2019
EUR	0,50	03.01.2020 – 16.03.2020	28.400
			28.400

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2018
TL	26-29,4	02.01.2019-31.12.2021	600.605
			600.605

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2018
USD	4,60	20.06.2020	131.734
			131.734

İş Bank AG

Currency	Interest Rate %	Maturity	31 December 2018
TL	25,50	Overdraft	30.600
			30.600

8. RELATED PARTIES (Continued)

As at 31 December 2019 and 31 December 2018, nominal amounts of derivatives transactions with the related parties, Türkiye Sınai Kalkınma Bankası A.Ş and T.İş Bankası A.Ş are as follows:

	31 December 2019		31 December 2018	
Swap Transactions	**Purchase**	**Sale**	**Purchase**	**Sale**
Türkiye Sınai Kalkınma Bankası A.Ş	-	-	185.007	184.132
Türkiye İş Bankası A.Ş.	87.603	87.445	90.268	90.067
	87.603	**87.445**	**275.275**	**274.199**

For the periods ended 31 December 2019 and 31 December 2018, income and expenses from related parties are as follows:

Time deposit interest income	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş.	-	22
	-	**22**

Factoring Interest Income	**31 December 2019**	**31 December 2018**
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	3.527	4.129
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	2.570	2.735
Toksöz Spor Malzemeleri	240	-
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	232	149
	6.569	**7.013**

Factoring Commission Income	**31 December 2019**	**31 December 2018**
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	307	284
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	32	10
Toksöz Spor Malzemeleri Tic. A.Ş.	29	-
Şişecam Dış Tic.A.Ş.	-	131
	368	**425**

Dividend Income	**31 December 2019**	**31 December 2018**
İş Yatırım Menkul Değerler A.Ş.	2.190	2.676
Yatırım Finansman Menkul Değerler A.Ş	1	-
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	-	40
	2.191	**2.716**

Financial Expenses	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş.	18.965	8.775
Türkiye Sınai Kalkınma Bankası A.Ş.	6.790	11.165
İşbank AG	591	608
İş Gayrimenkul Yatırım Ortaklığı A.Ş	9	-
	26.355	**20.548**

Commission Expenses	**31 December 2019**	**31 December 2018**
İş Yatırım Menkul Değerler A.Ş.	1.635	2.033
Türkiye İş Bankası A.Ş.	624	285
Türkiye Sınai Kalkınma Bankası A.Ş.	-	31
İşbank AG	13	19
	2.272	**2.368**

8. RELATED PARTIES (Continued)

As of 31 December 2019 and 31 December 2018 amounts related to securities issued by the Company in the portfolio of related parties are as follows:

Interest Paid on Securities	**31 December 2019**	**31 December 2018**
İş Girişim Sermayesi Yatırım Ort. A.Ş	111	-
Türkiye İş Bankası A.Ş	47	8
İş Yatırım Ortaklığı A.Ş.	19	-
İş Yatırım Menkul Değerler A.Ş.	18	23
	195	**31**

Interest Income on Securities	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş.	213	-
	213	**-**

Administrative Expenses	**31 December 2019**	**31 December 2018**
Anadolu Anonim Türk Sigorta A.Ş.	688	582
İş Merkezleri Yönetim ve İşletim A.Ş.	574	423
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	111	27
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve PazarlamaTicaret A.Ş.	65	49
Anadolu Hayat Emeklilik A.Ş.	20	23
Türkiye İş Bankası A.Ş.	7	30
	1.465	**1.134**

Rent Expenses (**)	**31 December 2019**	**31 December 2018**
Türkiye İş Bankası A.Ş.	1.626	1.621
İş Gayrimenkul Yatırım Ortaklığı A.Ş	73	-
	1.699	**1.621**

Benefits paid to the key management	**31 December 2019**	**31 December 2018**
Salaries and other short-term benefits (*)	4.619	4.001
	4.619	**4.001**

(*) Key management consists of general manager, assistant general managers and members of the board of directors.
(**)The company has started to apply IFRS 16 Leases standard as of January 1, 2019. The balance of 31 December 2019 shows depreciation amount for rent and the balance of 31 December 2018 shows the amount of rent paid in 2018.

9. TANGIBLE ASSETS

	Vehicles	Furniture and Fixtures	Right-of-use assets (*)	Special Costs	Total
Cost					
Opening balance at 1 January 2019	**183**	**2.405**	**-**	**448**	**3.036**
Additions	227	81	1.895	-	2.203
Disposals	-	(148)	-	-	(148)
Closing balance at 31 December 2019	**410**	**2.338**	**1.895**	**448**	**5.091**
Accumulated depreciation					
Opening balance at 1 January 2019	**(3)**	**(1.430)**	**-**	**(230)**	**(1.663)**
Depreciation for the year	(49)	(300)	(1.813)	(68)	(2.230)
Disposals	-	130	-	-	130
Closing balance at 31 December 2019	**(52)**	**(1.600)**	**(1.813)**	**(298)**	**(3.763)**
Net Carrying amount at 31 December 2019	**358**	**738**	**82**	**150**	**1.328**

(*)Includes TFRS 16 effect.

	Vehicles	Furniture and Fixtures	Right-of-use assets	Special Costs	Total
Cost					
Opening balance at 1 January 2018	**-**	**2.207**	**-**	**377**	**2.584**
Additions	183	202	-	154	539
Disposals	-	(4)	-	(83)	(87)
Closing balance at 31 December 2018	**183**	**2.405**	**-**	**448**	**3.036**
Accumulated depreciation					
Opening balance at 1 January 2018	**-**	**(1.083)**	**-**	**(146)**	**(1.229)**
Depreciation for the year	(3)	(349)	-	(84)	(436)
Disposals	-	2	-	-	2
Closing balance at 31 December 2018	**(3)**	**(1.430)**	**-**	**(230)**	**(1.663)**
Net Carrying amount at 31 December 2018	**180**	**975**	**-**	**218**	**1.373**

10. INTANGIBLE ASSETS

Cost	**31 December 2019**	**31 December 2018**
Opening balance at 1 January	2.393	1.986
Additions	246	475
Disposals	-	(68)
Closing balance at the end of the period	**2.639**	**2.393**
Accumulated amortization		
Opening balance at 1 January	(1.165)	(786)
Charge for year	(393)	(380)
Disposals	-	1
Closing balance at the end of the period	**(1.558)**	**(1.165)**
Net Carrying amount	**1.081**	**1.228**

11. CURRENT TAX ASSETS

As of 31 December 2019, the amount of prepaid taxes is higher than the current period tax debt, resulting in net tax asset balance.

	31 December 2019	**31 December 2018**
Prepaid Tax	12.819	23.254
Corporate tax provision	-	(38.743)
Current Period Tax Asset	**12.819**	**(15.489)**

12. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2019 and 31 December 2018, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary time differences subject to deferred tax:	**31 December 2019**	**31 December 2018**
Expected loss provision- Stage 1 and 2	28.178	16.685
Unearned interest income	13.936	8.916
Unused financial loss	9.511	-
Accruals from derivative transactions	2.970	(979)
Employee bonus accrual	1.788	1.438
Reserve for employee benefits	1.204	701
Cash collected commission income and expense	725	583
Unused vacation provision	578	603
Provision for non-performing factoring receivables	111	111
Tax base differences in tangible and intangible assets	(1.575)	(2.558)
	57.426	**25.500**

Deferred tax assets / (liabilities)

	31 December 2019	**31 December 2018**
Expected Loss Provision- Stage 1 and 2	6.199	3.671
Unearned interest income	3.066	1.962
Unused financial loss	2.092	-
Accruals from derivative transactions	653	(215)
Employee bonus accrual	393	316
Reserve for employee benefits	265	154
Cash collected commission income and expense	160	128
Unused vacation provision	127	133
Provision for non-performing factoring receivables	22	22
Tax base differences in tangible and intangible assets	(346)	(563)
Deferred tax assets (net)	**12.631**	**5.608**

Movements of deferred tax assets movement for the years ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	**31 December 2018**
Opening balance at 1 January (*)	5.608	13.792
Deferred tax benefit / (expense)	6.955	(8.205)
Classified under other comprehensive income	68	21
Closing balance	**12.631**	**5.608**

The corporate tax rate in Turkey is 20%, however, the Corporate Tax Law provisional 10th for the substance according to 20% corporate tax rate, the institutions in 2018, 2019 and the taxation period in 2020 (special accounting period is in the relevant year for the determination of the institution accounting periods) will be applied as 22% for corporate earnings.

13. OTHER ASSETS

As at 31 December 2019 and 31 December 2018, details of prepaid expenses are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
BITT amount to be collected from customers	2.756	127	2.772	341
Receivables from Legal expenses	1.673	-	612	-
Fee expenses	607	-	914	-
Insurance expenses	413	-	297	-
Information technologies expenses	136	-	184	-
Guarantees given	38	-	38	-
Credit rating expenses	12	-	57	-
Deposits given	6	-	7	-
Brokerage commission expenses	-	-	402	-
Letter of guarantee commission	-	-	1.560	-
Other receivables	51	6	11	7
	5.692	**133**	**6.854**	**348**

14. FUNDS BORROWED

As at 31 December 2019 and 31 December 2018, details of funds borrowed are as presented:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Short-term borrowings	2.622.086	278.243	1.699.454	32.808
Short-term portion of long-term borrowings	-	-	-	50.277
Total short-term borrowings	**2.622.086**	**278.243**	**1.699.454**	**83.085**
Long-term borrowings	114	49.501	-	81.457
Total long-term borrowings	**114**	**49.501**	**-**	**81.457**
Total	**2.622.200**	**327.744**	**1.699.454**	**164.542**

As at 31 December 2019 and 31 December 2018, details of borrowings based on types of currency are as follows:

Currency	Interest rate %	Original currency amount(thousands)	31 December 2019
TL	10,50-29,40	-	2.598.114
USD	2,10-4,00	15.694	93.225
EUR	0,40-3,75	33.402	222.143
GBP	3,29-4,50	1.576	12.259
Loan interest accrual			24.203
Total			**2.949.944**

Currency	Interest rate %	Original currency amount(thousands)	31 December 2018
TL	23,50-29,40	-	1.689.618
USD	2,91-4,60	25.263	132.906
EUR	0,50-3,75	3.789	22.839
GBP	1,95-4,50	1.286	8.557
Loan interest accrual			10.076
Total			**1.863.996**

As at 31 December 2019 and 31 December 2018, interest rates of funds borrowed are expressed in compound rates.

As at 31 December 2019, fixed interest funds borrowed are TL 1.886.196 thousands and floating interest funds borrowed are TL 1.063.748 thousands. (As at 31 December 2018, fixed interest funds borrowed are TL 1.703.851 thousands and floating interest funds borrowed are TL 160.145 thousands).

As of 31 December 2019, no letter of guarantee has been given for the loans received. (As of 31 December 2018, letters of guarantee amounting to TL 1.077.000 for the funds borrowed amounting to TL 717.541.)

Fair values of the funds borrowed are presented in Note 35.

14. FUNDS BORROWED

As at 31 December 2019 and 31 December 2018, details of funds borrowed are as presented:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Short-term borrowings	2.622.086	278.243	1.699.454	32.808
Short-term portion of long-term borrowings	-	-	-	50.277
Total short-term borrowings	**2.622.086**	**278.243**	**1.699.454**	**83.085**
Long-term borrowings	114	49.501	-	81.457
Total long-term borrowings	**114**	**49.501**	**-**	**81.457**
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Fair values of the funds borrowed are presented in Note 35.

18. OTHER LIABILITIES

As at 31 December 2019 and 31 December 2018, details of other payables are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Payables to suppliers	619	271	187	236
	619	**271**	**187**	**236**

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Other Liabilities	37	699	112	486
	37	**699**	**112**	**486**

19. EMPLOYEE BENEFITS

As at 31 December 2019 and 31 December 2018, details of reserve for employee benefits are as follows:

	31 December 2019	31 December 2018
Employee bonus provision	1.788	1.438
Reserve for employee severance indemnity	1.204	701
Vacation pay liability	578	603
	3.570	**2.742**

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 6.379,86 effective from 31 December 2019 has been taken into consideration in calculation of provision for employee termination benefits (31 December 2018: 5.434,42 TL full).

As of 31 December 2019 and 31 December 2018, the following actuarial assumptions are used in the calculation of the employee severance pay:

	31 December 2019	31 December 2018
Balance at the beginning of the period	701	479
Interest Cost	82	64
Service Cost	213	124
Severence payment made	(99)	(70)
Actuarial difference	307	104
Balance at the end of the period	**1.204**	**701**

The movements of the vacation pay liability during the periods ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the period	603	496
Provision set during the period (net)	(25)	107
Balance at the end of the period	**578**	**603**

The movements of the employee bonus provision during the periods ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the period	1.438	1.252
Increase during the period	1.788	1.438
Paid employee bonus during during the period	(1.438)	(1.252)
Balance at the end of the period	**1.788**	**1.438**

20. CURRENT TAX LIABILITY

As at 31 December 2019 and 31 December 2018, details of current tax liability are as follows:

	31 December 2019	31 December 2018
Banking and Insurance Transaction Tax payable	2.636	4.008
Social Security Institution Premiums payable	336	290
Income tax payable	331	292
Other taxes and liabilities payable	11	10
Provision for corporate taxes	-	15.489
Current tax liability	**3.314**	**20.089**

21. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2019, 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 each with a nominal value of TL 1 Kurus.

With the decision of the General Assembly dated 22 March 2019, the Company decided to allocate TL 4.261 thousand general legal reserves calculated from the prior period net profit and TL 147.018 thousand as extraordinary reserves.

As at 31 December 2019 and 31 December 2018, shareholders and their ownership percentages are as follows:

Shareholders	**(%)**	**31 December 2019**	**(%)**	**31 December 2018**
Iş Finansal Kiralama A.Ş.	78,2311	49.677	78,2311	49.677
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	13.811	21,7500	13.811
Trakya Yatırım Holding A.Ş.	0,0063	4	0,0063	4
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	4	0,0063	4
Topkapı Yatırım Holding A.Ş.	0,0063	4	0,0063	4
Total	**100**	**63.500**	**100**	**63.500**

Capital Reserves

As at 31 December 2019 and 31 December 2018, details of capital reserves are as follows:

	31 December 2019	31 December 2018
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and Jointly controlled entities	1.213	1.213
Total	**5.277**	**5.277**

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 2019, the Company has presented TL 32.104 of difference gained from revaluation between cost and fair value of assets available for sale under equity as a separate line. (31 December 2018: TL 9.146).

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 remeasurment of defined benefit plans at personel 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.

22. PROFIT RESERVES

	31 December 2019	31 December 2018
Legal reserves	12.700	8.439
Extraordinary reserves	241.944	99.187
Total	**254.644**	**107.626**

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.

23. COMMITMENTS AND CONTINGENCIES

As at 31 December 2019 and 31 December 2018, the details of guarantees taken by the Company are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Guarantee and Sureties	16.391.271	12.172.069	14.402.262	10.022.584
Finance Note	7.471.666	2.999.021	6.271.593	2.500.967
Tangible Pledge	55.251	-	16.160	210.436
Intangible Pledge	13.711	26.205	13.711	5.261
Letter of Guarantee	6.900	-	11.150	-
Trade Receivable Insurance	-	-	2.000	30.140
Guarantees given by correspondents	-	647.199	-	1.293.955
	23.938.799	**15.844.494**	**20.716.876**	**14.063.343**

As at 31 December 2019, TL 21.152 of letters of guarantee are given to courts (31 December 2018: TL 4.269).

As at 31 December 2019, does not have irrevocable commitments (31 December 2018: TL None).

As at the reporting date, the Company have TL 39.345 guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables (31 December 2018: TL 4.397).

As at 31 December 2019, the details of derivative instruments of the Company are as follows:

	31 December 2019	
	FC	TL
Swap Purchase Transactions:		
TL	-	284.710
		284.710
Swap Sale Transactions:		
USD	18.200	108.112
EUR	26.500	176.241
GBP	-	-
		284.353

	31 December 2018	
	FC	TL
Swap Purchase Transactions:		
TL	-	428.915
		428.915
Swap Sale Transactions:		
USD	47.400	249.367
EUR	29.100	175.415
GBP	400	2.661
		427.443

23. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2019, the Company has TL 2.970 unrealized loss arising from changes in fair value of derivative contracts which is related to profit/loss. (31 December 2018:TL 979 unrealized profit).

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Cheques	418.424	18.529	162.794	39.747
Notes	12.707	77.261	11.201	69.755
	431.131	**95.790**	**173.995**	**109.502**

24. 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.

25. EVENTS AFTER THE REPORTING PERIOD

None.

26. OPERATING INCOME

For the years ended 31 December 2019 and 31 December 2018, details of operating income are as follows:

	31 December 2019	31 December 2018
Interest income from factoring receivables	462.780	489.758
Fee and commission from factoring receivables	14.449	40.707
	477.229	**530.465**

27. FINANCE EXPENSE

For the years ended 31 December 2019 and 31 December 2018, details of finance expenses are as follows:

	31 December 2019	31 December 2018
Interest Expense	(281.559)	(364.783)
Interest Expense on Debt Securities Issued	(59.544)	(71.773)
Fees and Commission Expenses	(16.410)	(18.687)
Interest Expenses Related to Leasing Transactions	(269)	-
	(357.782)	**(455.243)**

28. OPERATING EXPENSES

For the years ended 31 December 2019 and 31 December 2018, details of operating expenses are as follows:

	31 December 2019	31 December 2018
Personnel expenses	(24.119)	(20.786)
Depreciation and amortisation expenses	(2.624)	(816)
Information technology expenses	(1.071)	(1.190)
Outsourcing service expenses	(839)	(814)
Office rent expenses	(700)	(625)
Rental expenses	(628)	(2.477)
Maintenance and Repair Costs	(557)	(85)
Severance pay expense	(295)	(188)
Consultancy expenses	(414)	(346)
Communication expenses	(390)	(365)
Vehicle expenses	(300)	(322)
Vacation pay expenses	-	(107)
Other administrative expenses	(1.735)	(1.604)
	(33.672)	**(29.725)**

29. OTHER OPERATING INCOME

For the years ended 31 December 2019 and 31 December 2018, details of other operating income are as follows:

	31 December 2019	31 December 2018
Foreign exchange gains	298.352	1.140.710
Gain on derivative transactions	54.647	124.785
Cancellation of expected credit loss provision (Not 7)	18.834	8.136
Dividend income	2.191	2.716
Interest from banks	331	22
Capital Market Transactions Profit	213	344
Other	18.888	10.293
	393.456	**1.287.006**

30. EXPECTED CREDIT LOSS

For the years ended 31 December 2019 and 31 December 2018, details of specific provision for non-performing receivables are as follows:

	31 December 2019	31 December 2018
Expected credit loss	(202.294)	(10)
	(202.294)	**(10)**

31. OTHER OPERATING EXPENSES

For the years ended 31 December 2019 and 31 December 2018, details of other operating expenses are as follows:

	31 December 2019	31 December 2018
Foreign exchange losses	(291.854)	(1.137.894)
Losses from derivative financial transactions	(3.151)	(595)
Other	(12.235)	(38)
	(307.240)	**(1.138.527)**

32. TAXATION

For the years ended 31 December 2019 and 31 December 2018, details of income tax expense are as follows:

	31 December 2019	31 December 2018
Current tax charge	-	(38.743)
Deferred tax income / (expense)	6.955	(8.205)
	6.955	**(46.948)**

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:

	%	2019	%	2018
Net profit for the period		(23.348)		147.018
Total tax expense		(6.955)		46.948
Profit before tax		**(30.303)**		**193.966**
Income tax using the Company's tax rate	(22,00)	(6.667)	22,00	42.672
Other Income from Tax base		12.906		10.133
Tax exempt income		(13.194)		(5.857)
Total income tax expense	**(22,95)**	**(6.955)**	**23,96**	**46.948**

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.

The corporate tax rate in Turkey is 20%, however, the Corporate Tax Law provisional 10th for the substance according to 20% corporate tax rate, the institutions in 2018, 2019 and the taxation period in 2020 (special accounting period is in the relevant year for the determination of the institution accounting periods) will be applied as 22% for corporate earnings.

In Turkey, temporary tax is calculated and accrued on a quarterly basis. The advance corporate income tax rate in 2019 is 22% (31 December 2018: 22%). 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. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

As of 31 December 2019, the company has no corporate tax provisions. (31 December 2018: TL 38.743)

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. . Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

33. 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 and revaluation funds. 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 dividend by the weighted average number.

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Weighted average number of outstanding shares (*)	6.350.000.000	6.350.000.000
Net profit for the period (TL)	(23.348)	147.018
Earnings per share (full TL)	(0,368)	0,0232

(*)As at 31 December 2019, the share capital of the Company consists of 6.350.000.000 shares having Kurus 1 nominal price.

	31 December 2019	**31 December 2018**
Number of shares at beginning of the period	6.350.000.000	6.350.000.000
Capital increase	-	-
Number of shares at end of the period	**6.350.000.000**	**6.350.000.000**

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

None.

35. 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 2019, the debt/equity ratio is 10% as at 31 December 2019 (31 December 2018: 12%). As at 31 December 2019 and 31 December 2018, the leverage ratios are as follows:

	31 December 2019	**31 December 2018**
Funds borrowed	2.949.944	1.863.996
Debt securities issued (Net)	-	577.835
Factoring payables	2.855	3.848
Payables from leasing	309	-
Total debt	2.953.108	2.445.679
Banks (-)	(7.876)	(7.555)
Net debt	**2.945.232**	**2.438.124**
Total equity	300.494	301.123
Equity / Debt Ratio	10%	12%

(b) Categories of financial instruments

	31 December 2019	**31 December 2018**
Financial assets:		
Factoring receivables and non-performing factoring receivables	3.178.723	2.724.867
Financial assets at fair value through other comprehensive income	44.799	21.842
Banks	7.876	7.555
Fair value through profit or loss:	146	979
- Financial assets held for trading	-	-
- Derivative financial assets	*146*	*979*
Financial Liabilities:		
Funds borrowed	(2.949.944)	(1.863.996)
Debt securities issued (Net)	-	(577.835)
Factoring payables	(2.855)	(3.848)
Payables from leasing	(309)	-
Other liabilities	(1.626)	(1.021)
Financial assets at fair value through profit or loss:	(3.116)	-
-Derivative financial liabilities	(3.116)	-
Other payables	-	-

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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, 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 current year in the Company's exposure to market risks or the method it uses to manage and measure such risks compared to prior year.

(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 2019 and 31 December 2018, details of foreign currency denominated assets and liabilities are as follows:

31 December 2019	**USD (000)**	**EUR (000)**	**GBP (000)**	**AUD (000)**	**TL**
Banks	751	238	99	16	6.879
Factoring receivables (*)	33.756	59.826	1.698	-	611.602
Other (**)	37	3	-	-	243
Total assets	**34.544**	**60.067**	**1.797**	**16**	**618.724**
Factoring payables(***)	14	115	33	-	1.104
Funds borrowed	15.710	33.405	1.576	-	327.744
Other payables	66	81	5	-	970
Total liabilities	**15.790**	**33.601**	**1.614**	**-**	**329.818**
Balance sheet position	**18.754**	**26.466**	**183**	**16**	**288.906**
Derivative Transactions,Off balance sheet position	**(18.200)**	**(26.500)**	**-**	**-**	**(284.353)**
Net foreign currency position	**554**	**(34)**	**183**	**16**	**4.553**

(*) Foreign currency indexed factoring receivables amounting to TL 3.385 are presented in TL column in the accompanying financial statements as at 31 December 2019.

(**) Foreign currency indexed other assets amounting to TL 110 are presented in TL column in the accompanying financial statements as at 31 December 2019.

(***) Foreign currency indexed factoring payables amounting to TL 14 are presented in TL column in the accompanying financial statements as at 31 December 2019.

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

31 December 2018	USD (000)	EUR (000)	GBP (000)	AUD (000)	TL
Banks	474	451	26	16	5.448
Factoring receivables (*)	75.337	34.801	2.056	-	619.797
Other (**)	304	19	-	-	1.719
Total assets	**76.115**	**35.271**	**2.082**	**16**	**626.964**
Factoring payables(***)	46	78	154	-	1.741
Funds borrowed	25.303	3.794	1.286	-	164.542
Other payables	76	48	5	-	722
Total liabilities	**25.425**	**3.920**	**1.445**	**-**	**167.005**
Balance sheet position	**50.690**	**31.351**	**637**	**16**	**459.959**
Derivative Transactions,Off balance sheet position	**(47.400)**	**(29.100)**	**(400)**	-	**(427.443)**
Net foreign currency position	**3.290**	**2.251**	**237**	**16**	**32.516**

(*) Foreign currency indexed factoring receivables amounting to TL 95.453 are presented in TL column in the accompanying financial statements as at 31 December 2018.

(**) Foreign currency indexed other assets amounting to TL 1.371 are presented in TL column in the accompanying financial statements as at 31 December 2018.

(***) Foreign currency indexed factoring payables amounting to TL 14 are presented in TL column in the accompanying financial statements as at 31 December 2018.

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.

(e) Currency risk management (Continued)

	Profit / (Loss)		Equity (*)	
31 December 2019	**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	16.710	(16.710)	16.710	(16.710)
2- Hedged portion of TL against USD risk (-)	(16.217)	16.217	(16.217)	16.217
3- Net effect of USD (1+ 2)	**493**	**(493)**	**493**	**(493)**
15% change of the Euro against TL				
4- Net Euro asset/liability	26.402	(26.402)	26.402	(26.402)
5- Hedged portion of TL against Euro risk (-)	(26.436)	26.436	(26.436)	26.436
6- Net effect of Euro (4+5)	**(34)**	**34**	**(34)**	**34**
15% change of other currencies against TL				
7-Net other currencies asset/liability	213	(213)	213	(213)
8-Hedged portion of TL against other currency risk (-)	--	--	--	--
9-Net effect of other currencies (7+8)	**213**	**(213)**	**213**	**(213)**
TOTAL (3+6+9)	**672**	**(672)**	**672**	**(672)**

(*) Includes profit/loss effect.

31 December 2018	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	40.001	(40.001)	40.001	(40.001)
2- Hedged portion of TL against USD risk (-)	(37.405)	37.405	(37.405)	37.405
3- Net effect of USD (1+ 2)	**2.596**	**(2.596)**	**2.596**	**(2.596)**
15% change of the Euro against TL				
4- Net Euro asset/liability	28.348	(28.348)	28.348	(28.348)
5- Hedged portion of TL against Euro risk (-)	(26.312)	26.312	(26.312)	26.312
6- Net effect of Euro (4+5)	**2.036**	**(2.036)**	**2.036**	**(2.036)**
15% change of other currencies against TL				
7-Net other currencies asset/liability	636	(636)	636	(636)
8-Hedged portion of TL against other currency risk (-)	(399)	399	(399)	399
9-Net effect of other currencies (7+8)	**237**	**(237)**	**237**	**(237)**
TOTAL (3+6+9)	**4.869**	**(4.869)**	**4.869**	**(4.869)**

(*) Includes profit/loss effect.

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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 2019 and 31 December 2018, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

Interest Position Table

	31 December 2019	**31 December 2018**
Fixed rate instruments		
Financial assets:		
Banks	7.876	7.555
Factoring receivables	2.640.815	2.027.440
Financial liabilities:		
Funds borrowed	1.886.196	1.703.851
Debt securities issued	-	577.835
Payables from leasing	309	-
Variable rate instruments		
Financial assets:		
Factoring receivables	537.908	697.427
Financial liabilities:		
Funds borrowed	1.063.748	160.145

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 5.379 (31 December 2018: TL 6.974).
- Interest expense from variable rate loans will increase by TL 10.637 (31 December 2018: 1.601 TL).

(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 2.711 increase / (decrease) (31 December 2018: TL 5.370).

(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.

As of December 31, 2019 factoring receivables amounting to TL 1.003.912, which is approximately 32% of total factoring receivables, is granted to a single risk group (As of December 31, 2018 factoring receivables amounting to TL 1.091.743, which is approximately 40% of total factoring receivables). Since the mentioned risk group has a high portion in the total factoring receivables of the company, the company is exposed to concentration risk.

Sectoral allocation of factoring receivables is as follows:

	31 December 2019 (%)	**31 December 2018 (%)**
Motor vehicles	37,29	45,59
Energy, gas, water and petroleum resources	12,49	13,20
Machinery equipment	12.45	3,06
Metal industry	6,62	2,01
Logistic	4,43	0,64
Construction	3,17	11,20
Textiles	1,90	2,93
Chemical, plastic and pharmacy	1,58	1,60
Glass, tile, cement	1,25	0,74
Food and beverages	0,95	2,72
Forest products, paper, wood	0,62	0,58
Tourism	0,38	0,12
Health	0,16	0,24
Other	16,71	15,37
	100	**100**

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2019, exposure to credit risk based on categories of financial instruments is as follows:

	Factoring Receivables			
31 December 2019	**Related party**	**Other party**	**Deposits at banks**	**Financial assets at fair value through profit or loss**
Exposure to maximum credit risk as at reporting date (*)	15.029	3.144.719	7.876	146
- The portion of maximum risk covered by guarantee	-	1.332.781	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	15.029	3.097.550	7.876	146
- The portion covered by guarantee		1.332.765		
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	-	16	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	18.975	-	-
- Overdue (gross carrying value)	-	227.541	-	-
- Impairment (-)	-	(208.566)	-	-
- 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.

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2018, details of exposure to credit risk based on categories of financial instruments are as follows:

	Factoring Receivables			
31 December 2018	**Related party**	**Other party**	**Deposits at banks**	**Financial assets at fair value through profit or loss**
Exposure to maximum credit risk as at reporting date (*)	21.622	2.708.353	7.555	979
- The portion of maximum risk covered by guarantee	-	1.765.725	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	21.622	2.687.958	7.555	979
- The portion covered by guarantee		1.745.330		
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	-	-	-	-
- The portion covered by guarantee	-	20.395	-	-
		-	-	
D. Net carrying value of impaired assets	-	(5.108)	-	-
- Overdue (gross carrying value)	-	31.016	-	-
- Impairment (-)	-	(36.124)	-	-
- 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.

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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 2019

Contractual Maturities	**Carrying Amount**	**Contractual Cash Inflows/(Outflows) (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**	**1-5 Years (III)**	**More than 5 Years (IV)**
Banks	7.876	7.876	7.876	-	-	-
Factoring receivables	3.178.723	3.232.407	2.847.527	381.756	3.124	-
	3.186.599	**3.240.283**	**2.855.403**	**381.756**	**3.124**	
Factoring payables	2.855	2.855	2.855	-	-	-
Funds borrowed	2.949.944	2.998.252	2.635.723	362.343	186	-
Debt securities issued	-	-	-	-	-	-
Payables from leasing	309	342	83	154	105	-
	2.953.108	**3.001.449**	**2.638.661**	**362.497**	**291**	**-**

The Company makes payments based on contractual maturities.

31 December 2018

Contractual Maturities	**Carrying Amount**	**Contractual Cash Inflows/(Outflows) (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**	**1-5 Years (III)**	**More than 5 Years (IV)**
Banks	7.555	7.555	7.555	-	-	-
Factoring receivables	2.724.867	2.760.862	2.138.114	615.160	7.588	-
	2.732.422	**2.768.417**	**2.145.669**	**615.160**	**7.588**	**-**
Factoring payables	3.848	3.848	3.848	-		-
Funds borrowed	1.863.996	1.876.976	1.735.939	-	141.037	-
Debt securities issued	577.835	590.150	590.150	-	-	-
Payables from leasing	-	-	-	-	-	-
	2.445.679	**2.470.974**	**2.329.937**	**-**	**141.037**	**-**

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2019 and 31 December 2018.

31 December 2019

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	284.710	284.710	284.710	-	-	-
Derivative cash outflows	284.353	284.353	284.353	-	-	-

31 December 2018

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	428.915	428.915	428.915	-	-	-
Derivative cash outflows	427.443	427.443	427.443	-	-	-

(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.

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments (Continued)

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 2019	Financial assets and liabilities held for trading	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair Value	Notes
Cash and Cash Equivalents							
Banks	-	7.876	-	-	7.876	7.876	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	4
-Financial Assets	-	-	-	-	-	-	
-Derivative financial assets	146	-	-	-	146	146	5
Factoring receivables and non-performing factoring receivables	-	-	3.178.723	-	3.178.723	3.178.723	7
Financial liabilities	-	-	-	-	-	-	
Derivative financial Liabilities	3.116	-	-	-	3.116	3.116	17
Factoring Payables	-	-	-	2.855	2.855	2.855	7
Other liabilities	-	-	-	1.626	1.626	1.626	18
Funds borrowed	-	-	-	2.949.944	2.949.944	2.949.944	14
Debt securities issued	-	-	-	-	-	-	16
	-	-	-	-	-	-	16

31 December 2018	Financial assets and liabilities held for trading	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair Value	Notes
Cash and Cash Equivalents							
Banks	-	7.555	-	-	7.555	7.555	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	4
-Financial Assets	-	-	-		-	-	
-Derivative financial assets	979	-	-	-	979	979	5
Factoring receivables and non-performing factoring receivables	-	-	2.724.867	-	2.724.867	2.724.867	7
Financial liabilities	-	-	-	-	-	-	
Derivative financial Liabilities	-	-	-	-	-	-	17
Factoring Payables	-	-	-	3.848	3.848	3.848	7
Other liabilities	-	-	-	1.021	1.021	1.021	18
Funds borrowed	-	-	-	1.863.996	1.863.996	1.863.996	14
Debt securities issued				577.835	577.835	577.835	16

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value hierarchy of Financial Instruments

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 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	146	-	146
Financial assets at fair value through other comprehensive income	44.799	-	-	44.799
Total financial assets carried at fair value	**44.799**	**146**	**-**	**44.945**
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

*As of December 31, 2019, shares amounting to TL 2.725 are reflected in the financial statements with their cost values since there are no public shares.

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	-	979	-	979
Derivative financial assets held for trading	21.842	-	-	21.842
Total financial assets carried at fair value	**21.842**	**979**	**-**	**22.821**
Derivative financial liabilities held for trading	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

*As of December 31, 2018, shares amounting to TL 2.725 are reflected in the financial statements with their cost values since there are no public shares.

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