İŞ FAKTORİNG

2018
ANNUAL REPORT

25 YEARS OF SUCCESS

GETTING STARTED

İş Faktoring is proud to present to you the activities of the Company in 2018 and the results of these activities.

Having started 2018 with the same willingness and determination after its outstanding results in 2017, İş Faktoring owes this year's superior performance to its proactive and effective risk management approach and its technological investments continued at a great pace.

İş Faktoring is rightfully proud of celebrating its 25th anniversary in 2018 after completing a hard year professionally with outstanding performance thanks to its strong capital and its professional and competent human resource.

With its firm stance and foresighted efforts, İş Faktoring will continue to serve its clients at such quality and standards as required by the current era, and will be working for Turkey with might and main.

A. Erdal ARAL
General Manager

Risk Management

İş Faktoring adopts a proactive, systematic and effective management approach by taking all the necessary strategic decisions in a timely manner to reach its goals in 2018.

Chess is an art of analysis. Mastership in chess is gained through a correct analysis of positions.

Mihail Botvinnik

Castling is a defensive move that uses both a rook and the king.

Being a good player is not sufficient alone,
you should also play well.

Siegbert Tarrasch

Variant is a chain of moves
with a certain purpose.

Profitability

Whilst the factoring sector improved its net profit in 2018 by **41%** on a consolidated basis, İş Faktoring increased its net profit by **197%** despite challenging market conditions, and in that sense, achieved a great success.

The most significant characteristic of chess positions is the activeness of the instruments. This is the fundamental principle in all sections of chess (opening, middle-game, and especially the endgame).

Michael Stean

Sacrifice is to give up a piece in chess for a certain goal.

Flexibility

İş Faktoring managed to gain a competitive edge by catching up with any condition thanks to its know-how developed in long years, its business models, and organizational agility.

Innovation

By making the necessary technological investments in line with customer needs, İş Faktoring developed business processes, and led the sector with its innovative applications and products.

When you see a good move,
look for a better one.

Emanuel Lasker

Maneuver is a term that we use to call the moves that are intended to bring figures to a much favorable position or to create weaknesses in the rival team.

Team Work

İş Faktoring continued in 2018 to meet the expectations of its clients with staff members who are specialists in their respective areas, possess high communication and coordination skills, and attach importance to teamwork.

It is more than the power of compatible figures, and the sum of absolute powers.

Emanuel Lasker

Spanish opening is the type of opening which aims to take the center and have a better position to expand the attack from.

A Quarter – Century of Experience

İş Faktoring continues its services with firm steps, building on its quarter-century of experience in the industry with its sound capital structure, reliable brand perception, product diversity, and its leading and difference-making technological investments.

The tactician knows what to do when there is something to do; whereas the strategian knows not to do what when there is nothing to do.

Gerald Abrahams

Compensation is the superiority of move gained in return for the piece sacrificed.

Company Identity

REPORTING PERIOD
01.01.2018-31.12.2018

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, İstanbul
Tel: (212) 317 00 00 Fax: (212) 317 00 99

TRADE REGISTRY NUMBER
300765

MERSIS (CENTRAL REGISTRATION SYSTEM)
0481005923700010

WEBSITE:
www.isfaktoring.com.tr

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THE FACTORING COMPANY WITH 25-YEARS OF EXPERIENCE, CONSTANTLY-STRENGTHENING BRAND VALUE, LEADING THE SECTOR WITH DIGITAL INVESTMENTS, AND OFFERING HIGH-QUALITY PRODUCTS AND SERVICES

İş Faktoring was founded in 1993 as an affiliate of Türkiye İş Bankası. The Company has been offering its clients fast, reliable, and competitive services in the fields of finance, guarantee and collection for 25 years. İş Faktoring continues to grow with the power derived from the foundations built on the deep-rooted experience and corporate culture of Türkiye İş Bankası and the perception for sustainable success.

The Company is improving, and setting an example for the factoring sector, with its rational, transparent, accountable and innovative management approach as well as the diversity of its products and services, its high creditworthiness, customer-oriented business approach and its motivation to develop new products which is an output of that approach, and the investments in people and digitalization.

As of the end of 2018, when it has left behind 25 years, İş Faktoring is committed to achieving sustainable success with its experienced staff consisting of 124 professionals. Whilst İş Faktoring continues to provide its services with a "consultant" approach to companies of all sizes in trading operations at home and abroad with the help of its rich product and service catalogue, it offers companies tailor-made strategic solutions, acting as a strong business partner for them. Within this scope, endeavoring to achieve excellence in customer experience, the Company is developing the digitalization process started in 2017 with its new products, services and technological infrastructure by quickly keeping pace with the state-of-the art technological developments which also directly affect the financial sectors, and continues to add value to its clients and the sector both.

Serving through its Headquarters in Istanbul, and its 6 branches operating in Ankara/Ostim, Tuzla/İstanbul, Güneşli/İstanbul, Adana, İzmir and Bursa, İş Faktoring's greatest competitive advantage along with its use of innovative technologies is its capability of taking its services to every part of our country thanks to the strong synergy it has created through the extensive sales and services network of Türkiye İş Bankası.

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 not only in domestic markets, but also the international markets. For the purpose of offering effective, plain and quick solutions for its clients and increasing their competitive power in global markets, İş Faktoring is constantly consolidating its market position in the field of export and import factoring, by enriching both its network of correspondents and its fund resources thanks to the corporate relationship it has developed with the member corporations within FCI.

Effective Risk Management

İş Faktoring was quick to adapt to the economic change in the second half of 2018 after the economic fluctuation suffered by our country in summer, and distinguished itself in the sector by adopting an effective risk management approach with its proactive and disciplined management style and dynamic team. The Company had total factoring receivables amounting to realized TL 2.7 billion at 2018 year-end stood at TL 10.5 billion turnover. Having a positive view of the future, the Company continued to build on its investments in technology and digitalization also in 2018.

Capital and Shareholding Structure

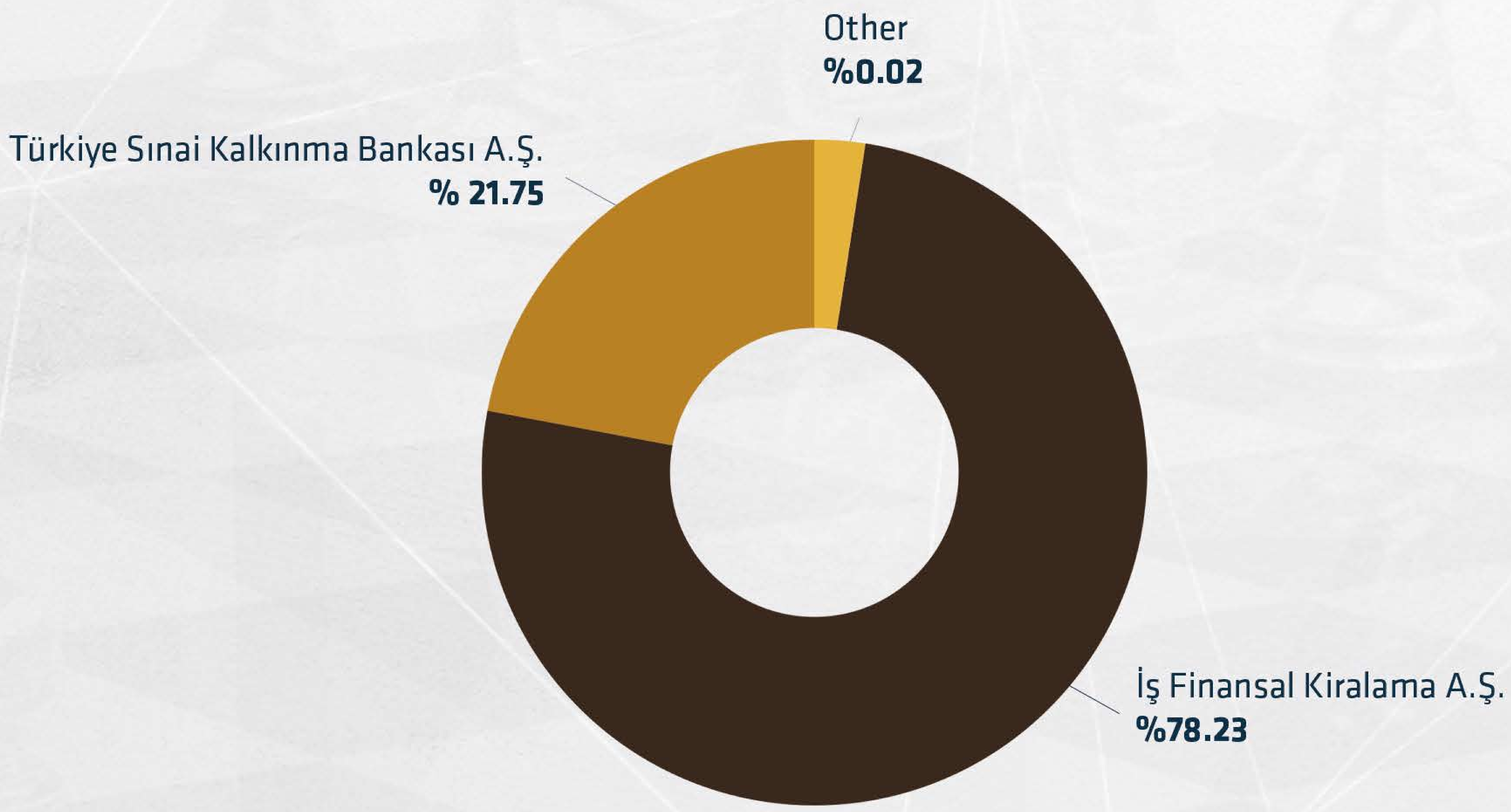
İş Faktoring's paid-in capital is TL 63,500,000 consisting of 6,350,000,000 fully paid-in shares each having a value of 1 kuruş.

The Company's shareholders, and the distribution of their profits in the Company's capital as of 31 December 2018 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 2018.

The strong performance achieved in 2018 clearly proved the soundness, efficiency, and effectiveness of İş Faktoring's investment in technology, and its processes. In 2018, the Company reached an average factoring receivables balance of TL 2.7 billion, earning a net profit of TL 147 million.

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, and to increase is business volume in the factoring market of our country that offers a potential for sustainable growth.

Financial Indicators (Million TL)	**2016**	**2017**	**2018**
Total Assets	3,025	4,268	2,770
Factoring Receivables	2,985	4,205	2,729
Turnover	9,180	12,252	10,519
Average Factoring Receivables	1,368	2,738	2,683
Shareholders' Equity	129	189	301
Net Profit	32.9	49.5	147.0

Basic Ratios	**2016**	**2017**	**2018**
Return on Assets	1.48	1.39	4.23
Return on Equity	29.32	31.72	60.56
NPL Ratio	1.30	0.99	1.12
Number of Clients	3,561	5,249	6,395

Funding Resources

The total credit limit allocated to our Company by domestic and foreign banks as of 31.12.2018 is TL 10 billion, representing a 27% increase in our bank limits compared to 2017.

11 discounted bonds with maturities of 2, 3, and 6 months, at a nominal value of TL 1.451 million, were issued in 2018, and bonds with a nominal value of TL 1,124 million were redeemed during the year.

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

İş Faktoring has enriched its liabilities structure through these transactions as well as with bank loans, which constitute its main resource of funds, and has reflected the cost advantages it achieved to its clients.

İş Faktoring - Credit Ratings by Fitch Ratings

Fitch Ratings, the international credit rating agency, confirmed İş Faktoring's credıt ratings on 28 September 2018 as follows:

Long-term Foreign Currency
B+ / (Negative Outlook)

Long-term Local Currency
BB- / (Negative Outlook)

Long-term National
A+(tur) / (Stable Outlook)

Short-term International Foreign Currency
B

Short-term International Local Currency
B

Support Rating
4

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 the receivable, and the market conditions.

With financing service, the seller's long-term accounts receivable are 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

Through İş Faktoring, companies are able to 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.

Meet our Digital Staff

İş Faktoring has started to use **Robotic Process Automation** technology in order to increase efficiency and business value, and to improve customer experience and develop business models.

Message from the Chairman of the Board


Mehmet ŞENCAN
Chairman

The global economy completed year 2018 under uncertainty and recession risk indicators recently prevailing. Looking at the recent world economy outlook, forecasts point to a general economic shrinkage, and the World Bank estimates a growth rate of 2.9% in 2019 with the effect of reduced trade volume and monetary tightening policies. According to IMF data, the increase in the world trade volume which stood at 5% between 2000 - 2017 fell to 4.2% in 2018, and estimated to be 4% in 2019 forecasts. The commercial tension and increased uncertainty between US and China in the second half of 2018 make a negative impact on export and investments, boosting pressure on economic growth. The increased borrowing costs in line with monetary tightening gives out signals of a slowdown in 2019. While the labor force markets continue to strengthen with increased employment and reduced unemployment in general, IMF's World Economic Outlook Report shows risks threatening the world economy as inter alia, geopolitical concerns and political uncertainties.

FED RAISED POLICY INTEREST RATE BY 25 BASIS POINTS TO 2.5% AT THE LAST MEETING OF 2018

At its last yearly meeting held on December 19, 2018 the U.S. Federal Reserve (FED) raised its funding rate by 25 basis points in line with expectations, bringing it from 2.00% – 2.25% to the range of 2.25% - 2.50%. For that reason, the Bank's 2019 growth forecast dropped from 2.5% to 2.3%, whereas PCE inflation rate estimate for 2019 fell from 2.% to 1.9%. As stated by the minutes of meeting, funding interest forecasts for 2019, 2020 and 2021 are 2.9% and 3.1% respectively according to the median forecasts, whereas the long-term inflation expectations slightly change. 2019 year-end unemployment forecast remained constant at 3.5%. The median expectation in long-term unemployment fell from 4.5% to 4.4%.

THE EURO ZONE DEMONSTRATED A GROWTH PERFORMANCE BELOW EXPECTATIONS

Due to more-than-expected appreciation of Euro and its negative impact on export as well as political tension and rising inflation in global economy, the European Central Bank (ECB) drove growth expectations for 2018 in Euro Zone by 0.1 points down, bringing it to 1.9%. 2019 expectations of IMF for Euro Zone are driven down from 1.9% to 1.6%, whereas inflation expectation is estimated to be 1.6%. The downward revision regarding Euro Zone was due to the reduction of growth forecasts of Germany, France and Italy. The recovery in the labor force market, appropriate financial conditions and the internal demand are the supporters of the economic growth, however, the uncertainty about US' trade policy and the geopolitical risks appear to be the key factors likely to be a headwind on the growth of Euro Zone in the period ahead.

VITALITY WAS ACHIEVED IN THE TURKISH ECONOMY THROUGH THE SUPPORT PACKAGES PROVIDED IN 2017

Turkey entered the year 2018 with a sound growth outlook subject to the recovery in production, investment and international trade in 2017, and stood out as the fastest growing economy among the G20 members. The vitality and increased employment achieved in Turkish economy with the support packages supplied in 2017 were replaced by hard market conditions as an outcome of the trade wars in the world economy. Due to the restrictions brought to international trade mainly by US, the monetary tightening, interest rate hikes by FED and geopolitical risks, a portion of a loss of momentum was observed in the second half of 2018. Following that loss of momentum a number of actions covering austerity and finance policies were declared as the 2019-2021 New Economy Programme, where the growth for 2019 is estimated to be 2.3%.

The Turkish economy showed two different growth trends in 2018. Maintaining the strong growth achieved in 2017 also in the first half of 2018, the Turkish economy attained 7.4% growth performance, driven by incentives introduced in 2017 and the increased trade volume. By the second half of 2018, the increased commercial tension was felt particularly in the capital movements towards the developing countries, causing a decline in net capital movements. Ongoing geopolitical tensions affected global economy negatively, triggering financial fragility. In this context, the ongoing conflicts in the Middle East, the re-consideration of the sanctions on Iran, and other political tensions had a negative effect on Turkish economy, and may put further pressure on growth estimates.

Driven also by the strong economic growth and incentives in 2017, the increased employment continued its trend in 1Q 2018 as well. However, the uncertainty and stabilization process that emerged in economy led to a decline in annual employment rate and an increase in unemployment rates.

According to IMF's World Economic Outlook Report, the growth expectations for Turkey were revised down in respect of 2019 as all other EM countries and prospering economies group. The growth estimates were reported to be 3.5% and 0.4% for 2018 and 2019, respectively. The consumer price index is expected to stand at 16.7% at the end of 2019, whereas the unemployment rate is estimated to be 12.3% as of the end of 2019. The ratio of current account deficit to gross domestic product which rose to 5.7% at the end of 2018, is expected to fall down to 1.4% in 2019.

İŞ FAKTORİNG LEFT BEHIND A SUCCESSFUL YEAR OF OPERATIONS WHEN RISK MONITORING AND A PROACTIVE MANAGEMENT APPROACH GAINED IMPORTANCE

İş Faktoring with the target of maintaining its corporate success of 2017 further in 2018, left behind a successful year of operation by affectively managing the risks, deploying proactive business models, and continuing its successful technological investments.

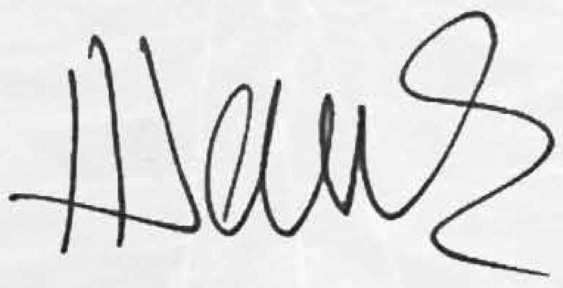
Sustaining its success under challenging competitive conditions thanks to the trust supplied by "İş Group" and its strong brand value, İş Faktoring continued to set an example to the sector with its professional staff and rational business understanding. Carrying on its initiatives for the purpose of adding value to the national economy and improvinge the sector, İş Faktoring was nominated as a candidate by the London Institute of Banking and Finance in two categories for its digital product, ÇekMatik, which is a first of its kind in the world, and represented our country in the best manner on the international platform.

Always committed to reflecting its innovative business approach to its business models, İş Faktoring also put into practice the Robotic Process Automation in 2018 in addition to ÇekMatik Garanti, İş Tedarik and İş Supplier products in order to achieve operational excellence and improve efficiency, and continued to add value to the experience of its employees and thus to those of its clients.

Preserving its high growth performance in turnover and factoring receivables in the first half of 2018, İş Faktoring concentrated more on its risk management activities in the second half of 2018 due to the economic cycle, and closed the year with successful results under hard market conditions with the help of the right decisions taken in risk management as well as its strong brand value, sound financial structure, and its strong ties with İş Bankası within this process.

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

A. Erdal ARAL
General Manager

İş Faktoring continued its success in the sector with the profitability attained by adopting an effective risk management approach together with proactive management style and developing new business models with its dynamic team.

Dear stakeholders,

In addition to the developments in global economy in 2018, the monetary tightening programme and interest rate hikes by FED, the speculative rate attacks that occurred especially in the second half of 2018 raised negative impacts on our economy. The Turkish Lira suffered a significant depreciation against certain foreign currencies, and deteriorations occurred in private sector payment balances due to the rising inflation driven by the exchange rates, resulting as the loss of trust and shrinkages in trade volumes. Despite the rebalancing initiated by the New Economy Programme and the decline in current account deficit owing to the fall of import figures, our country left behind a hard year in economy with a loss of momentum in growth and increased unemployment rates.

İş Faktoring, with its 25-years of know-how and team of experts has managed to analyse the volatility in the markets in the right manner and continued to produce solutions tailored to the needs and experiences of our clients in every corner of the country. Considering itself as a solution partner for its customers in the first place, increased its competitive advantage in the sector further by consistently adding value to its clients.

WE LEFT BEHIND US A PROFITABLE YEAR OF OPERATION WITH A PROACTIVE MANAGEMENT STYLE

Despite the problems experienced in the economy of 2018, İş Faktoring left behind a successful year thanks to its strong brand value, sound corporate structure, customer-oriented services, effective capital and risk management capabilities.

The Company owing to the proactive management style it presented, achieved strong results also in 2018 by, completing the year with a net profit increase of 197% with turnover amounting to TL 10.5 billion, and average factoring receivables balance of TL 2.7 billion.

Parallel to our Risk Policies and smooth growth strategy, we managed to keep the rate of non-performing loans at 1.12% by increasing the effectiveness of risk monitoring activities and taking timely measures. As a result of our efficiency- and profitability-oriented efforts, our shareholders' equity reached TL 301 million with a 60% increase, whereas our return on equity stood at 60.56%.

With our technological investments, we enhanced the support for our customers with the services and solutions we offered, bringing our international turnover amount TL 2.2 billion, and domestic turnover amount to TL 8.3 billion. In line with the strategies applied in international factoring transactions, import factoring turnover reached TL 560 million, whereas export factoring turnover stood at TL 1.6 billion.

With the diversity of our product offering and our customer-oriented service approach, supported by 2,418 visits performed by the marketing teams in the Head Office and the Branches, we established close contact with our clients in 2018 as well, and supported them with our domestic/foreign factoring products. We also prided ourselves on increasing the number of our clients to 6,395 at the end of 2018 with a 21% increase compared to the previous year as a consequence of our dedicated service approach-as described above.

The fact that SMEs and microenterprises account for the 79% of our current client base has proved the success of our product, ÇEKMATİK, which is a pioneering product in the market.

WE MADE A DIFFERENCE IN THE SECTOR WITH AN EXPERIENCE OF QUARTER CENTURY

In 2018 in line with the corporate culture originating from our historical mission as an affiliate of Türkiye İş Bankası, the first national bank of Turkey, we continued our efforts with no hesitation to add value for our country, stakeholders and clients taking it as our a responsibility and owed debt as it has been the case in the previous years. I would like to make a brief summary of the year 2018 where we continued to make a difference in the sector with our innovative business models, and comprehensive experience aiming to materialize the client expectations.

During the reporting period left behind, we increased marketing efficiency in international factoring transactions, particularly in export factoring, and mainly focused on SME and microenterprise clients and on, providing low-priced loans to companies that had trouble accessing low-cost financing in order to boost their competitiveness in the international markets, and instilled in them the courage to penetrate into new customer and market segments.

Taking a win-win and continuous approach in our customer relationships, we extended Türk Eximbank loans especially to companies seeking low-cost financing and added new customers to our portfolio. On the other hand, export transactions carried out with a suitable fund obtained from correspondents in foreign transactions have been one of the factors allowing İş Faktoring to distinguish itself positively from the sector. By transferring resources to our clients from the 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), we supported our country by our lendings to attain her export targets.

With ÇEKMATİK, developed in 2017, a unique product in the world factoring, we allowed the companies of the microenterprise and SME segments to reach cash in a fast and reliable manner.

With the digital product of "İş Tedarik", a Supplier Finance application, whose share in our total volume is constantly increasing, we managed not only to reduce the operational workload on the suppliers but also to reach the fund they needed practically in a reliable manner from a reliable source.

In 2018, we created a Credit Module and enabled the Marketing Department employees to evaluate the financials of the companies that are to be proposed a credit limit before submitting a quote. Meanwhile, we carried out scenario analyses by reviewing our company credit portfolio with quarterly financial data year-to-date, taking into account macroeconomic indicators as well as the developments in all sectors. We monitored the effects of economic developments on the balance-sheets, and preserved the quality of our portfolio with a proactive approach and, taking the necessary measures in advance.

During the fiscal year when we continued to improve and diversify our funding resources, the TL-denominated bond issues which we started in 2014 provided significant contribution to our fund management. In return for issuance of discounted bonds at a nominal value of TL 1,451 million in 2018, bonds with a nominal value of 1,124 million TL were redeemed during the year. Thanks to the great interest received from investors, İş Faktoring also blazed a trail by issuing the bond with the highest nominal value in the sector.

WE DEVELOPED NEW BUSINESS MODELS

As in today's world where the effect of technology is deeply felt in both global and local levels and Industry 4.0 proved its potential role in all areas of our life, İş Faktoring determinedly continued to reflect its technological investments to its business models owing to its innovative working approach.

We laid the foundations of the Robotic Process Automation (RPA), another pioneering application in the sector; a machine-learning capability that handles high-volume and repeatable tasks, characterized by the use of artificial intelligence with software, with which we aim to make more contribution to our customer experience by accelerating daily company operations and increasing efficiency.

By adding also the "Garanti" facility in 2018 to Çekmatik, our chatbot application developed in 2017, we enabled the companies in the SME and microenterprise segment not only to reach cash but also guarantee their receivables through this channel in a reliable and fast manner.

We increased the diversity of our technological products by implementing İş Tedarik, our Supply Chain Finance application aiming to help enterprises save on operational workload by conducting finance transactions in a faster and reliable manner. Furthermore, we incorporated İş Supplier, an application that enables our clients targeting to increase their export volume guarantee their long-term accounts receivable through the digital environment.

WE WILL WORK HARDER IN 2019 TO SUSTAIN OUR SUCCESS

While we celebrated the 25th anniversary of our incorporation leaving behind an operational year, we will continue to offer the most beneficiary products and services to our clients, recognizant of the fact that we need to sustain our previous success also in 2019.

Being conscious of the fact that digital conversion plays an important role in a sustainable growth, in 2019 we will continue our efforts to deploy further applications as done with ÇekMatik, ÇekMatik Garanti, İş Tedarik, İş Supplier, which are developed as a result of our digitalization efforts started in 2017.

Market release of our İş Supplier product which provides a basis to trade safely for those companies aiming to expand their export volume in our country where foreign trade volume is increasing year by year will be one of the top agenda items of the Company in 2019.

In line with our target to instill technology in our processes, we will work to integrate the Robotic Process Automation (RPA) application further, by which we plan to increase the contribution to employee and customer experience by optimising our operational efficiency, into all our business processes. At this point we believe İş Faktoring will maintain its leadership as a company that produces the fastest solutions aligning to the needs and changes in the sector and takes the strategic steps.

Cognizant of the fact that bigger goals and achievements await us in 2019, we continue to look at the future holding our hope and trust on this challenging quest, thanks to our human resources, which is our biggest capital and the most valuable asset with the pride and strength we gain from operating under the umbrella of İş Bankası Group. I am grateful to our Group companies, which have always stood by our side, our committed team who never refrain their sacrificing efforts, our clients, who have always placed their trust in us, and all our stakeholders.

Best Regards,

A. Erdal ARAL
General Manager

World Economic Outlook

The tension triggered by trade wars which raged especially in the 2nd half of 2018, the increased interest rates, and monetary tightening and consequently the increased borrowing costs and increased volatility in the markets indicate signals of a slowdown in global economy. The risk perception caused by these factors led to drops in all world exchanges especially in the last quarter of 2018. FTSE All-World Index, a stock exchange index recognized by the whole world, plummeted 12% in 2018. Shanghai Stock Exchange in China, another country that was affected the most along with the developing countries, slid 25%. After having reached peak values in October, Dow jones dropped 5.6% at the end of the year.

Oil prices that reached 86$ dropped due to signals of economic shrinkage, and average value of oil was 68$ in 2018. Price per barrel of oil slid 24.9% year-on-year, and closed the year with 45$ which represents a 77.4 drop from the peak value achieved within the year. The drop in oil prices which had risen due to the sanctions on Iran was partly driven by the exclusion of 8 countries from the sanctions, and the increased production by US and OPEC, and global shrinkage expectations.
Average oil price is expected to be 67% in 2019. However, the sanctions on Iran, OPEC's production amount and the severity of the decline in demand continue to cause uncertainty.

With the increase of dollar interest rates, developing countries suffered outflows of cash. The currencies of developing countries depreciated averagely 10% since April 2018. The countries most affected were Argentina and Turkey. This led to inflationist effects on the developing countries. In parallel, the sovereign ratings declined, even going below the investment grade for some countries. Several developing countries had to raise interest rates to meet the increased demand for funds, inevitably giving rise to higher borrowing costs, and reflecting negatively on investments.

While US economy had a good outlook, Europe showed a less-than-expected growth due to Brexit. While growth stood at 2.2% in emerging economies, it remained 4.2% in developing countries, 0.3 points below the forecasts.

Due to the decreased trade volume and austerity policies, the global growth is anticipated to be 2.9% in 2019 according to the World Bank forecasts. This rate is expected to be 2.8% for the years 2020-2021. It is anticipated that growth rate will remain fixed at 4.2% in developing countries in 2019, and rise to 4.4% with a slight rise in 2020-2021.

However, foreign currency debt climbed as a result of a faster-than-expected progression in monetary tightening and quantitative easing particularly in the recent years due to appreciation of US dollar against other currencies in 2019, and this may give rise to problems for developing countries that need liquidity, and cause 2019 economy to perform worse than expected.

Trade wars continue to affect the global economy negatively. The tariffs applied until now has affected the imports of US, imports of China, and the world trade by 12%, 6.5%, and 2.5%, respectively. It is anticipated that 5% of the world trade volume will be affected negatively with the introduction of the tariffs expected in the trade wars. In such a case, the risk that await us will be a rise in prices and a decrease in global trade volume. Although the likelihood of a stagnancy in US and Chinese economies, the two giant economies of the world, is not high, if a less-than-expected slowdown is seen, this may give rise to more problems in developing countries. Though temporary suspension of the rise in tariffs after the G20 summit caused a temporary relief, it continues to be a potential source of stress, driving a decline in investments and trade volume.

United States of America

The US economy has been the best performing economy in 2018. While the economy showed a 2.9% growth due to the increased demand higher than expectations, unemployment rates slid to the lowest levels of the last 50 years. Increases in salaries were higher than the inflation rate, raising the welfare. Taxes were imposed on imports, mostly from China, amounting to "$300 million", and in return, American exports were imposed an extra tax of $150 million. This may have negative consequences such as rise in prices in US economy, a decline in trade volume and fall in investments. For that reason, the US growth is expected to be 2.7% in 2019, and 1.7% in 2020-21.

Europe

The European economy closed the 2018 with 1.9% growth. 0.2 points below the expectations. The primary reason is the negative reflections on exports of the more-than-expected appreciation of Euro. While unemployment rates slid, inflation remained at 1%. In the period ahead, inflation rate is anticipated to be 1.6%. The lowest interest rate of the European Central Bank is expected, at the least, to persist until mid 2019. Financial borrowing rates continue to increase. The fact that the demonstrations and strikes in France push the government to higher expenditure and a lower tax system is expected to bring additional burden on the French economy. In Italy, the borrowing costs increased due to volatility and uncertainty in the country's outlook.
In Euro Zone, the growth rate in 2019 is anticipated to be 1.9% due to the slowdown in global economy. The growth forecast for 2020-21 is around 1.4%.

China

In 2018 China saw declines in industrial production and export rates. While Chinese stock exchanges fell, bond interests entered an upward phase. Governmental expenditures declined, however, private sector expenditures increased, neutralizing the effect on growth. While the house prices in metropolitans declined, consumer prices increased due to rising energy prices and depreciation of dollar against Yuan. It is aimed that the economy will be least affected from trade wars owing to monetary supportive policies adopted by the Chinese government. The low debt ratio and high fund reserve of the Chinese government, and its low dependency on foreign investments are the factors that keep the Chinese economy resistant.

While the Chinese growth is forecasted to be 6.5% in 2018, it is anticipated to be 6.2% in 2019 and 6% in 2020-21.

Eastern Asia and Pacific

The Eastern Asia and Pacific region, the fastest growing region of the world, is expected to grow 6% in 2019. Chine being the engine of the region with a growth rate of 6.2%, the average growth for other regions is expected to stand at 5.2% due to the increase in domestic demand despite the decline in exports. While the growth rate of Indonesia is expected to be 5.2%, the growth in Taiwan economy is anticipated to fall down to 3.8%.

Eastern Europe and Central Asia

In Bulgaria, Croatia and Romania, the economy shrank in line with the decreased export, and Romania is expected to close the year 2018 with a growth over 5%, thanks to strong consumption demand. Despite economic embargoes, Russia managed to preserve its balanced and fixed growth rate by increasing oil production. Russia is expected to grow 1.6% as of the end of 2018, and 1.5% in 2019. In Kazakhstan which produces oil higher than expected, the growth rate is expected to be 3.8% in 2018. While economies which have foreign debts, such as Romania and Belarus have much fragile outlook, countries like Armenia, Azerbaijan, Ukraine, carry risks likely to arise due to political uncertainties.

Latin America

While the growth estimate for the region in 2018 is 1.7% Brazil is expected to grow 2.2%, and Mexico, which encounters a border problem with US, is anticipated to grow 2%. In Argentina, growth is expected to remain at 1.7% due to increased unemployment and shrinking demand.

Middle East and North Africa

While the expectation estimate for the region in 2019 is 1.9%, this rate is anticipated to rise from 2% to 2.6% in oil-exporting gulf countries. Iran is expected to shrink 3.9% with the effect of sanctions. While the growth estimate for Algeria is 3.9%, it is anticipated that Egypt will reach a growth rate of 5.6% with the help of increased domestic demand and investment incentives.

Risks for 2019 Economy

• Monetary tightening policies that occurred faster than expected may further deepen the economic uncertainty, creating sudden and irregular exchange rates. Turkey is among the countries which will be severely affected from these circumstances.

• The aggravation of trade wars may have a negative impact on the course of global trade. As a result, the shrinkage in trade volume, production and investments may be higher than expected. A deterioration of the atmosphere of trust may be experienced in international trade.

• The rising global political uncertainty, polarization, geopolitical risks and conflicts may impact the world trade and the inflow of funds to developing countries negatively.

• It is thought that a slowdown in American and Chinese economies may cause a sudden global stagnancy. Historically economic crises occurred suddenly following high growth and high debt ratios. A 1% drop in US economy causes a 0.6% drop within a year in developing countries. Similarly, a 1% drop in Chinese economy causes a 0.3% drop. Therefore, a 1% drop in both countries may cause a 1% drop in global economy in 2020, which may give rise to a recession risk.

• Due to the uncertainty in the markets, it is thought that excessive fluctuations may occur in commodity prices and capital markets.

• Political risks: The UK's Brexit process, the demonstrations in France, Italy's problems with the European Union, the war and terror in the Middle East, and sanctions against Iran pose insecurity for the global economy.

Positive Scenarios

• Resolution of trade wars.

• Easing in FED's monetary tightening and interest rates.

• Technological developments such as artificial intelligence, big data analysis, fast technology transfer might have an increasing impact on production capacity and efficiency.

• Keeping the demand alive by preserving growth rates.

Turkey Economic Outlook

After Argentina, Turkey was among the developing countries most adversely affected from the declining global trade volume in 2018, the FED's monetary tightening program and decision to raise interest rates. High private sector debt made Turkey more fragile to the monetary tightening program. Particularly, in the 2nd half of 2018, Turkish Lira depreciated by 30% compared to the US dollar and other foreign currencies, while the private sector balance of payments was affected negatively. While the borrowing rates increased, shrinkage of demand was observed in the domestic market and the industrial capacity utilization rate decreased to 74%. Foreign direct investment rates also declined due to rising global economic concerns and contraction expectations. In response to the tight monetary policy, the CBRT increased its interest rates to 24%. Along with Romania and Ukraine, Turkey was one of the 3 countries in Eastern Europe and Central Asia that have a higher policy rate than that in 2017. Inflation rose to 25% in October, but entered a phase of decline again in November and December going down to 20% due to lower oil prices and exchange rates. The unemployment rate, which fell to 9.5% in April 2018, entered an upward phase in the 2nd half of the year, and surpassed 11%. The current account deficit decreased to USD 39.4 Billion due to the decline in imports in the last quarter due to the effect of rising foreign exchange and the increase in exports.

According to the report published by IMF in October 2018, growth in Turkish economy is projected to be 3.5% in 2018 and 0.4% in 2019. The consumer price index is expected to stand at 16.7% at the end of 2019, whereas the unemployment rate is estimated to be 12.3% as of the end of 2019. It is also expected that the ratio of current account deficit to gross domestic product which rose to 5.7% in late 2018 will fall down to 1.4% in 2019. According to the World Bank Turkey will grow 1.6% in 2019, and 3% in 2020.

The direct effect of the economic difficulties in Turkey is not expected to be very large. The highest adverse impact may be encountered by Azerbaijan that accounts for 9% of Turkey's exports.

The greatest risk for Turkey is thought to be bankruptcies in the private sector which has high debt in foreign currency, combined with high inflation, increasing costs and shrinkage in demand, and the difficulties that may be faced by banks. As a precaution, many private sector companies have been involved in hedging and restructuring their debt against risk. Against this risk, the government tries to support the private sector through various incentives and tax reduction programs. Aside from these, political uncertainties and the geopolitical risks, especially Syria, seems to be risk factors that negatively affect the Turkish economy.

The credit supply, which expanded in 2017 with the influence of Credit Guarantee Fund (CGF) loans, contracted in real terms due to the cyclical developments in 2018 and the impact of the exchange rate attack especially in August. In addition to the contraction in credit supply; the loan demand of the real sector, which has had problems in collecting receivables due to increasing concordatum applications, has also shrank due to the high interest rates and exchange rates. To summarize the year 2018, a year when the risk perception for the economy increased; it can be noted that the institutions that offer loans tightened the credit standards, and rather they adopted a strategy of restructuring receivables and extending maturities, while those who demand loans generally applied a strategy of preserving or contracting current position.

According to the data published by the Banking Regulation and Supervision Agency for 2018; the asset size of the sector was determined as TL 34.6 billion with a decrease of 21% compared to the same period of the previous year, and the balance of factoring receivables was TL 31.4 billion with a decrease of 24%. Involving 58 factoring companies, the sector serves an increasing number of clients, which currently exceed 100 thousand. In the sector where the ratio of non-performing loans decreased due to the impact of CGF loans in 2017, the economical and cyclical developments that occurred in 2018 caused an obvious increase in non-performing loans. In the said year, while the net amount of NPLs of the sector reached twice that of the previous year, it was determined that the gross NPLs increased by 40% and the NPL ratio of the sector jumped from 3.5% to 6.2%. In addition, the rate of bounced checks in the market also jumped, reaching 4.8% in terms of numbers and 4.7% in terms of amounts as of December 2018.

In 2018, when currency fluctuations and risks were high, the weight of the loans used in the factoring sector within the liabilities decreased from 73% to 67%. Shareholders' equity was TL 6.8 billion with a growth of 17%.

The net profit of the sector in 2018 increased by 41% compared to the previous year and stood at TL 1.3 billion. The total number of clients of the companies operating in the sector was 92,422 by the end of 2018, the number of branches was 354, and the number of employees 4,355.

EXPECTATIONS IN 2019

While the factoring sector is projected to show a growth parallel to that of 2018, the turnover is expected to increase with the shortening of the maturities. Supplier finance and export factoring will be the leading products of the sector and growth rates are expected to exceed the sector.

It is anticipated that the interest in supply chain finance, which is an important step taken toward digitalization under the umbrella of the Financial Institutions Union in 2018, allowing small-scale suppliers to be supported with sustainable, reasonable interest rates without experiencing any collateral shortage and have access to cash before maturity, will increasingly continue in 2019.

A Summary of 2018 Activities

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 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 (Ostim / Ankara, Tuzla / Istanbul, Güneşli / Istanbul, Adana, Izmir and Bursa), in addition to the Head Office teams.

İş Faktoring's year-end data supports profit and risk management-oriented activities.

In 2018, İş Faktoring ramped up marketing efforts targeting companies that use factoring services to a lesser extent, or not at all. A large number of 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.

In order to create greater value for its customers, İş Faktoring continued to integrate technology into its products and services also in 2018.

ÇekMatik, the technological product of İş Faktoring, which left its mark on 2017, continued to be used by a larger population in 2018. 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 exports 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 great 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 in particular, 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 to have more courage in penetrating into new markets and clients.

Taking a win-win approach to customer relationships, İş Faktoring extended Türk Eximbank loans especially to companies seeking low-cost financing. In 2018, 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. By transferring resources to our clients from the 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), support was lent to our country to attain its export targets.

IMPORTANT TOPICS OF OUR AGENDA IN 2019

Aware of the fact that digital conversion plays an important role in sustainable growth, in 2019 İş Faktoring will continue with the digitalization efforts it started in 2017. The important projects planned to be expanded in the next year have been summarized below.

İş Tedarik

In connection with the supplier financing product offered for the transactions of companies supplied from multiple points, work was started in 2017 to create a structure by which all parties would conduct the process electronically over a platform, and the electronic platform in question has been launched in 2018. This development aims to reduce companies' operational workload and facilitate suppliers' access to financing.

İş Supplier

İş Supplier is an international supply chain finance product that provides commercial opportunities for exporters and importers. It is a platform that provides advantages for the seller and buyer and eliminates the sellers' risk of collection. The deployment of our İş Supplier product which provides a basis for the parties to trade safely in our country where foreign trade volume is increasing year by year will be one of the top agenda items of the Company in 2019.

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.

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 2018, 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 the balance sheet at the lowest cost possible. In addition, the borrowing channel from Takasbank Money Market is used effectively.

The bond issue it started in 2014 significantly contributed to İş Faktoring's fund management in 2018 as well. Discounted bonds at a nominal value of TL 1,451 million were issued in total in 2018, and bonds with a nominal value of 1,124 million TL were redeemed during the year. With the said issue which attracted great interest from investors, İş Faktoring issued the highest nominal value ever seen in the sector until the present.

International Factoring and Correspondent Relations

2018 was a year in which the increase in exports was of high importance to our economy. In this context, the International Factoring and Correspondent Relations Department has been reorganized to concentrate on foreign loans for financing of trade, correspondent relations and customer relations. The Team consists of employees with expertise on foreign trade, legislation, trade finance, correspondent relations management, international factoring rules. The Company attaches importance to being accredited with the International Factoring Certificate, an accreditation given under an exam by the Factors Chain International (FCI), the international factoring chain.

Export finance loans which will contribute positively to the competitiveness of the exporters in overseas markets and also to the cost control are among the priorities of the departmental activities. Such loans were disbursed to exporters during 2018 and the support to exporters was continued. In this context, a loan agreement regarding export was signed with 8 different financial institutions and banks. Negotiations are in progress for the raising of new resources.

Following the high exchange rate volatility in August, questions and queries from our correspondents about the country's economy were answered in a timely manner and with the appropriate contents. In this period, the credit limits of the Company in foreign banks were not affected, rather an increase was seen.

Our customers, who use the export factoring product, were not affected by the amendment to the export legislation in 2018 stipulating "the bringing 80% of export price to the country and issuing a foreign exchange purchase certificate". Exporters are capable of meeting their commitments stipulated by legislation with the payments made by our company to exporters from foreign resources. In this context, İş Faktoring provided its customers with the usual operational support.

During the year, the demand from 390 clients regarding approximately 1,500 buyers were processed and the volume of correspondent-guaranteed export factoring increased by 84% compared to a year ago.

In 2018, international meetings were attended and intensive negotiations were performed with the financial institutions with which we have correspondent relations. In addition, visits were made to international banks at their head offices to produce projects suitable for the financing of exports.

As in the previous years, the Bank continued to provide support to exporters with cost-effective funding through loans under the scope of the Turkish Eximbank Rediscount Loan and the World Bank's Promoting Innovation for Inclusive Financial Access Project, which was offered to clients through TSKB.

Loan

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

The Loan Department aims to preserve the loan portfolio by taking measurable risks in line with the Company's objectives. During the loan allocation process, the financial analyses and intelligence works are conducted on both the client and the payer of the invoice which is the subject of the factoring transaction, the creditworthiness of sellers and buyers is identified, and allocation decisions are made accordingly. In addition, the circumstances of the sector, market conditions, micro / macroeconomic developments are regularly monitored and evaluated.

The adversities in market conditions, excessive volatility in exchange rates, increase in raw material costs, sectoral problems and other economic developments encountered in 2018 adversely affected the activities of many companies. The Loan Department carried out scenario analyses by reviewing the credit portfolio with every quarterly financial data, taking into account macroeconomic indicators as well as the developments in all sectors, and monitored the effects of economical developments on the balance-sheets, and took the necessary measures with a proactive approach. In this way, the quality of the portfolio was preserved and non-performing loans ratio was kept to a minimum.

In 2018, a Credit Module was created, enabling loan proposals to be assessed at more measurable and rational standards, and the loan portfolio could be reviewed at regular intervals by the help of this scoring method.

Assessing 5.840 loan applications in 2018, the Loan Department performed limit allocation at TL 11 billion, while making an important contribution to keeping the non-performing loan ratio at 1,12%, well below the sector average, through effective credit management practices.

Intelligence

While conducting its operations, the Intelligence Department takes into account 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 continues its activities by attaching importance to research and development capabilities.

The department increased the volume of transactions that underwent intelligence by more than 100% with the improved digitalization activities, which were started in late 2017 and were fully implemented in 2018, and carried the number of transactions that underwent intelligence from 21.423 to 46.500. With its experienced staff, it made a significant contribution to helping the company identify and overcome the adversities in economy and markets with the least damage by taking the necessary precautions.

How ÇekMatik works?

ÇekMatik is introduced

Only your basic details (Tax ID, 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
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 Sorgulama
Mesajınızı buraya yazın...

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, and to contribute to the improvement of processes, when necessary, with an eye to our clients' interests.

The Department also contributes to the internal development activities when any changes, whether systematic or operational, occur by following the developments in the legislation and informing the relevant departments when necessary.

In 2018, the operations team, with its experienced staff, continued to specialize by improving itself to meet all kinds of operational needs related to the unique products of the company, especially the customer transactions.

The Department, which regularly measures the operational efficiency of the company, started to use the application "İş Tedarik", implemented in the first quarter of 2018 in line with the evolving needs, with a view to providing finance solutions to suppliers. With this system, entities will realize their financing transactions in a faster and more reliably manner; resulting in savings on operational workload. "İş Supplier", the second phase of the mentioned application, has also been completed, and the Operations Department has also taken part in the project activities.

Risk Monitoring and Collection

The primary duty of the Risk Monitoring and Collection Department is to carry out studies for the early detection and management of risk with a view to identifying the firms which may become problematic beforehand, to make attempts to complete collection by administrative means as well as to carry out legal proceedings related to the companies for which administrative means have proved fruitless.

While companies already included in the portfolio may be reviewed within the scope of monitoring operations, debtors whose circumstances raise doubts based on records obtained from official sources may also be examined; the data obtained is shared with the concerned departments and action is taken if necessary.

The aim is to collect the creditor's receivables from the debtor, the drawer, the intermediate endorser and the invoice payer in the Company's portfolio first of all through administrative means. Efforts are used to collect the receivables as quickly as possible by closely monitoring the companies from which the likelihood of collection is low and contacting the debtors during both the administrative proceedings phase and the legal proceedings phase. By working in coordination with other departments of the Company, accounting and operational processes based on collections are closely monitored.

The Company has 1 lawyer and 2 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 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 are followed, and the necessary information is shared with the relevant official institutions without delay.

During its efforts of the Risk Monitoring and Collection Department in 2018, the internal system developed specifically in the field of monitoring was used extensively and a significant contribution was made both to the development of the loan volume and to the reduction of the troubled balances in the scope of the Company's objectives. In addition, the Company has taken an active role in system development for customer researches/inquiries.

Information Technologies

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.

İş Tedarik

With "İş Tedarik" our supply chain finance application introduced in 2018, entities will realize their financing transactions in a faster and more reliably manner; resulting in savings on operational workload.

İş Supplier

With İş Supplier, our trade chain finance platform developed for companies willing to increase their export volume, exporters can guarantee their receivables by 100% by assigning their long-term accounts receivable to our company arising from sales of goods or services they have made abroad.

Thus, the exporter does not have to worry in cases such as the buyer's bankruptcy or insolvency, and has the opportunity to sell its goods on a cash against goods basis thanks to the atmosphere of trust. Moreover, the exporter may, if it wishes, meet its financing needs at the convenient and attractive conditions of İş Faktoring.

Operational Efficiency

All the processes of our company was reviewed; processes that reduced our efficiency were revised and effective checkpoints were established in all of our processes.

Human Resources and Training

While İş Faktoring focuses on operational efficiency with the vision of becoming a Company that satisfies its customers, employees and stakeholders, İşbank employs human resources systems that develop the innovation culture and produce rational solutions from a corporate culture perspective. In this context, the Company's human resources mission is 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.

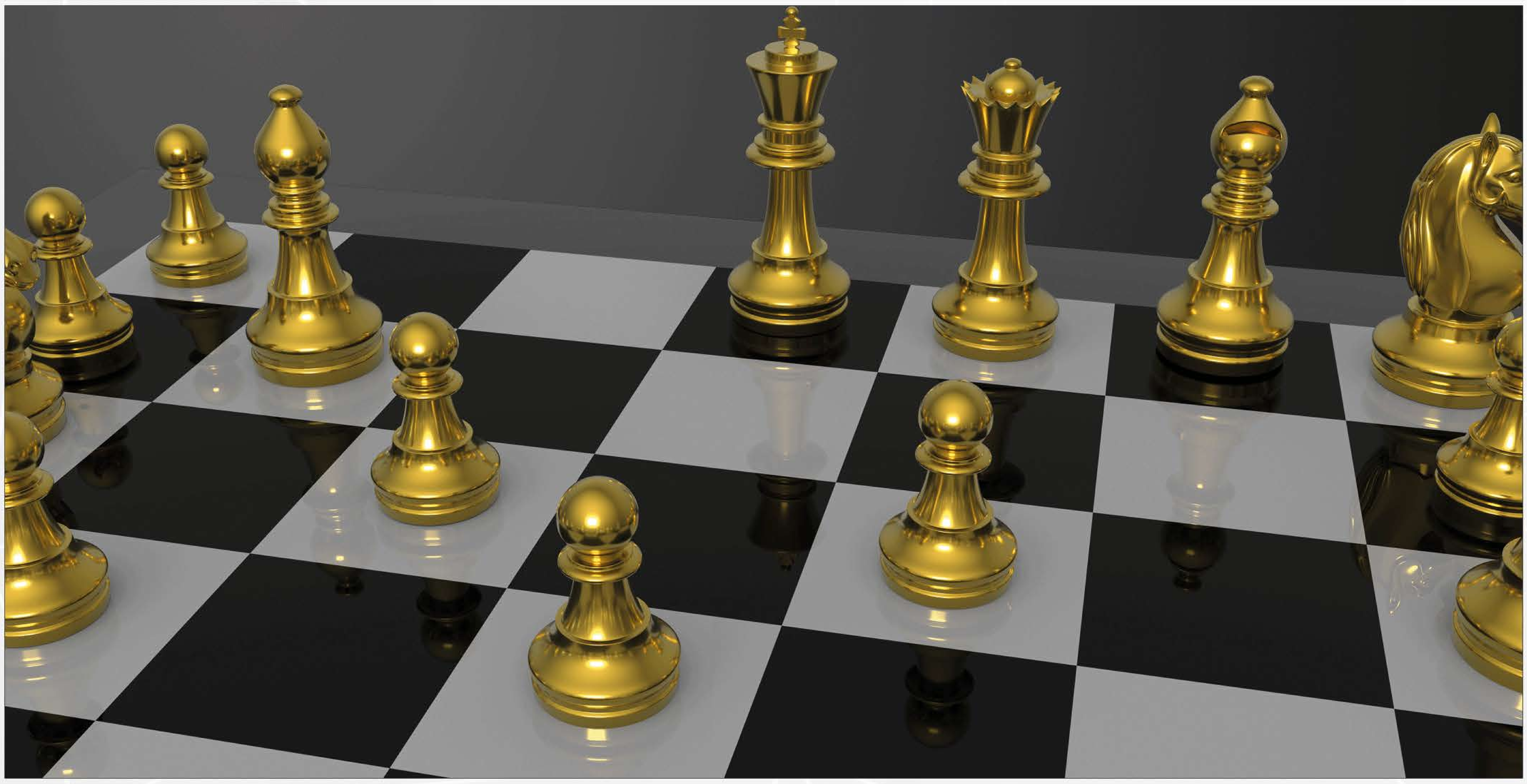
İş Faktoring owes the reliable position maintained in its own sector and the ever-increasing competitiveness, to its human resource which attaches importance to the added value they create and stand out with the competencies they possess. Operational efficiency has always been a priority in creating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

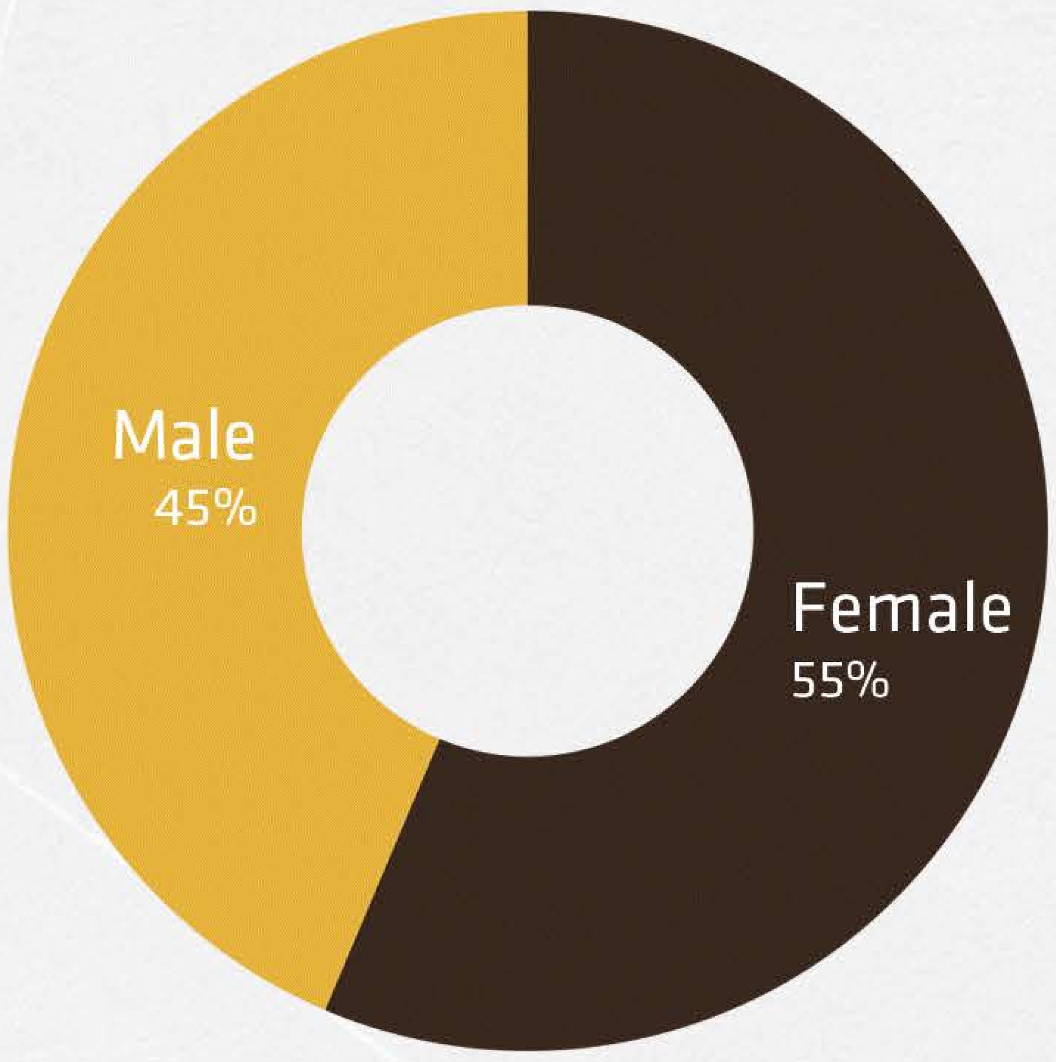
With its "Pusula Gelişim Bildirimi", a platform which İş Faktoring has developed with great belief in development, İş Faktoring has carefully and attentively evaluated every idea and suggestion of its employees. The development reports communicated by the employees during the year were shared with the related department managers and evaluated. With this platform which İş Faktoring developed to encourage employees to take part in solution and management, it aims to contribute to the development of the Company positively with feedback from different perspectives.

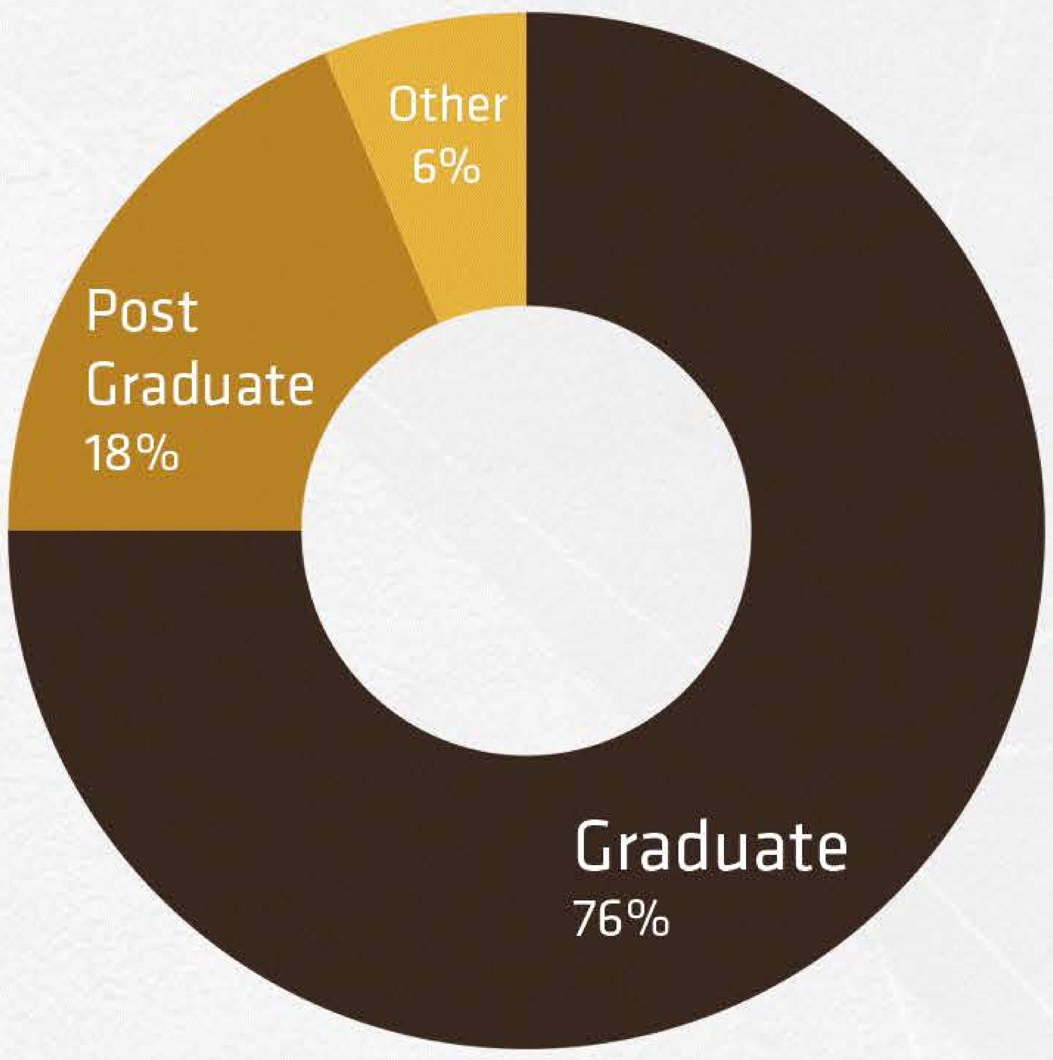
HUMAN RESOURCES PRACTICES IN 2018

İş Faktoring, which always places the innovation at the heart of its operations, is admired as the pioneer of its sector with the products and processes it has developed. The attraction of qualified employees who will become a part of this culture is one of the most important goals of the Human Resources and Training Department. In accordance with the actual recruitment process, this process, which starts with selection and placement, is supported by integration programs enabling employees to adapt to the transparent, fair and rational corporate culture as quickly and practicably as possible.

A systematic and transparent performance evaluation system, which takes into account the departmental and personal measurable targets, designed to ensure corporate success, has been put into practice, with a view to assuring efficiency in business processes.







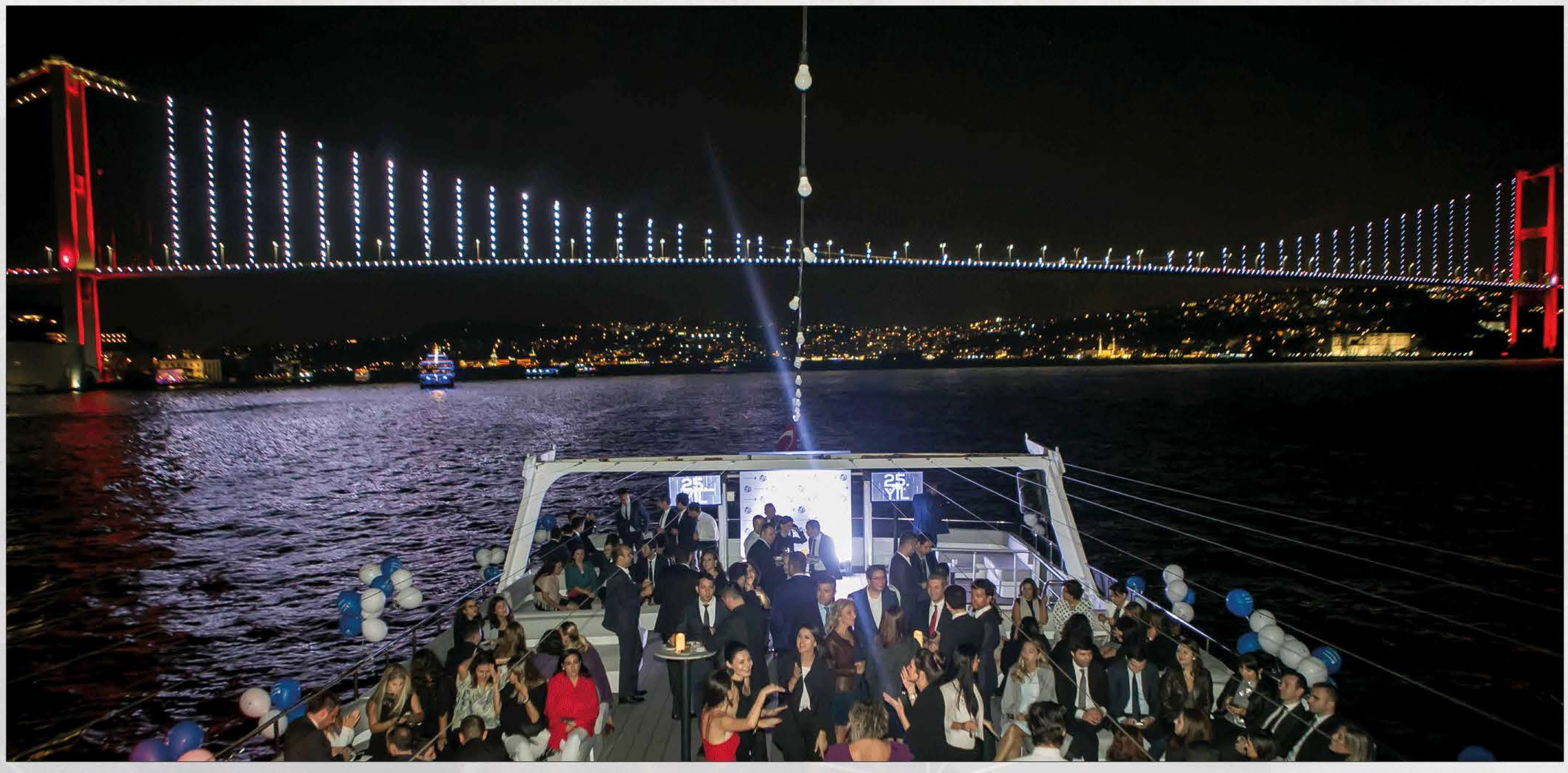
TRAINING AT İŞ FAKTORİNG

Cognizant of the fact that every investment in education is an investment for the future, İş Faktoring has activated process management, corporate goals and business plans, ad implemented training plans with a view to increasing efficiency. At this point, attention has been paid to ensure that the planned trainings are carried out in line with the Company's vision and strategies as well as the needs of the employees.

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.

As in the previous years, The Banks Association of Turkey and the Association of Finance Institutions have constituted the main sources where training opportunities are offered to our employees.

The Human Resources and Training Department completed the Manager Development Program in 2018, which is the complementary pillar of the Manager Skills Training, which was initiated in 2017 to support not only technical skills but also managerial skills. Another objective of the training was to support the development processes related to different skill instruments that will support not only managerial skills but also practical and leadership skills of the managers with the help of development coaches of İş Bank Talent Management Department and interviews conducted by İş Faktoring managers at regular intervals.



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.

The Cyprus Trip, which was organized also in the recent years, was re-organized in 2018 and the employees made a good start to the summer. The Boat Organization, which took place in September, has been an organization where the story of İş Faktoring, which completed its 25th year in 2018, and how it climbed the ladder of success from the past to the present were remembered, the managers and employees who have enabled the present success celebrated a quarter-century.

ROBOTIC PROCESS AUTOMATION AND HUMAN RESOURCES

İş Faktoring left behind a year in which it continued to focus on digital investments to reflect its innovative working approach to its business models. Aiming to provide the best service to its customers and in this sense to be the pioneer in the sector with the digital investments it has made so far, İş Faktoring launched the Robotics Process Automation (RPA) project, which it has adopted to provide the best service to its clients, and with which it rather plans to make business processes more productive for its employees.

Within the scope of Robotic Process Automation efforts, the Human Resources and Training Department, like other departments of the Company, carried out activities to automate the processes in order to increase work efficiency. In this context, the process of reporting overtime work to managers was automated in the first place. In 2019 and onwards, it is planned to automate other processes that have been worked on without delay.

CORPORATE COMMUNICATION

The corporate communication activities managed by the Human Resources and Training Department are designed to realize all communication processes in an integrated manner in line with the business objectives. İş Faktoring places corporate citizenship and ethical values at the center of its corporate communication. The policies implemented within the scope of corporate communication continued to create processes that appeal to both internal and external customers.

The promotional efforts relating to ÇekMatik, a product which was launched last year, and ÇekMatik Garanti, İş Tedarik, İş Supplier and RPA, products launched during the year, covered a great part of the corporate communication processes conducted in 2018. Within this scope, it was ensured that advertising and publicity activities relating to these digital applications both in the Company and outside the Company were carried out via the written and visual media.

In 2018, İş Faktoring also renewed its website and gained a more professional design that would represent its current image. In this context, İş Faktoring designed a brief introduction video of its products and services for its existing website, and achieved a structure that will contribute positively to its clients and the sector both in visual and functional terms.

Following the 2017 Annual Report, which was prepared by İş Faktoring employees within the organization and awarded in 4 different categories in the international arena, the contributions of the Human Resources and Training Department to the 2018 Annual Report again prepared by the Company again in-house continued in the same manner.

What is İş Supplier?

İş Supplier is a trade chain finance platform developed by İş Faktoring for companies willing to increase their export volume.

With İş Supplier, exporters can guarantee their receivables by 100% by assigning their long-term accounts receivable to our company arising from sales of goods or services they have made abroad. Thus, the exporter does not have to worry in cases such as the buyer's bankruptcy or insolvency, and has the opportunity to sell its goods on a cash against goods basis thanks to the atmosphere of trust. Moreover, the exporter may, if it wishes, meet its financing needs at the convenient and attractive conditions of İş Faktoring.

www.issupplier.com

İş Supplier

The exporter can access the İş Supplier platform via its computer, tablet or mobile phone and submit information about the trade made and details of the buyer.

İş Faktoring contacts the wide correspondent network in order to ensure that accounts receivable are guaranteed under the most favorable conditions.

After identifying the most suitable condition for the exporter, the conditions of business are presented to the exporter via the platform and its approval is sought.

If the exporter wants to benefit from the guarantee service, a Limit Approval Notification Form is prepared for the buyer, and is submitted to the exporter through the platform.

The exporter may request a prepayment against the receivables under guarantee, also the receivables can be collected from the buyer at the end of the maturity, and paid to the account of the exporter.

In case of bankruptcy or insolvency of the buyer, the balance of the account receivable is collected from the correspondent institution and paid to the exporter.

Our Targets and Projects for the Year 2019

MARKETING

The Marketing Department will continue its activities in 2019 in line with the targets and priorities of İş Faktoring. The Department primarily plans to focus on increasing the Company's efficiency and diversifying its portfolio with new products and services. Along with these, it will continue to offer guidance to SMEs and microenterprises, and to develop solutions to provide them with access to funding resources as well as information.

Efforts to increase the deployment of the İş Tedarik platform activated in 2018, which enables fast and reliable multi-point access to finance for the suppliers, will also be continued in 2019. This product allows not only to reduce the operational workload on the suppliers but also to reach the fund they needed practically in a reliable manner from a reliable source. İş Supplier, which is the counterpart of İş Tedarik in international trade, has also been activated and the promotion and deployment of this product will be one of the important items of the agenda of 2019.

İş Faktoring will continue to diversify its portfolio by increasing its effectiveness and volume in this area, focusing on export factoring and creating a qualified business.

TREASURY

In 2019, which is expected to be a challenging year due to global economic risks and domestic political developments under volatile interest and exchange rate circumstances, İş Faktoring's main objective will once more be to maintain its profitability and keep funding costs to a minimum. To achieve this aim, the Treasury Department will continue to take timely and effective measures to meet the financing needs of İş Faktoring.

In 2019 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.

The Department also plans to implement its treasury strategy, which is designed to manage financial risks and productivity, more effectively in the future via process automation and improvements in the scope of the RPA project.

INTERNATIONAL FACTORING AND CORRESPONDENT RELATIONS

With the robots that were put into practice in 2018, we will continue to improve customer satisfaction further by finding solutions and answers to customer demands in a shorter period of time with improvements that will continue also in 2019.

Negotiations with existing and new entities will be continued in order to raise new loans from abroad to finance the export.

With İş Supplier / International Supplier Finance Product, the supplier finance product will be expanded with minimum operations on the part of our clients.

LOANS

İş Faktoring Loan Department will continue with work on system upgrade in order to ensure the fast conclusion of credit allocation operations and a fast response to customers without making concessions in general lending principles and the high-quality loan portfolio by taking the actions brought and required by the economic cycle in a timely manner. In this context, in the entire process from the allocation of the loan to its collection, it plans to implement the robotic processes within the scope of identification of the right loan, the right maturity, and measurement of the receivable quality, and effective risk management. With the activation of robotic processes, it will be ensured that efficiency will be increased and business models will be revised according to this new structure with a view to making them more effective.

INTELLIGENCE

The Intelligence Department acts in accordance with the applicable regulations, as always, it aims to keep customer satisfaction in the forefront by making fast and accurate decisions also in 2019 with its strong structure, giving confidence to its customers. In this context, the Department, which is open to developments, will continue, in the year ahead, to contribute to the Company's success through the Automatic Decision Support System that has been incorporated into its activities in the previous years, as well as through a working method that minimizes the error rate in the workflow thanks to robotic processes.

OPERATION

The Operation Department will continue to work towards achieving the highest level of efficiency by managing the Company's customer portfolio in the best possible way with its dynamic and experienced employees. In this sense, the Department will continue integration of new applications and workflows into the processes in 2019 and will be actively involved in the "Robotic Process Automation" project, which was initiated to increase the service quality and efficiency of the Company, to use the workforce in more qualified tasks and to cut down operational costs.

RISK MONITORING AND COLLECTION

In 2019 the Risk Monitoring and Collection 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. The aim is to automate manual processes and reduce operational workload by effective use of in-house projects and technology.

HUMAN RESOURCES and TRAINING

İş Faktoring shapes its 2019 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.

In 2019, İş Faktoring will continue its target- and competency-based performance evaluation efforts in which the corporate and personal goals go hand in hand. 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.

İş Faktoring Human Resources and Training Department will continue its successful efforts also in 2019 with the power it has derived from its deeply-rooted corporate values, a quarter century of experience, qualified employees and modern and applicable human resources policies.

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 Assistant Inspector at the Inspection Board in 1989. When he was a IVth Class Inspector, he was appointed as Assistant Manager of Bursa Branch in 1997. Having taken office as Manager of Antakya, Gebze, Denizli and Bursa Branches respectively, Mr. Şencan was appointed as Bursa Corporate Branch Manager in 2007, Başkent Corporate Branch Manager in 2011, and Kozyatağı Corporate Branch Manager in 2016. Appointed Assistant General Manager of Türkiye İş Bankası A.Ş. on April 27.04.2017, Mr. Şencan still holds this position.

H. Fevzi ONAT
Vice Chairman of the Board

Mr. Fevzi Onat was born in 1959 and graduated from the Department of Economics of the Faculty of Social and Administrative Sciences of Hacettepe University. Having taken office in 1981 at Türkiye İş Bankası A.Ş. as Assistant Inspector at the Inspection Board, Mr. Onat was appointed as Assistant Manager of Corporate Loans Department in 1993, Regional Manager of the same department in 1995, Manager of Intelligence and Financial Analysis Department in 1997, and Manager of Corporate Loans Department in 1998. After being appointed Manager of Yenişehir Ankara Branch in 2001, Mr. Onat became the Assistant General Manager of Türkiye İş Bankası A.Ş. in 2002. Mr. Onat served as Board Member of Türkiye İş Bankası A.Ş. from 28.03.2008 to 31.03.2011, and he also served as Deputy Chairman of the Board of Directors during the same period. Mr. Onat took office as General Manager of Türkiye Sınai Kalkınma Bankası A.Ş. from 30.05.2011 to 31.01.2013, and he has been continuing his career as Member and Deputy Chairman of the Board of Directors of our Company since 27.03.2013.

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.

İnci ÖNAL
Member of the Board of Directors

Ms. İnci Önal was born in 1970 and graduated from the Department of Industrial Engineering of the Middle East Technical University in 1992. The same year, she began working as Assistant Specialist in the Loans Department of Türkiye İş Bankası A.Ş. Having served as Assistant Manager of the Loan Department at Türkiye İş Bankası A.Ş. between 1999 and 2000 and as Assistant Manager of the Corporate Loans Department between 2000 and 2004, Ms. Önal was appointed as Regional Manager of the Corporate Loans Department between 2004 and 2011, and Department Manager of the Commercial Banking Marketing Department between 2011 and 2017. Appointed Manager of Rıhtım-Kadıköy Commercial Branch of Türkiye İş Bankası in May 2017, Ms. Önal still holds this position.

U. Şafak ÖĞÜN
Member 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 in 2016, Mr. Öğün still holds this position.

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 01.01.1997 at the Inspection Board of Türkiye İş Bankası A.Ş. When he was a IVth Class Inspector, Mr. Çağlar was appointed as Assistant Manager of Istanbul IVth Regional Directorate on 26.08.2005; Assistant Manager of Istanbul Maltepe Region of the Commercial Loans Department on 27.08.2007; Manager of Kuruköprü Branch on 21.05.2008; Manager of Kocaeli Region of the SME Loans Allocation Department on 25.08.2009; and Manager of Bayrampaşa Region of the SME Loans Allocation Department on 27.12.2012. Mr. Çağlar has been serving as Manager of the SME Loans Allocation Department of T. İş Bankası 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 as Manager of the Retail Loans Monitoring and Collection Department on 26.02.2016.

A. Hakan ÜNAL
Member of the Board of Directors

Mr. A. Hakan Ünal was born in 1974 and graduated from the Department of Economics of the Faculty of Economics and Administrative Sciences of Hacettepe University in 1997 and then earned his MBA degree from Istanbul Bilgi University. Mr. Ünal worked as an Inspector at Türkiye İş Bankası A.Ş. between 1998-2008 and he served as Assistant Manager of the Intelligence and Financial Analysis Department between 2008-2011, and Unit Manager from 2011 to 2016. Mr. Ahmet Hakan Ünal has been serving as Manager of the Financial Analysis Department since 30.09.2016.

Board of Directors

Ethem ELİAÇIK
Member of the Board

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. Then he was appointed as Department as Manager of the Commercial Banking Marketing Department on 27.04.2017.

Doruk YURTKURAN
Member of the Board

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 as 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.

A. Erdal ARAL
Member of the Board and General Manager

For biographical information, please see page 57.

A. Erdal ARAL
General Manager

Mr. A. Erdal Aral was born in 1967 and graduated from the Department of Economics of the Faculty of Economics and Administrative Sciences of Marmara University in 1989. He then earned his Master's degree in International Banking from Loughborough University of Technology. In 1989, Mr. Aral began working at Türkiye İş Bankası A.Ş. as Assistant Inspector and then he was appointed as Assistant Manager of the Treasury Department in 1997, Unit Manager in 2000, Department Manager in 2002, Manager of Kozyatağı Corporate Branch in 2008, Assistant General Manager in 2011, and General Manager of İş Yatırım in 2013. Appointed General Manager of our Company on April 1, 2016, Mr. Erdal Aral 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 as Assistant General Manager in our Company on 02.05.2013 and still holds this position.

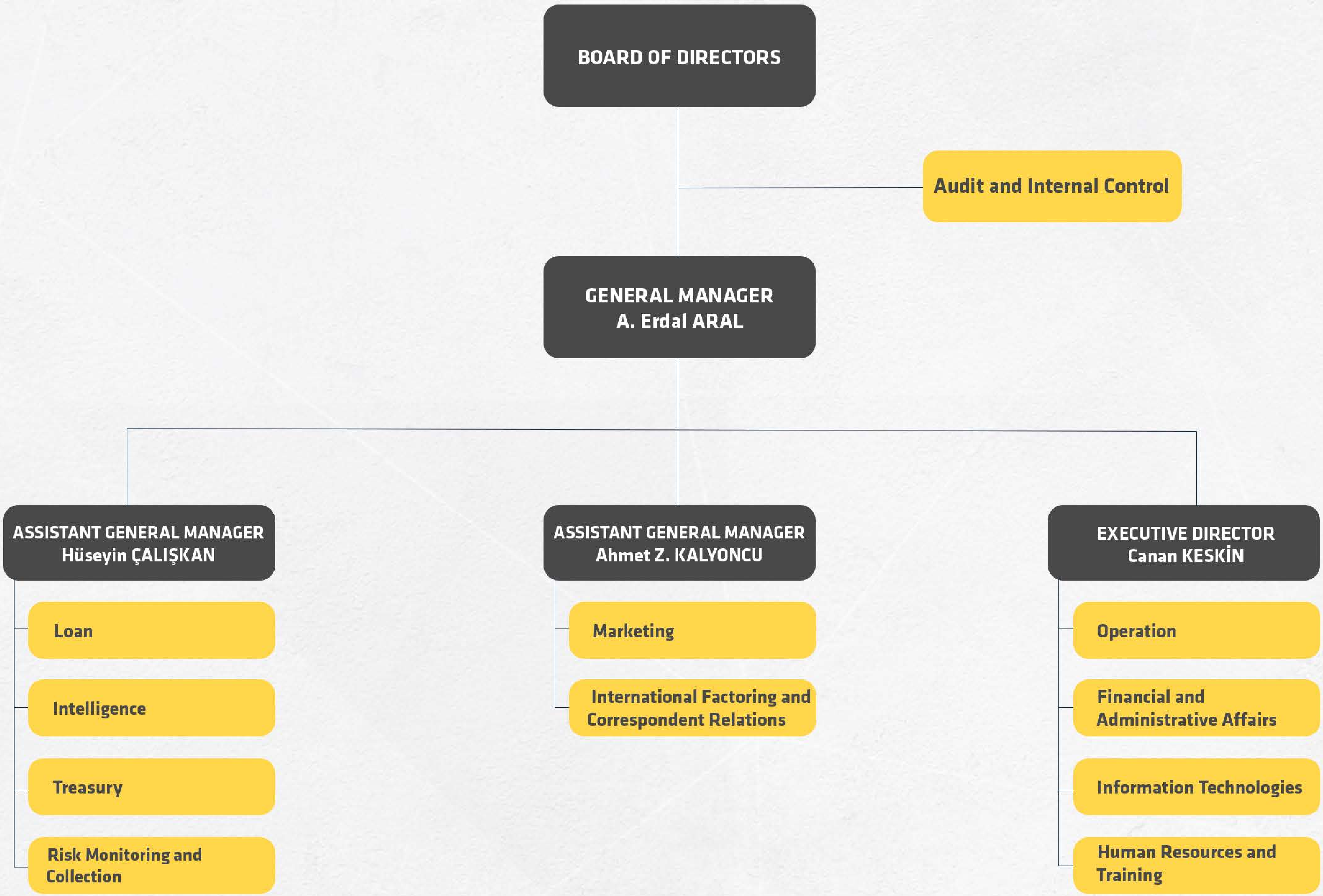
Canan KESKİN
Executive Director

Ms. Canan Keskin was born in 1976 and graduated from the Department of Economics 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 Risk Surveillance, Intensive Care and Recovery 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 as Executive Director on 1 April 2017.

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 Specialist at Türkiye İş Bankası A.Ş. II. Loans Department, worked as Assistant Specialist and Specialist between 1999 and 2009 at II. Loans Department, Taksim Branch and Kozyatağı Corporate Branch, respectively. Mr. Kalyoncu was appointed as the Assistant 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.

Organization Chart



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. Credits risk that Company is exposed to and customers' credit ratings 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. Particularly starting as from the second half of 2018, portfolio surveys and risk analyses were carried out in order to monitor risks and to avoid impact of possible risks. As a result of the measures taken after the evaluations carried out, the asset quality of the Company did not deteriorate, and the legal proceedings ratio was kept below the sector average.

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. Due to the maturity mismatch caused by the borrowing in foreign currency and the high borrowing costs, the Company predominantly borrows funds in the Turkish Lira and creates foreign currency sources through derivative products.

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 kept in banks which are assigned high credit ratings by prestigious credit rating organizations and 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 2018 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 the execution of the activities, employees are provided with on-the-job and periodic trainings, and informed about the changes in legislation and practices, and business processes are automated by systematic developments and new programs, and care is taken to ensure that the maker and checker are not the same individual.

AUDIT AND INTERNAL CONTROL ACTIVITIES

Reviews conducted by the Audit and Internal Control Department are classified in two main categories - transaction and process audits. Within the scope of the transaction audits, investigations on the sample selected from among the financing, guarantee and collection transactions throughout the year were made and the hitches identified were shared with the related parties in order to take 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.

In this context, in addition to the transactions audits and compliance audits conducted in 2018, the processes of Loan, Treasury, Information Technologies, Intelligence, Human Resources and Training, International Factoring and Correspondent Relations, Financial and Administrative Affairs Departments and 2 branches of the Company were audited.

Declaration by the Committee Responsible for the Internal Control System

İŞ FAKTORİNG A.Ş. COMMITTEE IN CHARGE OF AUDIT

Resolution Number : **2019/3**
Resolution Date : **05.02.2019**
Meeting Time : **15:30**

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

The internal control system of our Company is structured and managed in such a way as to ensure that the activities are carried out effectively and efficiently in accordance with the Law and other relevant legislation, in-house policies, rules and practices, and to ensure timely availability of the information. The Board of Directors authorized the Audit Committee for the supervision and evaluation of internal control activities.

The Audit Committee periodically evaluates the effectiveness of the internal control system with the audit and internal control reports prepared by the Audit and Internal Control Department and shares its recommendations with the Board of Directors regarding the said reports and the precautions to be taken. As a result of the evaluations of the results of the audit and control activities carried out in 2018, it was concluded that there is no lack of control to prevent the effective, reliable and uninterrupted execution of the activities on the business processes.

In 2019, it will continue to be monitored by the Audit Committee that an effective and sufficient internal control environment is established in line with the Company's activity structure.

Doruk YURTKURAN
Member of the Audit Committee

Uygar Şafak ÖĞÜN
Member of the Audit Committee

Mehmet ŞENCAN
Chairman of the Audit Committee

THE AUDIT COMITTEE

The Audit Committee oversees that an adequate and effective internal control system is established in order to ensure that the Company's activities are carried out effectively and efficiently in accordance with the law and other relevant legislation, in-house policies, rules and practices and timely availability of information. The Audit Committee is composed of three members and 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 2018, 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 the 2018 Audit and Internal Control Plan regarding the audits and controls to be performed by the Audit and Internal Control Department of the Company,

- Assessing whether the studies are appropriate as a result of the evaluation of the Audit and Internal Control Reports and Compliance Reports prepared by the Company's Audit and Internal Control Department on a quarterly basis, and deciding to submit them to the Board of Directors,

- Assessing whether the studies are appropriate as a result of the evaluation of the Year 2017 Internal Control System Self Evaluation Statements of the Company. and deciding to submit them to the Board of Directors,

- Assessing whether no control deficiencies likely to prevent effective, reliable and continuous performance of the activities with regard to the business processes exist as a result of assessments made on the results of the audit and control activities conducted in 2017.

EARLY RISK DETECTION COMMITTEE

The Early Risk Detection Committee carries out studies for the early detection of risks that may endanger the existence, development and continuity of the Company, taking necessary measures regarding the identified risks and managing the risk. The Committee is composed of three members and chaired by Mr. Uygar Şafak Öğün. The other members of the Committee are Mr. Necati Çağlar and Mr. Doruk Yurtkuran.

CREDIT COMMITTEE

The Credit Committee is responsible for the assessment of the allocation requests in its jurisdiction within the framework of the credit allocation authorization limits determined by the Company's credit risk policy. The Credit Committee is chaired by the Company's Chairman of the Board of Directors, Mr. Mehmet Şencan. Other members of the Committee are Mr. A. Erdal Aral and Mr. Necati Çağlar.

In addition, the Senior Management, Loan Department, Marketing Department meet at least once a week (if necessary on request) and the General Directorate conducts a pre-assessment of demands for limit allocation/revision/condition change/change of collateral type which fall within or above the domain of authority of the General Directorate.

ASSETS & LIABILITIES COMMITTEE

The Assets and Liabilities Committee conducts studies to determine the principles and application procedures in order to ensure optimum management of the Company balance sheet in line with the financial policies and strategies, by taking into account the balance between risk-capital-profitability. The Committee works on the basis of meetings.

Directed by the General Manager, the Committee meets at least once a week with the participation of the Assistant General Manager, and officials from the Treasury, Marketing, Loan, Risk Monitoring and Collection Departments.

The Committee is mainly concerned with; evaluation of factoring sector, developments in domestic and international markets and general economy, analysis of balance sheet size and maturity-interest structure within the framework of risk management, capital adequacy and profit maximization principles, establishment of pricing principles and maturity structure of factoring receivables and loans used from banks, determination of the best funding opportunities in local and international money and capital 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, estimation and evaluation of the course of risk factors, funding cost and possible funding requirements, evaluation of liquidity position and evaluation of the results of the previous period.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee consists of the Company's General Manager, Assistant General Managers, Executive Director and Human Resources and Training Manager.
The Committee is responsible for regulating employees' responsibilities, obligations, duties, rights, job assignments and promotions, compensation and social benefits.

Active Committees

For employees with title Sub-Manager and lower positions; recruitment, reassignments within the Company, appointment and promotion, the amount of wages and social benefits decisions are taken by Human Resources Committee. During the performance periods, the content of the Performance Evaluation Form and its principles are determined and announced by the Human Resources Committee. The Company may pay the attendance fee to some special certificate programs and / or examinations organized in Turkey or abroad for the professional development of the employees under the conditions determined by the Company and with the decision of the Human Resources Committee. The ideas transmitted by the employees to the Human Resources and Training Department which will support the profitability, time saving, work quality or development of the Company is evaluated by the Human Resources Committee. The employee may be given a reward if the idea is found to be appropriate and put into practice. The Human Resources Committee decides on whether an award is to be granted or not, as well as the type of award.

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 Operation, International Factoring and Correspondent Relations, Financial and Administrative Affairs, Audit and Internal Control departments' managers, Assistant General Managers and Executive Director.

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, the Executive Director, Manager of Operations Department, Marketing Department Directors, and Manager of 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 Personal Data Act No. 6698, and taking and supervising the necessary administrative and technical measures. The Committee consists of the Company General Manager, the Executive Director, and the Manager of the Information Technologies Department.

Agenda of the General Assembly Meeting

İŞ FAKTORİNG A.Ş.
2018 Ordinary General Assembly Meeting
22 March 2019, Friday, Company Head Office, Time 14:30

1. Opening and election of the Presiding Committee,

2. Reading and discussion of the Board of Directors Annual Report for 2018, and the Independent External Auditor Reports,

3. Presentation, discussion and approval of the independent audited balance sheet and profit/loss accounts for 2018 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. Election of the Independent Auditor,

9. Establishing the remunerations of Members of the Board of Directors,

10. Empowering the members of the Board pursuant to Article 395 and 396 of the Turkish Commercial Code,

11. Wishes and expectations.

Profit Distribution Policy and Proposal

DISTRIBUTION OF PROFIT FOR THE PERIOD (TL)

YEAR 2018

1. Profit / Loss for the Period	193,965,801
2. Taxes Payable and Legal Obligations	(46,947,712)
Corporation Tax	(38,742,799)
Deferred Tax Effect	(8,204,913)
NET PROFIT / LOSS FOR THE PERIOD	**147,018,088**
3. Accumulated Losses	(0)
NET PROFIT SERVING AS A BASIS FOR LEGAL RESERVE ALLOCATION	**147,018,088**
4. Primary Legal Reserve Fund	(4,261,307)
DISTRIBUTABLE NET PROFIT FOR THE PERIOD	**142,756,781**
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	142,756,781
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 2018, a total of 3 Board meetings were held in March, September and December.

EXTRAORDINARY GENERAL ASSEMBLY MEETINGS HELD DURING THE YEAR

No Extraordinary General Assembly Meeting was held in 2018.

BENEFITS GRANTED TO BOARD MEMBERS AND SENIOR EXECUTIVES

Senior Management, which consists of members of the Board of Directors, the General Manager and the Assistant General Managers, was provided with salary and other financial rights in the amount of TL 4,001 thousand during 2018.

No bank loans were given to members of the Board of Directors and senior managers in FY 2018.

INFORMATION ON DIRECT OR INDIRECT AFFILIATES, AND THEIR SHAREHOLDING RATIOS

Name of Investment	Main Operation	Place of Incor. and Business	Voting Power (%)	Participation Rate (%)		Registered Value	
				2018	2017	2018	2017
TRADED ON THE EXCHANGE							
İş Yatırım Menkul Değerler A.Ş.	Investments & Securities Services	İstanbul	2.43	2.43	2.43	17,780	21,164
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Venture Capital	İstanbul	0.89	0.89	0.89	1,337	1,153
NOT TRADED ON THE EXCHANGE							
Yatırım Finansman Menkul Değerler A.Ş.	Investments & Securities Services	İstanbul	0.06	0.06	0.06	39	39
İş Net Elek. Bilgi Üret. Dağ Tic. ve İlet. Hiz. A.Ş.	Information Com. & Tec. Services	İstanbul	1.00	1.00	1.00	686	666
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5.00	5.00	5.00	2,000	1,500
TOTAL						**21,842**	**24,522**

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 2018. During 2018 accounting period, Güney Bağımsız Denetim ve Serbest Muhasebesi Mali Müşavirlik A.Ş. performed a limited independent audit on 30.06.2018 and an independent audit of the Company on 31.12.2018.

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

No lawsuits were brought against the Company in 2018, 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 2018.

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 1,190 thousand.

EXPENSES RELATED TO CHARITABLE DONATIONS AND SOCIAL RESPONSIBILITY PROJECTS

The company does not have any donations in 2018.

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

The Company's 2018 year's end equity capital is TL 301 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 2018 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 2018.

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

In 2018, 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 2018, all transactions carried out with, or upon instructions by, the controlling company and companies affiliated to the controlling company in FY 2018 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 2018."

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

As per the Communiqué No. 32 on the Protection of the Value of Turkish Currency (2018-32/46) and the Decision on the Protection of the Value of Turkish Currency, No. 32, published in the Official Gazette Issue 30312 of 25/01/2018;

Foreign currency indexed loans have been abolished, and it has been stipulated that individuals residing in Turkey who have income in foreign currency can use a cash foreign currency loan in Turkey or overseas provided that the amount of such loan does not exceed the income in foreign currency for the last three fiscal years. At the date when the Decision came into force, it has been required that the outstanding loans indexed to foreign currency should be closed at maturity, and domestic and foreign FX loans, which are outstanding and have a loan balance of less than USD 15 million, should be closed at maturity if they do not comply with the conditions in the Decision. Within the framework of the new regulation, the use of foreign currency loans by individuals residing in the country is not possible. In the case of foreign currency loans to be used in turkey or overseas by individuals residing in Turkey with incomes in foreign currency, if the loan balance is below USD 15 million, it is stipulated that the total amount of the loan to be used and the total available loan balance may not exceed the sum of the incomes in foreign currency for the last three fiscal years. In order to determine the foreign currency income, the documents approved by the financial advisors must be presented to the Banks. The use of foreign currency loans by persons residing in Turkey who do not have an income in foreign currency is now contingent upon conditions such as the presence of an Investment Incentive Certificate, that the loan balance at the time of loan disbursement is USD 15 million or higher; that the loan is intended for financing unused machinery and devices found in the 17th place of the list in Annex (I) to the Decision regarding the determination of VAT rates Applicable to Goods and Services; that activities which are likely to generate foreign currency income have been verified despite the absence of foreign currency income in the last 3 fiscal years; that a collateral in the form of foreign currency and/or any of the specified securities is submitted for the foreign currency loan to be raised from domestic sources; that a domestic tender with an international character has been won, or that an approved defense industry project has been undertaken, etc.

Pursuant to the Communiqué on the Procedures and Principles Applicable to Fulfillment of the Disclosure Obligation, published in the Official Gazette dated 10/03/2018 and numbered: 30356;

The procedures and principles to be complied with in the scope of the Disclosure Obligation have been defined. It has been resolved that the disclosure text should as a minimum describe the identity of the data controller, the purpose for which personal data is to be processed, to whom and for what purpose personal data can be transferred, the method and legal reason of collecting personal data, and other rights which the person concerned shall have as listed in article 11 of the Law. The procedures and principles to be complied with include the fact that in any case when personal data is processed, the disclosure obligation must be fulfilled; the responsibility to prove the fulfillment of disclosure obligation rests with the data controller; the disclosure obligation and the obtainment of explicit consent should be carried out separately; the purpose of personal data processing which is to be disclosed in the scope of the disclosure obligation should be certain, clear and legitimate.

Pursuant to the Communiqué Amending the Communiqué on Uniform Chart of Accounts to be applied by Financial Leasing, Factoring and Finance Companies published on the Official Journal Issue 30409 of 02/05/2018;

With the Communiqué, some accounts in the Uniform Chart of Accounts (UCoA) have been amended, some abolished, and new accounts incorporated into the Uniform Chart of Accounts.

Pursuant to the Regulation on Amendments to the Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies, published in Official Journal Issue 30409 of 02.05.2018,

Financial Leasing, Factoring and Finance Companies may, but are not obliged to, set aside a provision for expected credit losses pursuant to TFRS 9 with a notice to BRSA.

Pursuant to the Regulation on Restructuring of Debts to the Financial Sector, published in Official Journal Issue 30510 of 15/08/2018;

The purpose of the Regulation is to ensure that the borrowers who have a credit relationship with the banks, financial leasing companies, factoring companies and finance companies operating in Turkey comply with their repayment obligations against the financial sector through measures to be taken within the scope of framework agreements and contracts in relation to their loan obligations with such institutions, and continue contributing to employment.

Pursuant to the Regulation on Amendments to the Regulation on the Principles and Procedures regarding Classification of Loans and the Provisions to be set aside therefore, published in Official Journal Issue 30510 of 15/08/2018;

Article 7, paragraphs 2 and 4 of the Regulation on the Principles and Procedures regarding Classification of Loans and the Provisions to be set aside therefore, published in Official Journal Issue 29750 of 22/6/2016 have been abolished, and paragraphs 8 and 9 have been added to the same article.

Pursuant to the Effective Date for the Obligation of Data Controllers to be entered in the Register, published in Official Journal Issue 30513 of 18/08/2018;

It has been resolved that the effective date for the obligation of Data Controllers to be entered in the Register is 01.10.2018, and Data Controllers have been allowed until 30.09.2019 to have themselves entered in the Register.

Pursuant to the Communiqué Amending the Communiqué on the Decision Number 32 on the Protection of the Value of Turkish Currency published in Official Journal Issue 30557 of 06/10/2018, and the Communiqué Amending the Decision Number 32 on the Protection of the Value of Turkish Currency, published in Official Gazette Issue 30597 of 16/11/2018;

With the legislation promulgated on 06.10.2018, the abolished article number 8 of the Communiqué, entitled "Contracts denominated in Foreign Currency and indexed to Foreign Currency" has been rearranged, and amendments have been made in article 8 by virtue of the legislation published on 16.11.2018.

Pursuant to the Communiqué on Management and Inspection of the Information Systems of Financial Leasing, Factoring and Finance Companies published by BRSA on 06.11.2018;

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. It shall come into force on 01.01.2019.

İş Faktoring A.Ş.

Financial Statements
As at and for the year ended
31 December 2018
With Independent Auditors' Report

Independent Auditors' Report

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, 2018 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, 2018 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	How our audit addressed the key audit matter
Financial impact of transition to TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures	
As presented in disclosure 3 and 7, as of 1 January 2018, the Company adopted the TFRS 9 ''Financial Instruments'' standard and due to the adoption, the Company started to calculate and recognize expected credit losses for the financial assets. We considered the transition to TFRS 9 and impairment 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 - Transition to TFRS 9 has %10 effect on the Company’s equity - Complex and comprehensive requirements of TFRS 9 - 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 and - The complex disclosure requirements of TFRS.	- Evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, 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 based on the requirements of TFRS 9, 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 Emre Çelik.

Additional paragraph for convenience translation into English of financial statements as of December 31, 2018 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

Emre Çelik, SMMM
Sorumlu Denetçi

1 Şubat 2019
İstanbul, Türkiye

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	BALANCE SHEET - ASSETS		Audited Current Period 31 December 2018		
		Notes	TL	FC	TOTAL
I.	**FINANCIAL ASSETS**		**24.927**	**5.439**	**30.366**
1.1	Cash and Cash Equivalents	5	2.107	5.448	7.555
1.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	6	21.842	-	21.842
1.4	Financial Assets Measured at Amortized Cost		-	-	-
1.5	Derivative Financial Assets	4	979	-	979
1.6	Non-Performing Financial Asset		-	-	-
1.7	Specific provisions / Expected Loss Provision (-)		1	9	10
II.	**LOANS (Net)**	7	**2.200.534**	**524.343**	**2.724.877**
2.1	**Factorıng Receivables**		**2.201.496**	**528.479**	**2.729.975**
2.1.1	Discounted Factoring Receivables		315.924	101.991	417.915
2.1.2	Other Factoring Receivables		1.885.572	426.488	2.312.060
2.2	**FINANCING LOANS**		-	-	-
2.2.1	Consumer Loans		-	-	-
2.2.2	Credit Cards		-	-	-
2.2.3	Installment Commercial Loans		-	-	-
2.3	**LEASE RECEIVABLES**		-	-	-
2.3.1	Lease Receivables (Net)		-	-	-
2.3.1.1	Finance Lease Receivables		-	-	-
2.3.1.2	Operational Lease Receivables		-	-	-
2.3.1.3	Unearned Income (-)		-	-	-
2.3.2	Leasing Contracts in Progress		-	-	-
2.3.3	Advances Given for Lease Transactions		-	-	-
2.3.4	Other Finance Lease Receivables		-	-	-
2.4	**NON-PERFORMING RECEIVABLES**		**7.189**	-	**7.189**
2.4.1	Non-Performing Factoring Receivables		31.016	-	31.016
2.4.2	Non-Performing Financial Loans		-	-	-
2.4.3	Non-Performing Lease Receivables		-	-	-
2.4.4	Spesific Provisions (-)		23.827	-	23.827
2.5	**Expected Credit Loss (-)**	7	**8.151**	**4.136**	**12.287**
III.	**EQUITY INVESTMENTS**		-	-	-
3.1	**Investments in Associates (Net)**		-	-	-
3.1.1	Associates Accounted by using Equity Method		-	-	-
3.1.2	Unconsolidated Associates		-	-	-
3.2	**Subsidiaries (Net)**		-	-	-
3.2.1	Unconsolidated Financial Subsidiaries		-	-	-
3.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
3.3	**Joint Ventures (Net)**		-	-	-
3.3.1	Joint Ventures Accounted by using Equity Method		-	-	-
3.3.2	Unconsolidated Joint Ventures		-	-	-
IV.	**TANGIBLE ASSETS (Net)**	9	**1.373**	-	**1.373**
V.	**INTANGIBLE ASSETS (Net)**	10	**1.228**	-	**1.228**
VI.	**INVESTMENT PROPERTY (Net)**		-	-	-
VII.	**CURRENT PERIOD TAX ASSETS**		-	-	-
VIII.	**DEFERRED TAX ASSETS**	11	**5.608**	-	**5.608**
IX.	**OTHER ASSETS**	12	**6.854**	**348**	**7.202**
	SUBTOTAL		**2.240.524**	**530.130**	**2.770.654**
X.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-
10.1	Assets Held For Sale		-	-	-
10.2	Assets of Discontinued Operations		-	-	-
	TOTAL ASSETS		**2.240.524**	**530.130**	**2.770.654**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	BALANCE SHEET - ASSETS		Audited Prior Period 31 December 2017		
		Notes	TL	FC	TOTAL
I.	CASH		-	-	-
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	5.345	-	5.345
2.1	Financial Assets Held for Trading		3.206	-	3.206
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.3	Derivative Financial Assets Held for Trading		2.139	-	2.139
III.	BANKS	5	1.982	15.794	17.776
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	24.522	-	24.522
VI.	FACTORING RECEIVABLES	7	3.311.481	893.386	4.204.867
6.1	Discounted Factoring Receivables		759.682	26.333	786.015
6.1.1	Domestic		780.001	-	780.001
6.1.2	Foreign		1.130	26.652	27.782
6.1.3	Unearned Income (-)		(21.449)	(319)	(21.768)
6.2	Other Factoring Receivables		2.551.799	867.053	3.418.852
6.2.1	Domestic		2.514.035	393.939	2.907.974
6.2.2	Foreign		37.764	473.114	510.878
VII.	FINANCING LOANS		-	-	-
7.1	Retail Loans		-	-	-
7.2	Credit Cards		-	-	-
7.3	Installament Based Commercial Loans		-	-	-
VIII.	LEASE RECEIVABLES		-	-	-
8.1	Lease Receivables		-	-	-
8.1.1	Finance Lease Receivables		-	-	-
8.1.2	Operational Lease Receivables		-	-	-
8.1.3	Unearned Income (-)		-	-	-
8.2	Leasing Contracts in Progress		-	-	-
8.3	Advances Given for Lease Transactions		-	-	-
IX.	OTHER RECEIVABLES		-	-	-
X.	NON-PERFORMING RECEIVABLES		2.469	-	2.469
10.1	Non-Performing Factoring Receivables	7	42.099	-	42.099
10.2	Non-Performing Financial Loans		-	-	-
10.3	Non-Performing Lease Receivables		-	-	-
10.4	Specific Provisions (-)		(39.630)	-	(39.630)
XI.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-
11.1	Fair Value Hedges		-	-	-
11.2	Cash Flow Hedges		-	-	-
11.3	Net Investment Hedges		-	-	-
XII.	INVESTMENTS HELD TO MATURITY (Net)		-	-	-
XIII.	INVESTMENT IN SUBSIDIARIES (Net)		-	-	-
XIV.	INVESTMENT IN ASSOCIATES (Net)		-	-	-
XV.	INVESTMENT IN JOINT VENTURES (Net)		-	-	-
XVI.	TANGIBLE ASSETS (Net)	9	1.355	-	1.355
XVII.	INTANGIBLE ASSETS (Net)	10	1.200	-	1.200
17.1	Goodwill		-	-	-
17.2	Other Intangibles		1.200	-	1.200
XVIII.	PREPAID EXPENSES	12	1.821	22	1.843
XIX.	CURRENT PERIOD TAX ASSETS		-	-	-
XX.	DEFERRED TAX ASSETS	11	4.946	-	4.946
XXI.	OTHER ASSETS	12	2.581	871	3.452
	SUBTOTAL		3.357.702	910.073	4.267.775
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-
22.1	Assets Held For Sale		-	-	-
22.2	Assets from Discontinued Operations		-	-	-
	TOTAL ASSETS		3.357.702	910.073	4.267.775

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	BALANCE SHEET - LIABILITIES		Audited Current Period 31 December 2018		
		Notes	TL	FC	TOTAL
I.	**FUNDS BORROWED**	**13**	**1.699.454**	**164.542**	**1.863.996**
II.	**FACTORING PAYABLES**	**7**	**2.106**	**1.742**	**3.848**
III.	**LEASE OBLIGATIONS (Net)**		-	-	-
3.1	Finance Lease Obligations		-	-	-
3.2	Operational Lease Obligations		-	-	-
3.3	Other		-	-	-
3.4	Deferred Finance Lease Expenses (-)		-	-	-
IV.	**DEBT SECURITIES ISSUED (Net)**	**14**	**577.835**	-	**577.835**
4.1	Bills		577.835	-	577.835
4.2	Asset-Backed Securities		-	-	-
4.3	Bonds		-	-	-
V.	**FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS LOSS**		-	-	-
VI.	**DERIVATIVE FINANCIAL LIABILITIES**		-	-	-
VII.	**PROVISIONS**		**2.742**	-	**2.742**
7.1	Restructuring Provisions		-	-	-
7.2	Reserves For Employee Benefits	17	2.742	-	2.742
7.3	General Provisions		-	-	-
7.4	Other Provisions		-	-	-
VIII.	**DEFERRED TAX LIABILITY**	**16**	**20.089**	-	**20.089**
IX.	**CURRENT PERIOD TAX LIABILITY**		-	-	-
X.	**SUBORDINATED LOANS**		-	-	-
XI.	**OTHER LIABILITY**	**15**	**299**	**722**	**1.021**
	SUBTOTAL		**2.302.525**	**167.006**	**2.469.531**
XII.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS**		-	-	-
12.1	Held For Sale		-	-	-
12.2	Discontinued Operations		-	-	-
XIII..	**SHAREHOLDERS' EQUITY**		**301.123**	-	**301.123**
13.1	Paid-in Capital	18	63.500	-	63.500
13.2	Capital Reserves	18	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
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(79)	-	(79)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		9.146	-	9.146
13.5	Profit Reserves	19	107.626	-	107.626
13.5.1	Legal Reserves		8.439	-	8.439
13.5.2	Statutory Reserves		-	-	-
13.5.3	Extraordinary Reserves		99.187	-	99.187
13.5.4	Other Profit Reserves		-	-	-
13.6	Profit or Loss		115.653	-	115.653
13.6.1	Prior Periods Profit/Loss		(31.365)	-	(31.365)
13.6.2	Current Period Profit/Loss		147.018	-	147.018
	TOTAL LIABILITIES		**2.603.648**	**167.006**	**2.770.654**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	BALANCE SHEET - LIABILITIES	Notes	Audited Prior Period 31 December 2017 TL	FC	TOTAL
I.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**		-	-	-
II.	**FUNDS BORROWED**	**13**	**3.573.724**	**231.393**	**3.805.117**
III.	**FACTORING PAYABLES**	**7**	**993**	**786**	**1.779**
IV.	**LEASE OBLIGATIONS**		-	-	-
4.1	Financial Lease Obligations		-	-	-
4.2	Operational Lease Obligations		-	-	-
4.3	Others		-	-	-
4.4	Deferred Financial Lease Expenses (-)		-	-	-
V.	**DEBT SECURITIES ISSUED (Net)**	**14**	**259.459**	-	**259.459**
5.1	Bills		259.459	-	259.459
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	-	-
VI.	**MISCELLANEOUS PAYABLES**	**15**	**805**	**829**	**1.634**
VII.	**OTHER LIABILITIES**		**929**	**619**	**1.548**
VIII.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**		-	-	-
8.1	Fair Value Hedges		-	-	-
8.2	Cash Flow Hedges		-	-	-
8.3	Net Investment Hedge		-	-	-
IX.	**TAXES AND DUTIES PAYABLE**	**16**	**3.360**	-	**3.360**
X.	**PROVISIONS**		**2.227**	-	**2.227**
10.1	Restructuring Reserves		-	-	-
10.2	Reserve For Employee Benefits	17	2.227	-	2.227
10.3	Other Provisions		-	-	-
XI.	**DEFERRED INCOME**		-	-	-
XII.	**CURRENT PERIOD TAX LIABILITIES**	**16**	**3.897**	-	**3.897**
XIII.	**DEFERRED TAX LIABILITY**		-	-	-
XIV.	**SUBORDINATED LOANS**		-	-	-
	SUBTOTAL		**3.845.394**	**233.627**	**4.079.021**
XV.	**PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS**		-	-	-
15.1	Assets held for Sale		-	-	-
15.2	Discontinued Operations		-	-	-
XVI.	**SHAREHOLDERS' EQUITY**		**188.754**	-	**188.754**
16.1	Paid-in Capital	18	63.500	-	63.500
16.2	Capital Reserves	18	5.277	-	5.277
16.2.1	Share Premiums		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		5.277	-	5.277
16.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		4	-	4
16.4	Accumulated Other Comprehensive Income that may be Reclassified to Profit or Loss		12.347	-	12.347
16.5	Profit Reserves	19	58.096	-	58.096
16.5.1	Legal Reserves		5.963	-	5.963
16.5.2	Status Reserves			-	
16.5.3	Extraordinary Reserves		52.133	-	52.133
16.5.4	Other Profit Reserves			-	
16.6	Profit or Loss		49.530	-	49.530
16.6.1	Prior Periods Profit/Loss		-	-	-
16.6.2	Net Income or Loss for the Current Period		49.530	-	49.530
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4.034.148**	**233.627**	**4.267.775**

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İŞ FAKTORİNG ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	STATEMENT OF OFF-BALANCE SHEET ITEMS		Audited Current Period 31 December 2018		
		Notes	TL	FC	TOTAL
I.	**REVOCABLE FACTORING TRANSACTIONS**		**58.178**	**65.715**	**123.893**
II.	**IRREVOCABLE FACTORING TRANSACTIONS**		**223.224**	**47.935**	**271.159**
III.	**COLLATERALS RECEIVED**	**21**	**20.716.776**	**14.063.343**	**34.780.119**
IV.	**COLLATERALS GIVEN**	**21**	**1.081.269**	**4.397**	**1.085.666**
V.	**COMMITMENTS**		-	-	-
5.1	Irrevocable Commitments		-	-	-
5.2	Revocable Commitments		-	-	-
5.2.1	Lease Commitments		-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-
5.2.2	Other Revocable Commitments		-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**21**	**428.915**	**427.443**	**856.358**
6.1	Derivative Financial Instruments for Risk Management		-	-	-
6.1.1	Fair Value Hedges		-	-	-
6.1.2	Cash Flow Hedges		-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-
6.2	Trading Derivatives		428.915	427.443	856.358
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-
6.2.2	Swap Purchases/Sales		428.915	427.443	856.358
6.2.3	Put/Call Options		-	-	-
6.2.4	Futures Purchases/Sales		-	-	-
6.2.5	Others		-	-	-
VII.	**ITEMS HELD IN CUSTODY**	**21**	**173.995**	**109.502**	**283.497**
	TOTAL OFF-BALANCE SHEET ITEMS		**22.682.357**	**14.718.335**	**37.400.692**

	STATEMENT OF OFF-BALANCE SHEET ITEMS		Audited Prior Period 31 December 2017		
		Notes	TL	FC	TOTAL
I.	**REVOCABLE FACTORING TRANSACTIONS**		**139.115**	**44.315**	**183.430**
II.	**IRREVOCABLE FACTORING TRANSACTIONS**		**229.541**	**28.191**	**257.732**
III.	**COLLATERALS RECEIVED**	**21**	**16.739.598**	**9.016.561**	**25.756.159**
IV.	**COLLATERALS GIVEN**	**21**	**1.068.552**	**22.721**	**1.091.273**
V.	**COMMITMENTS**		-	-	-
5.1	Irrevocable Commitments		-	-	-
5.2	Revocable Commitments		-	-	-
5.2.1	Lease Commitments		-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-
5.2.2	Other Revocable Commitments		-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**21**	**1.188.153**	**1.185.261**	**2.373.414**
6.1	Derivative Financial Instruments for Risk Management		-	-	-
6.1.1	Fair Value Hedges		-	-	-
6.1.2	Cash Flow Hedges		-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-
6.2	Trading Derivatives		1.188.153	1.185.261	2.373.414
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-
6.2.2	Swap Purchases/Sales		1.188.153	1.185.261	2.373.414
6.2.3	Put/Call Options		-	-	-
6.2.4	Futures Purchases/Sales		-	-	-
6.2.5	Others		-	-	-
VII.	**ITEMS HELD IN CUSTODY**	**21**	**478.073**	**131.235**	**609.308**
	TOTAL OFF-BALANCE SHEET ITEMS		**19.843.032**	**10.428.284**	**30.271.316**

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 2018

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

	INCOME STATEMENT	Notes	Audited Current Period 1 January-31 December 2018
I.	**OPERATING INCOME**	23	**530.465**
1.1	FACTORING INCOME		530.465
1.1.1	Factoring Interest Income		489.758
1.1.1.1	Discounted		92.664
1.1.1.2	Other		397.094
1.1.2	Factoring Commission Income		40.707
1.1.2.1	Discounted		4.883
1.1.2.2	Other		35.824
	INCOME ON FINANCING LOANS		-
1.2	Interest Income on Financial Loans		-
1.3	Fees and Commission Income on Financial Loans		-
	LEASE INCOME		-
1.4	Finance Lease Income		-
1.5	Operational Lease Income		-
1.6	Fees and Commission Income on Lease Operations		-
II.	**FINANCING EXPENSES**	24	**455.243**
2.1	Interest Expense on Funds Borrowed		364.783
2.2	Interest Expense on Factoring Payables		-
2.3	Interest Expense on Financial Leases		-
2.4	Interest Expense on Debt Securities Issued		71.773
2.5	Other Interest Expenses		-
2.6	Fees and Commission Expenses		18.687
III.	**GROSS PROFIT / LOSS (I+II)**		**75.222**
IV.	**OPERATING EXPENSES (-)**	25	**29.725**
4.1	Personnel Expenses		20.786
4.2	Provision Expense for Employee Termination Indemnity		188
4.3	Research and Development Expenses		-
4.4	General Administrative Expenses		8.751
4.5	Other		-
V.	**GROSS OPERATING PROFIT / LOSS (III+IV)**		**45.497**
VI.	**OTHER OPERATING INCOME**	26	**1.287.006**
6.1	Interest Income on Banks		22
6.2	Interest Income on Reverse Repurchase Agreements		-
6.3	Interest Income on Securities		-
6.3.1	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Other Comphresenive Income		-
6.3.3	Interest Income on Financial Assets Measured at Amortized Cost		-
6.4	Dividend Income		2.716
6.5	Trading Account Income		-
6.6	Income From Derivative Financial Instruments		124.785
6.7	Foreign Exchange Gains		1.140.710
6.8	Other		18.773
VII.	**PROVISION(-)**	27	**10**
7.1	Specific provisions		-
7.2	Expected Credit Loss		10
7.3	General Provision		-
7.4	Other		-
VIII.	**OTHER OPERATING EXPENSES (-)**	28	**1.138.527**
8.1	Impairment Losses on Securities Portfolio		-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-
8.1.2	Impairment Losses on Financial Assets at Fair Value through Other Comprehensive Income		-
8.2	Impairment Losses on Non-current Assets		-
8.2.1	Impairment Losses on Tangible Assets		-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-
8.2.3	Impairment Losses on Intangible Assets		-
8.2.4	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-
8.3	Losses From Derivative Financial Instruments		595
8.4	Foreign Exchange Losses		1.137.894
8.5	Other		38
IX.	**NET OPERATIONAL PROFIT/LOSS (V+...+VIII)**		**193.966**
X.	**INCOME RESULTED FROM MERGERS**		-
XI.	**SHARES OF THE PROFITS /LOSSES OF INVESTMENTS VALUED BY EQUTY METHOD**		-
XII.	**GAIN/LOSS ON NET MONETARY POSITION**		**193.966**
XIII.	**PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX(IX+X+XI)**		**193.966**
XIV.	**PROVISION FOR TAX FROM CONTINUING OPERATIONS (±)**	29	**46.948**
14.1	Current Tax Charge	16	38.743
14.2	Deferred Tax Expense Effect (-)	11	8.593
14.3	Deferred Tax Income Effect (+)	11	(388)
XV.	**NET PROFIT/LOSS AFTER TAX FROM CONTINUING OPERATIONS(XII±XIII)**		**147.018**
XVI.	**INCOME FROM DISCONTINUED OPERATIONS**		
16.1	Income from Assets Held for Sale		
16.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		
16.3	Other Income From Discontinued Operations		
XVII.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		
17.1	Expense From Assets Held for Sale		
17.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		
17.3	Other expense from Discontinued Operations		
XVIII.	**PROFIT/LOSS BEFORE TAX ON DISCONTINUED OPERATIONS**		
XIX.	**PROVISION FOR TAX FROM DISCONTINUED OPERATIONS (±)**		
19.1	Current Tax Charge		
19.2	Deferred Tax Expense Effect (-)		
19.3	Deferred Tax Income Effect (+)		
XX.	**NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS**		
XXI.	**NET PROFIT/LOSS**	30	**147.018**
	EARNINGS PER SHARE(*)		**2,315**
	Earnings Per Share from Contining Operations		2,315
	Earnings Per Share from Discontinued Operations		-
	DILUTED EARNINGS PER SHARE		**2,315**
	Earnings Per Share from Contining Operations		-
	Earnings Per Share from Discontinued Operations		-

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

(*)Presented in exact TL.

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 2017

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

	INCOME STATEMENT	Notes	Audited Prior Period 1 January- 31 December 2017
I.	**OPERATING INCOME**	23	**328.040**
1.1	FACTORING INCOME		328.040
1.1.1	Factoring Interest Income		309.152
1.1.1.1	Discounted		76.144
1.1.1.2	Other		233.008
1.1.2	Factoring Commission Income		18.888
1.1.2.1	Discounted		4.163
1.1.2.2	Other		14.725
	INCOME ON FINANCING LOANS		-
1.2	Interest Income on Financial Loans		-
1.3	Fees and Commission Income on Financial Loans		-
	LEASE INCOME		-
1.4	Finance Lease Income		-
1.5	Operational Lease Income		-
1.6	Fees and Commission Income on Lease Operations		-
II.	**FINANCING EXPENSES**	24	**(354.886)**
2.1	Interest Expense on Funds Borrowed		(304.510)
2.2	Interest Expense on Factoring Payables		-
2.3	Interest Expense on Financial Leases		-
2.4	Interest Expense on Debt Securities Issued		(36.806)
2.5	Other Interest Expenses		-
2.6	Fees and Commission Expenses		(13.570)
III.	**GROSS PROFIT / LOSS (I+II)**		**(26.846)**
IV.	**OPERATING EXPENSES (-)**	25	**(25.107)**
4.1	Personnel Expenses		(16.765)
4.2	Provision Expense for Employee Termination Indemnity		(137)
4.3	Research and Development Expenses		-
4.4	General Administrative Expenses		(8.205)
4.5	Other		-
V.	**GROSS OPERATING PROFIT / LOSS (III+IV)**		**(51.953)**
VI.	**OTHER OPERATING INCOME**	26	**496.297**
6.1	Interest Income on Banks		74
6.2	Interest Income on Reverse Repurchase Agreements		-
6.3	Interest Income on Securities		228
6.3.1	Interest Income on Trading Financial Assets		228
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-
6.3.3	Interest Income on Financial Assets Available-for-Sale		-
6.3.4	Interest Income on Investments Held to Maturity		-
6.4	Dividend Income		1.329
6.5	Trading Account Income		138.030
6.5.1	Derivatives		138.030
6.5.2	Others		-
6.6	Foreign Exchange Gains		352.631
6.7	Other		4.005
VII.	**SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)**	27	**(3.210)**
VIII.	**OTHER OPERATING EXPENSES (-)**	28	**(380.124)**
8.1	Impairment Losses on Securities Portfolio		-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-
8.1.2	Impairment in Value of Financial Assets Available-for-Sale		-
8.1.3	Impairment in Value of Investments Held to Maturity		-
8.2	Impairment in Value of Non Current Assets		-
8.2.1	Impairment in Value of Tangible Assets		-
8.2.2	Impairment in Value of Assets Held for Sale and Assets Related to Discontinued Operations		-
8.2.3	Impairment in Value of Goodwill		-
8.2.4	Impairment in Value of Other Intangible Assets		-
8.2.5	Impairment in Value of Subsidiaries, Associates and Joint-Ventures		-
8.3	Losses From Derivative Financial Instruments		(373)
8.4	Foreign Exchange Losses		(379.751)
8.5	Other		-
IX.	**OPERATIONAL PROFIT/LOSS, NET (V+...+VIII)**		**61.010**
X.	**INCOME RESULTED FROM MERGERS**		-
XI.	**GAIN/LOSS ON NET MONETARY POSITION**		-
XII.	**PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX(IX+X+XI)**		**61.010**
XIII.	**PROVISION FOR TAX FROM CONTINUING OPERATIONS (±)**	29	**(11.480)**
13.1	Current Tax Charge	16	(8.928)
13.2	Deferred Tax Expense Effect (-)	11	(5.305)
13.3	Deferred Tax Income Effect (+)	11	2.753
XIV.	**NET PROFIT/LOSS AFTER TAX FROM CONTINUING OPERATIONS(XII±XIII)**		**49.530**
XV.	**INCOME FROM DISCONTINUED OPERATIONS**		-
15.1	Income from Assets Held for Sale		-
15.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-
15.3	Other Income From Discontinued Operations		-
XVI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
16.1	Expense From Assets Held for Sale		-
16.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		-
16.3	Other expense from Discontinued Operations		-
XVII.	**PROFIT/LOSS BEFORE TAX ON DISCONTINUED OPERATIONS**		-
XVIII.	**PROVISION FOR TAX FROM DISCONTINUED OPERATIONS (±)**		-
18.1	Current Tax Charge		-
18.2	Deferred Tax Expense Effect (-)		-
18.3	Deferred Tax Income Effect (+)		-
XIX.	**NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS**		-
XX.	**NET PROFIT/LOSS**		**49.530**
	EARNINGS PER SHARE	30	**0,00780**
	Earnings Per Share from Contining Operations		0,00780
	Earnings Per Share from Discontinued Operations		-
	DILUTED EARNINGS PER SHARE	30	**0,00780**
	Earnings Per Share from Contining Operations		0,00780
	Earnings Per Share from Discontinued Operations		-

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME		**Audited Current Period**
			1 January-31 December 2018
I.	**CURRENT PERIOD PROFIT/LOSS**		**147.018**
II.	**OTHER COMPREHENSIVE INCOME**		**(3.284)**
2.1	**Items that will not be Reclassified to Profit or Loss**		**(83)**
2.1.1	Tangible Assets Revaluation Increases/Decreases		-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-
2.1.3	Employee Benefits Re-Measuring Loss/Income		(104)
2.1.4	Other Comprehensive Income that will not be Reclassified to Other Profit or Loss		-
2.1.5	Taxes related with Other Comprehensive Income that will not be Reclassified to Profit or Loss		21
2.2	**Items that may be Reclassified to Profit or Loss**		**(3.201)**
2.2.1	Foreign Currency Translation Differences		-
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income		(3.201)
2.2.3	Cash Flow Hedge Income/Losses		
2.2.4	Net Investment Hedge Income/Losses		
2.2.5	Other Comprehensive Income that may be Reclassified to Other Profit or Loss		
2.2.6	Taxes related with Other Comprehensive Income that may be Reclassified to Profit or Loss		
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**143.734**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

	PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME		**Audited Prior Period**
			1 January-31 December 2017
I.	**NET PROFIT/LOSS**		**49.530**
II.	**OTHER COMPREHENSIVE INCOME**		**10.402**
2.1	**Items that will never be Reclassified to Profit or Loss**		**(23)**
2.1.1	Tangible Assets Revaluation Increases/Decreases		-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-
2.1.3	Employee Benefits Re-Measuring Loss/Income	**17**	(29)
2.1.4	Other Comprehensive Income that will not be Reclassified to Other Profit or Loss		-
2.1.5	Taxes related with Other Comprehensive Income that will not be Reclassified to Profit or Loss		**6**
2.1.5.1	Current Tax Benefit/Charge		-
2.1.5.2	Deferred Tax Benefit/Charge (-)		6
2.2	**Items that are or may be Reclassified to Profit or Loss**	**11**	**10.425**
2.2.1	Foreign Currency Translation Differences		-
2.2.2	Valuation and/or Reclassification Income/Losses from Assets Held for Sale		10.425
2.2.3	Cash Flow Hedge Income/Losses		-
2.2.4	Net Investment Hedge Income/Losses		-
2.2.5	Other Comprehensive Income that are or may be Reclassified to Other Profit or Loss		-
2.2.6	Taxes related with Other Comprehensive Income that may be Reclassified to Profit or Loss		-
2.2.6.1	Current Tax Income /Expense		-
2.2.6.2	Deferred Tax Income / Expense (-)		-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**59.932**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

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

							Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss						
	CHANGES IN SHAREHOLDER'S EQUITY	Note	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
	Current Period (01.01 – 31.12.2018)		-													
I.	**Balance at the Beginning of the Period (31.12.2017)**		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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**	18	-	-	-	-	-	(83)	-	-	(3.201)	-	-	-	-	(3.284)
XI.	**Profit for the Period**		-	-	-	-	-	-	-	-	-	-	-	-	147.018	147.018
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	49.530	-	(49.530)	-
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	49.530	-	(49.530)	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (III+IV+.....+XI+XII)		63.500	-	-	5.277	-	(79)	-	-	9.146	-	107.626	(31.365)	147.018	301.123

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

(*)Restatements for the prior period is related with TFRS 9 policy change where details are disclosed in Footnote I, Section Three.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

								Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss											
	CHANGES IN SHAREHOLDER'S EQUITY	Note	Paid-in Capital	Share capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Profit/Loss	Prior Period Profit/ (Loss)	Net Current Period Profit/ Loss	Total Equity
	Current Period (01.01 – 31.12.2017)																					
I.	**Balance at the Beginning of the Period (31.12.2016)**		**63.500**	**5.277**	-	-	**5.277**	-	**27**	-	-	**1.922**	-	**25.157**	**4.316**	-	**20.841**	-	**32.939**	-	**32.939**	**128.822**
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**	-	-	**5.277**	-	**27**	-	-	**1.922**	-	**25.157**	**4.316**	-	**20.841**	-	**32.939**	-	**32.939**	**128.822**
IV.	**Total Comprehensive İncome**	18	-	-	-	-	-	-	(23)	-	-	10.425	-	-	-	-	-	-	-	-	-	10.402
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 for the Period**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49.530	-	49.530	49.530
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	32.939	1.647	-	31.292	-	(32.939)	-	(32.939)	-
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	32.939	1.647	-	31.292	-	(32.939)	-	(32.939)	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (III+IV+.....+XI+XII)		**63.500**	**5.277**	-	-	**5.277**	-	**4**	-	-	**12.347**	-	**58.096**	**5.963**	-	**52.133**	-	**49.530**	-	**49.530**	**188.754**

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

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Notes	Audited Current Period 31 December 2018
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**123.679**
1.1.1	Interests received/Lease income		489.758
1.1.2	Interests paid/Lease expense		(436.556)
1.1.3	Lease Expenses		-
1.1.4	Dividends Received		2.716
1.1.5	Fee and Commissions Received		40.707
1.1.6	Other Income		124.785
1.1.7	Collections From Previously Written-Off Receivables	7	8.136
1.1.8	Payments to Personnel and Service Suppliers		(20.786)
1.1.9	Taxes Paid	16	(46.948)
1.1.10	Others		(38.133)
1.2	**Changes in Operating Assets and Liabilities**		**(454.581)**
1.2.1	Net (Increase) Decrease in Factoring Receivables		1.479.990
1.2.2	Net (Increase) Decrease in Other Assets		(3.262)
1.2.3	Net (Increase) Decrease in Factoring Payables		2.069
1.2.3	Net Increase (Decrease) in Lease Payables		-
1.2.4	Net Increase (Decrease) in Funds Borrowed		(1.943.206)
1.2.5	Net Increase (Decrease) in Matured Payables		-
1.2.6	Net Increase (Decrease) in Other Liabilities		9.828
I.	**Net Cash From Operating activities**		**(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		-
2.3	Purchases of Tangible and Intangible Assets	9,10	932
2.4	Sales of Tangible and Intangible Assets		(72)
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**		**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		(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**		**318.376**
IV.	**Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents**		**1.445**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**(10.221)**
VI.	**Cash and Cash Equivalents at the Beginning of the Year**	5	**17.776**
VII.	**Cash and Cash Equivalents at the End of the Year**	5	**7.555**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Audited Prior Period
		Notes	**31 December 2017**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**47.207**
1.1.1	Interests received/Lease income		290.862
1.1.2	Interests paid/Lease expense		(341.316)
1.1.3	Lease Expenses		-
1.1.4	Dividends Received		1.329
1.1.5	Fee and Commissions Received		18.888
1.1.6	Other Income		138.030
1.1.7	Collections From Previously Written-Off Receivables	7	2.127
1.1.8	Cash Payments to Personnel and Service Suppliers		(15.952)
1.1.9	Taxes Paid	18	(12.169)
1.1.10	Others		(34.592)
1.2	**Changes in Operating Assets and Liabilities**		**(115.849)**
1.2.1	Net (Increase) Decrease in Factoring Receivables		(1.206.699)
1.2.2	Net (Increase) Decrease in Other Assets		(17.547)
1.2.3	Net (Increase) Decrease in Factoring Payables		(1.959)
1.2.3	Net Increase (Decrease) in Lease Payables		-
1.2.4	Net Increase (Decrease) in Funds Borrowed		1.143.421
1.2.5	Net Increase (Decrease) in Matured Payables		-
1.2.6	Net Increase (Decrease) in Other Liabilities		(33.065)
I.	**Net Cash From Operating activities**		**(68.642)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures		-
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-
2.3	Purchases of Tangible and Intangible Assets	9,10	(1.684)
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**		**(1.684)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
3.1	Cash Obtained from Funds Borrowed and Debt Securities Issued		77.358
3.2	Cash Used for Repayment of Funds Borrowed and Debt Securities Issued		-
3.3	Equity Instruments Issued		-
3.4	Dividends Paid		-
3.5	Payments for Finance Leases		-
3.6	Others		-
III.	**Net Cash Generated from in Financing Activities**		**77.358**
IV.	**Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents**		**1.940**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**8.972**
VI.	**Cash and Cash Equivalents at the Beginning of the Year**	**5**	**8.804**
VII.	**Cash and Cash Equivalents at the End of the Year**	**5**	**17.776**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018

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

		Current Year (31 December 2018)
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT (*)**	
1.1	PROFIT FOR THE YEAR	193.966
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	46.948
1.2.1	Corporate Tax (Income Tax)	38.743
1.2.2	Withholding Tax	-
1.2.3	Other Taxes and Duties (**)	8.205
A.	**NET PROFIT FOR THE YEAR (1.1-1.2)**	**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)]**	-
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of Privileged Shares	-
1.6.3	To Owners of Redeemed Shares	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To Owners of Ordinary Shares	-
1.9.2	To Owners of Privileged Shares	-
1.9.3	To Owners of Redeemed Shares	-
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUS RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	-
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II.	**DISTRIBUTION FROM RESERVES**	-
2.1	DISTRIBUTION OF RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENTS TO SHAREHOLDERS (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Privileged Shares	-
2.3.3	To Owners of Redeemed Shares	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III.	**EARNINGS PER SHARE**	-
3.1	TO OWNERS OF ORDINARY SHARES (full TL) (***)	-
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 2018.

(**) As per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company has no deferred tax income as at 31 December 2018.(31 December 2017: None).

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

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

		Prior Year (31 December 2017)
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT (*)**	
1.1	PROFIT FOR THE YEAR	61.010
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	(11.480)
1.2.1	Corporate Tax (Income Tax)	(8.928)
1.2.2	Withholding Tax	-
1.2.3	Other Taxes and Duties (**)	(2.552)
A.	**NET PROFIT FOR THE YEAR (1.1-1.2)**	**49.530**
1.3	ACCUMULATED LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	2.476
1.5	OTHER STATUTORY RESERVES (-)	-
B	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**49.530**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of Privileged Shares	-
1.6.3	To Owners of Redeemed Shares	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To Owners of Ordinary Shares	-
1.9.2	To Owners of Privileged Shares	-
1.9.3	To Owners of Redeemed Shares	-
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUS RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	47.054
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II.	**DISTRIBUTION FROM RESERVES**	-
2.1	DISTRIBUTION OF RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENTS TO SHAREHOLDERS (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Privileged Shares	-
2.3.3	To Owners of Redeemed Shares	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III.	**EARNINGS PER SHARE**	-
3.1	TO OWNERS OF ORDINARY SHARES (full TL) (***)	0,00780
3.2	TO OWNERS OF ORDINARY SHARES (%)	0,780
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 (%)	-

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

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Faktoring Finansman Hizmetleri A.Ş., was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. Company's trade name was amended as İş Faktoring A.Ş. ("the Company") at the Ordinary General Assembly on 27 March 2013. The change in title has been registered in the Trade Registry Gazette dated 16 April 2013 and numbered 1353. The core business of the Company is factoring operations, both domestic and abroad.

The Company maintains its operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies of Banking Regulation and Supervision Agency ("BRSA)". The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2018, the number of employees of the Company is 124. (31 December 2017: 120)

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 2018 have been approved by the Board of Directors of the Company and authorized for issue at 1 February 2019. 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 as at 31 December 2018 are presented accordingly to the amendment on Financial Leasing, Factoring and Financing Companies' Accounting Applications and Financial Statements regulation which was issued on 2 May 2018 and which has become effective on 30 September 2018.

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

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

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

2.1 Basis of the Presentation (Continued)

Functional and Reporting Currency
Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira (“TL”).

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

Comparative information and correction of prior periods’ financial statements
The Company adopted “TFRS 9-Financial instruments” for the first time in the current period. The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules and the effect of the first time adoption of the related standard is recognized under equity in the current period. Since, current period and prior period financial statements are prepared on different principles, prior period financial statements and disclosures are presented separately. TFRS 9 effects on the Company’s financial position and performance are explained in Section Three, t. Other Disclosures.

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 17 – Employee benefits
Note 20 – 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 2018 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 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows:

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018. The Company recognizes fees and commissions in accordance with the standard.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company recognized the effects of TFRS 9 on financial instruments, within the statement of financial position as of January 1, 2018 and the Standard's effects on the Company's financial position and performance are explained in Section Three, t.Other Disclosures.

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

2.3 The new standards, amendments and interpretations(Continued)

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018.The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The impact of this standard on the financial statements or performance of the Company has been assessed and the interpretation did not have a significant impact on the financial position or performance of the Company.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 "Investment Property". The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an 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)

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments 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.

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 recognises 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 recognise 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.

The Company is in the process of assessing the impact of the standard on the financial position and performance of the Company, the explanation of preliminary analyses is as follows:

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

2.3 The new standards, amendments and interpretations(Continued)

Transition to TFRS 16:

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.

The Company plans to elect 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 Company carries out analysis in order to determine the effects of transition to TFRS 16 and evaluates standard's impact.

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 TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 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 TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 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.

The amendments are effective for annual periods beginning on or after 1 January 2019 with early application permitted.The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRS 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)

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.

This Interpretation will be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- 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.
- IAS 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.
- IAS 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, with early application permitted. The Company is in the process of assessing the impact of the amendments on 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)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. 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, with early application permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

Applying TFRS 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.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. Overall, the Company expects no significant impact on its balance sheet and equity.

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. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations(Continued)

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB 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 Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to "IAS 1 Presentation of Financial Statements" and "IAS 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 IAS 1 and IAS 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 Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Financial Assets at Fair Value Through Other Comprehensive Income (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

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.

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 2018 and 31 December 2017 are as follows:

	31 December 2018	**31 December 2017**
USD	5,2609	3,7719
EUR	6,0280	4,5155
GBP	6,6528	5,0803
AUD	3,7026	2,9384

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

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

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

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

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and 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.

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 2018	31 December 2017
Discount rate	%4,22	%4,49
Expected rate of salary/limit increase	%11,3	%7,00
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 5.434,42 effective from 31 December 2018 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2017: full TL 4.732,48).

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).

t. Other Disclosures

1. TFRS 9 Financial Instruments

The Company has started to apply “TFRS 9 Financial Instruments” (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 instead of “TAS 39 Financial Instruments: Accounting and Measurement” starting from 1 January 2018. The Company has started to apply TFRS 9 accordingly to Financial Leasing, Factoring and Financing Companies' Accounting Applications and Financial Statements regulation which was issued in the Official Gazette numbered 30409 dated 2 May 2018, starting from 1 January 2018. The Company measures and classifies its financial instruments in accordance with the requirements of TFRS 9 as of the mentioned date. The explanation for the application and the effect of the mentioned TFRS 9 standard is listed below.

1.a. Classification and Measurement

In accordance with TFRS 9, if a financial asset is held in a business model that aims to collect contractual cash flows or in a business model that aims to collect contractual cash flows and to sell financial assets, the financial asset is classified based on the contractual cash flow’s characteristics.

The Company has assessed whether contractual cash flows for all financial assets within the scope of TFRS 9 include principle and interest payments on principle balance only and has implemented asset classifications within the framework of existing business models.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets	Book Value Before TFRS 9 31.12.2017	Reclassifications	Remeasurements	Book Value After TFRS 9 01.01.2018	Tax Effect	Equity Effect
Factoring Receivables						
Pre-classification balance	4.246.966					
Valuation effect						
Book Value After Classification				4.246.966		
Expected Credit Loss and Specific Provision	(39.630)		(40.212)	(79.841)	8.847	(31.365)

1.b. Provision For Expected Credit Losses (-)

	Book Value Before TFRS 9 31.12.2017	Reclassifications	TFRS 9 Book Value 01.01.2018
Factoring Receivables	39.630	40.212	79.841
Stage 1 (Expected Loss Provisions)		40.349	40.349
Stage 2 (Expected Loss Provisions)		205	205
Stage 3 (Specific provisions)	39.630	(342)	39.287
Total	39.630	40.212	79.841

1.c. Effects on Equity

In accordance with the related requirements of "TFRS 9-Financial Instruments" published in the Official Gazette numbered 29953 dated 19 January 2017, there is no obligation to restate the prior period information. If the prior period information is not restated, the difference between the prior book value and the book value of 1 January 2018 at the date of application must be reflected in the opening balance of equity. The explanations regarding the issue is presented below.

Specific and general provisions reserved under the applicable legislation before the transition to TFRS 9 are canceled and the expected loss provision is set according to TFRS 9 principles. In this context;

- A net expense effect of TL 40.212 on total loss provisions of the above mentioned transactions,

- A deferred tax asset of TL 8.846 for expected loss provisions,

As a result of the mentioned transactions, there has been a decrease of TL (31.365) in prior year's profit/loss.

4. 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 2018 and 31 December 2017, details of derivative financial assets and derivative financial liabilities are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Financial Assets from Swap Transactions	979	-	2.139	-
	979	**-**	**2.139**	**-**

5. CASH and CASH EQUIVALENTS

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Demand Deposits	2.107	5.448	1.982	9.004
Time Deposits	-	-	-	6.790
	2.107	**5.448**	**1.982**	**15.794**

As at 31 December 2018, EUR 451 thousand ,USD 474 Thousand, GBP 26 thousand, AUD 16 thousand, total TL 5.448 thousand portion of total foreign currency deposits (31 December 2017: EUR 1.358 thousand ,USD 1.902 thousand, GBP 480 thousand, total TL 15.794) and TL 2.107 thousand portion of total TL deposits (31 December 2017: TL 1.982) 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 2018	31 December 2017
Demand deposits	7.555	10.986
Time deposits (Up to 3 months)	-	6.790
Time Deposits Accrual	-	-
Cash and cash equivalents	**7.555**	**17.776**

As at 31 December 2018, the Company does not have any time deposits.

As at 31 December 2018 and 31 December 2017, there is no blockage on cash and cash equivalent.

6. FINANCIAL ASSETS at FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2018 and 31 December 2017, details of financial assets at fair value through other comprehensive income (Formerly known as 'Financial assets available for sale'):

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%) 31 December 2018	Ownership rate (%) 31 December 2017	Carrying Amount 31 December 2018	Carrying Amount 31 December 2017
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş	Investment and Securities Services	İstanbul	2,43	2,43	2,43	17.780	21.164
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.337	1.153
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	666
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	5,00	5,00	2.000	1.500
TOTAL						**21.842**	**24.522**

7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	Short Term	Long Term	Total
Factoring receivables	2.731.827	7.064	2.738.891
Unearned interest income (-)	(8.916)	-	(8.916)
Ongoing Contracts (*)			
Advances Given			
Expected Credit Loss - Stage 1	(9.314)	(98)	(9.412)
Expected Credit Loss - Stage 2	(2.875)	-	(2.875)
Total factoring receivables	**2.710.722**	**6.966**	**2.717.688**
Non-performing factoring receivables	31.016	-	31.016
Specific provisions- Stage 3	(23.827)	-	(23.827)
Factoring receivables, net	**2.717.911**	**6.966**	**2.724.877**

Ratings	Stage 1	Stage 2	Stage 3	Total
Total portfolio	2.469.836	260.739	31.016	2.760.991
Very good	1.714.790	-	-	1.714.790
Standard	755.046	-	-	755.046
Substandard	-	260.739	31.016	291.155
Expected credit loss and specific provisions	**9.412**	**2.875**	**23.827**	**36.114**
Factoring receivables, net	**2.460.425**	**257.263**	**7.189**	**2.724.877**

7. FACTORING RECEIVABLES AND PAYABLES (Continued)

	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	7.555	-	-	10	-	-
Factoring alacakları	2.469.836	260.739	31.016	9.412	2.875	23.827

As at 31 December 2018, TL 593.136 thousands, EUR 34.952 thousands, USD 55.672 thousands and GBP 12 thousands of factoring receivables have variable rates (31 December 2017: TL 592.022, EUR 70.938, USD 51.330 and GBP 1.864) while TL 1.607.396 thousands, EUR 34.952 thousands, USD 55.672 thousands, GBP 13.667 thousands of factoring receivables have fixed rates (31 December 2017: TL 2.202.052, EUR 81.767 thousands, USD 138.031 thousands).

As at 31 December 2018, the average interest rate applicable for the factoring receivables is; 34,93% for TL, 14,33% for USD, 6,22% for EUR and 6,51% for GBP (31 December 2017: 17,65% for TL, 5,67% for USD, 3,54% for Euro and 5,98% 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 2018	31 December 2017
Domestic irrevocable	1.564.723	1.867.312
Domestic revocable	817.689	1.801.683
Foreign revocable	118.471	342.619
Foreign irrevocable	223.994	195.722
	2.724.877	**4.207.336**

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 2017: None)

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

	31 December 2018	31 December 2017
Between 90 – 180 days	10.920	2.146
Between 180 – 360 days	5.702	1.505
Over 360 days	14.394	38.448
	31.016	**42.099**

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 2018	31 December 2017
Allowance at the beginning of the period(*)	(79.841)	(38.547)
Provision reversed during the period	8.496	-
Allowance set during the period	-	(3.210)
Collections (Note 27)	8.136	2.127
Write-Off	27.095	-
Allowance at the end of the period	**(36.114)**	**(39.630)**

(*) IFRS 9 opening balance.
(**)The movement table as at 31 December 2017 relates to table relates to specific provisions before TFRS 9.

7. FACTORING RECEIVABLES AND PAYABLES (Continued)

Factoring Payables:
As at 31 December 2018 and 31 December 2017, details of factoring payables are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Factoring payables	2.106	1.742	993	786
	2.106	**1.742**	**993**	**786**

As at 31 December 2018, 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
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	190.109
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	Standard Loans	Loans Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	617
6 Months – 12 Months	-	180.917
1 – 2 Years	-	8.575
2 –5 Years	-	-
5 Years and More	-	-

8. RELATED PARTIES

	31 December 2018	31 December 2017
Factoring receivables		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	49.900
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	18.848	15.942
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	2.774	766
	21.622	**66.608**

	31 December 2018	31 December 2017
Payables		
Türkiye İş Bankası A.Ş.	-	241
İş Merkezleri Yönetim ve İşletim A.Ş.	12	91
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	2	-
Anadolu Sigorta A.Ş.	11	2
	25	**334**

8. RELATED PARTIES (Continued)

Banks	31 December 2018	31 December 2017
Türkiye İş Bankası A.Ş. Time Deposit	-	6.790
İşbank AG Demand Deposit	459	5.579
Türkiye İş Bankası A.Ş. Demand Deposit	4.637	4.264
Türkiye Sınai Kalkınma Bankası A.Ş.	43	18
	5.139	**16.651**

Derivative Financial Assets	31 December 2018	31 December 2017
Türkiye Sınai Kalkınma Bankası A.Ş.	675	466
Türkiye İş Bankası A.Ş.	89	-
	764	**466**

Borrowings

As at 31 December 2018 and 31 December 2017, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2018
TL	26,00-29.40	02.01.2019 – 31.12.2021	600.605
			600.605

Currency	Interest Rate %	Maturity	31 December 2017
TL	17,00-17,50	02.01.2018-04.01.2018	436.109
			436.109

8. RELATED PARTIES (Continued)

Türkiye Sınai Kalkınma Bankası A.Ş.

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

Currency	Interest Rate %	Maturity	31 December 2017
EUR	1,01	15.09.2018	8.081
USD	2,68	15.09.2018	3.804
			11.885

İşbank AG

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

As at 31 December 2018, the company does not have any borrowings from İş Bank AG.

8. RELATED PARTIES (Continued)

As at 31 December 2018 and 31 December 2017, 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 2018		31 December 2017	
Swap Transactions	**Purchase**	**Sale**	**Purchase**	**Sale**
Türkiye Sınai Kalkınma Bankası A.Ş	185.007	184.132	223.139	222.542
Türkiye İş Bankası A.Ş.	90.268	90.067	-	-
	275.275	**274.199**	**223.139**	**222.542**

For the periods ended 31 December 2018 and 31 December 2017, income and expenses from related parties are as follows:

Time deposit interest income	**31 December 2018**	**31 December 2017**
Türkiye İş Bankası A.Ş.	22	-
	22	**-**

Factoring Interest Income	**31 December 2018**	**31 December 2017**
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	4.129	6.384
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	2.735	1.970
Toksöz Spor Malzemeleri	-	109
Nevotek Inc.	-	-
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	149	53
Şişecam Dış Tic.A.Ş.	-	5
	7.013	**8.521**

Factoring Commission Income	**31 December 2018**	**31 December 2017**
Şişecam Dış Tic.A.Ş.	131	101
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	284	85
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	10	-
	425	**186**

Dividend Income	**31 December 2018**	**31 December 2017**
İş Yatırım Menkul Değerler A.Ş.	2.676	1.095
Efes Varlık Yönetim A.Ş.	-	-
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	40	234
	2.716	**1.329**

Finance costs	**31 December 2018**	**31 December 2017**
Türkiye İş Bankası A.Ş.	8.775	5.357
Türkiye Sınai Kalkınma Bankası A.Ş.	11.165	16.648
İşbank AG	608	5
	20.548	**22.010**

Commission Expenses	**31 December 2018**	**31 December 2017**
İş Yatırım Menkul Değerler A.Ş.	2.033	1.155
Türkiye İş Bankası A.Ş.	285	641
Türkiye Sınai Kalkınma Bankası A.Ş.	31	231
İşbank AG	19	5
	2.368	**2.032**

8. RELATED PARTIES (Continued)

As of 31 December 2018 and 31 December 2017 amounts related to securities issued by the Company in the portfolio of related parties are as follows:

As of 31 December 2018 and 31 December 2017 the Company does not have any debt securities issued.

Interest Income on Securities	31 December 2018	31 December 2017
Türkiye İş Bankası A.Ş. (Investment Fund Income)	-	228
	-	**228**

Administrative Expenses	31 December 2018	31 December 2017
İş Merkezleri Yönetim ve İşletim A.Ş.	423	542
Anadolu Anonim Türk Sigorta A.Ş.	582	470
Anadolu Hayat Emeklilik A.Ş.	23	156
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	27	103
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve PazarlamaTicaret A.Ş	49	30
Türkiye İş Bankası A.Ş.	30	23
	1.134	**1.324**

Rent Expenses	31 December 2018	31 December 2017
Türkiye İş Bankası A.Ş.	1.621	1.863
	1.621	**1.863**

Benefits paid to the key management (*)	31 December 2018	31 December 2017
Salaries and other short-term benefits (**)	4.001	3.427
	4.001	**3.427**

(*) Key management consists of general manager, assistant general managers and members of the board of directors.
(**) Consists of monetary benefits such as salaries along with vehicle rentals and other associated expenses.

9. TANGIBLE ASSETS

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balance at 1 January 2018	**2.207**	**377**	**2.584**
Additions	385	154	456
Disposals	(4)	(83)	(4)
Closing balance at 31 December 2018	**2.588**	**448**	**3.036**
Accumulated depreciation			
Opening balance at 1 January 2018	**(1.083)**	**(146)**	**(1.229)**
Depreciation for the year	(352)	(84)	(436)
Disposals	2	-	2
Closing balance at 31 December 2018	**(1.433)**	**(230)**	**(1.663)**
Net Carrying amount at 31 December 2018	**1.155**	**218**	**1.373**

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balance at 1 January 2017	**1.483**	**199**	**1.682**
Additions	798	178	976
Disposals	(74)	-	(74)
Closing balance at 31 December 2017	**2.207**	**377**	**2.584**
Accumulated depreciation			
Opening balance at 1 January 2017	**(900)**	**(105)**	**(1.005)**
Depreciation for the year	(252)	(41)	(293)
Disposals	69	-	69
Closing balance at 31 December 2017	**(1.083)**	**(146)**	**(1.229)**
Net Carrying amount at 31 December 2017	**1.124**	**231**	**1.355**

10. INTANGIBLE ASSETS

Cost	31 December 2018	31 December 2017
Opening balance at 1 January	1.986	1.278
Additions	475	708
Disposals	(68)	-
Closing balance at the end of the period	**2.393**	**1.986**
Accumulated amortization		
Opening balance at 1 January	(786)	(516)
Charge for year	(380)	(270)
Disposals	1	-
Closing balance at the end of the period	**(1.165)**	**(786)**
Net Carrying amount	**1.228**	**1.200**

11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2018 and 31 December 2017, 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 2018	31 December 2017
Accruals from derivative transactions	(979)	(2.139)
Unearned interest income	8.916	21.768
Cash collected commission income and expense	583	1.523
Employee bonus accrual	1.438	1.252
Reserve for employee benefits	701	479
Unused vacation provision	603	496
Allowance for doubtful factoring receivables	111	111
Tax base differences in tangible and intangible assets	(2.558)	(1.003)
Factoring Provisions	16.685	-
	25.500	**22.487**

Deferred tax assets / (liabilities)

	31 December 2018	31 December 2017
Accruals from derivative transactions	(215)	(470)
Unearned interest income	1.962	4.789
Cash collected commission income and expense	128	335
Employee bonus accrual	316	276
Reserve for employee benefits	154	96
Unused vacation provision	133	99
Allowance for doubtful factoring receivables	22	22
Tax base differences in tangible and intangible assets	(563)	(201)
Other (*)	3.671	-
Deferred tax assets (net)	**5.608**	**4.946**

(*) Deferred tax effect from TFRS 9 is included.

11. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements of deferred tax assets movement for the years ended 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Opening balance at 1 January (*)	13.792	7.492
Deferred tax benefit / (expense)	(8.205)	(2.552)
Classified Under Other comprehensive income	21	6
Closing balance	**5.608**	**4.946**

(*)Deferred tax effect amounting to TL 8.846 is included in TFRS 9 opening balance.

Tax rate used in computation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years.

12. OTHER ASSETS

As at 31 December 2018 and 31 December 2017, details of prepaid expenses are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Guarantee letter commission	1.560	-	792	-
Contribution Fee	914	-	499	-
Receivables from Legal expenses	613	-	195	-
Commision expenses	402	-	108	-
Insurance expenses	297	-	286	-
Information technology expenses	184	-	93	-
Loan commissions	57	-	43	22
Given Collaterals	40	-	33	-
Given deposits	7	-	4	-
Other receivables	2.780	348	2.349	871
	6.854	**348**	**4.402**	**893**

13. FUNDS BORROWED

As at 31 December 2018 and 31 December 2017, details of funds borrowed are as presented:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Short-term borrowings	1.699.454	32.808	3.573.724	219.565
Short-term portion of long-term borrowings	-	50.277	-	-
Total short-term borrowings	**1.699.454**	**83.085**	**3.573.724**	**219.565**
Long-term borrowings	-	81.457	-	11.828
Total long-term borrowings	-	**81.457**	-	**11.828**
Total	**1.699.454**	**164.542**	**3.573.724**	**231.393**

13. FUNDS BORROWED (Continued)

As at 31 December 2018 and 31 December 2017, details of borrowings based on types of currency are as follows:

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**

Currency	Interest rate %	Original currency amount(thousands)	31 December 2017
TL	13,60-19,70		3.549.742
USD	1,95-2,68	3.409	12.860
EUR	0,50-2,00	48.334	218.252
GBP	-	-	-
Loan interest accrual			24.263
Total			**3.805.117**

As at 31 December 2018 and 31 December 2017, interest rates of funds borrowed are expressed in compound rates.

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 at 31 December 2017, fixed interest funds borrowed are TL 3.782.074 thousands and floating interest funds borrowed are TL 23.043 thousands).

As of 31 December 2018, letters of guarantee amounting to TL 1.081.269 for the funds borrowed amounting to TL 856.342. (31 December 2017: TL 1.066.040).

Fair values of the funds borrowed are presented in Note 32.

14. DEBT SECURITIES ISSUED

As at 31 December 2018 and 31 December 2017, the details of debt securities issued are as followed:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Debt securities issued(Net)	577.835	-	259.459	-
	577.835	-	**259.459**	-

14. DEBT SECURITIES ISSUED (Continued)

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

31 December 2018

ISIN CODE	Date Issued	Nominal Value	Maturity Date	Sales Method	Coupon Period	Simple Interest Rate%
TRFISFA11916	11.10.2018	150.000	07.01.2019	Qualified Investor	Payment at Maturity	29,50%
TRFISFA11924	23.11.2018	132.000	22.01.2019	Qualified Investor	Payment at Maturity	25,00%
TRFISFA21915	23.11.2018	191.000	21.02.2019	Qualified Investor	Payment at Maturity	25,25%
TRFISFA21923	18.12.2018	116.350	18.02.2019	Qualified Investor	Payment at Maturity	23,50%

31 December 2017

ISIN CODE	Date Issued	Nominal Value	Maturity Date	Sales Method	Coupon Period	Simple Interest Rate%
TRFISFA11817	10.07.2018	113.190	05.01.2018	Qualified Investor	Payment at Maturity	13,80
TRFISFA31815	11.09.2018	150.000	09.03.2018	Qualified Investor	Payment at Maturity	13,85

15. OTHER LIABILITIES

As at 31 December 2018 and 31 December 2017, details of other payables are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Payables to suppliers	187	236	805	829
	187	**236**	**805**	**829**

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Other Liabilities	112	486	929	619
	112	**486**	**929**	**619**

16. CURRENT TAX LIABILITY

As at 31 December 2018 and 31 December 2017, details of current tax liability are as follows:

	31 December 2018	31 December 2017
Banking and Insurance Transaction Tax payable	4.008	2.601
Social Security Institution Premiums payable	290	489
Income tax payable	292	261
Other taxes and liabilities payable	10	9
	4.600	**3.360**

16. CURRENT TAX LIABILITY (Continued)

	31 December 2018	31 December 2017
Provision for corporate taxes	38.743	8.928
Prepaid taxes	(23.254)	(5.031)
Provision for corporate taxes (net)	**15.489**	**3.897**

17. EMPLOYEE BENEFITS

As at 31 December 2018 and 31 December 2017, details of reserve for employee benefits are as follows:

	31 December 2018	31 December 2017
Employee bonus provision	1.438	1.252
Vacation pay liability	603	496
Reserve for employee severance indemnity	701	479
	2.742	**2.227**

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 5.434,42 effective from 31 December 2018 has been taken into consideration in calculation of provision for employee termination benefits (31 December 2017: 4.732,48 TL full).

TAS 19 – "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, as of 31 December 2018 and 31 December 2017, the following actuarial assumptions are used in the calculation of the employee severance liability:

	31 December 2018	31 December 2017
Net Discount rate	%4,22	%4,49
Limit / Salary increase rate	%11,3	%7,00
Estimated severance pay entitlement rate	%100	%100

For the periods ended 31 December 2018 and 31 December 2017, movements in severance pay are as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the period	479	353
Interest cost	64	48
Service cost	124	90
Severence payment made	(70)	(41)
Actuarial difference	104	29
Balance at the end of the period	**701**	**479**

Actuarial gains or losses are recognized in other comprehensive income.

17. EMPLOYEE BENEFITS (Continued)

The movements of the vacation pay liability during the periods ended 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the period	496	278
Provision set during the period (net)	107	218
Balance at the end of the period	**603**	**496**

The movements of the employee bonus provision during the periods ended 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the period	1.252	783
Increase during the period	1.438	1.252
Paid employee bonus during during the period	(1.252)	(783)
Balance at the end of the period	**1.438**	**1.252**

18. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2018, 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 19 March 2018, the Company decided to allocate TL 2.476 thousand general legal reserves calculated from the current period net profit and TL 47.054 thousand as extraordinary reserves.

As at 31 December 2018 and 31 December 2017, shareholders and their ownership percentages are as follows:

Shareholders	(%)	31 December 2018	(%)	31 December 2017
İş Finansal Kiralama A.Ş.	78,2311	49.677	78,2311	49.677
Türkiye Sınai Kalkınma Bankası A.Ş.	21,75	13.811	21,7500	13.811
Trakya Yatırım Holding A.Ş.	0,0063	4	0,0063	4
Topkapı Yatırım Holding A.Ş.(*)	0,0063	4	0,0063	4
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	4	0,0063	4
Total	**100**	**63.500**	**100,0000**	**63.500**

Capital Reserves

As at 31 December 2018 and 31 December 2017, details of capital reserves are as follows:

	31 December 2018	31 December 2017
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**

18. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

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 2018, the Company has presented TL 9.146 of difference gained from revaluation between cost and fair value of assets available for sale under equity as a separate line. (31 December 2017: TL 12.347).

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.

19. PROFIT RESERVES

	31 December 2018	31 December 2017
Legal reserves	8.439	5.963
Extraordinary reserves	99.187	52.133
Total	**107.626**	**58.096**

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.

20. COMMITMENTS AND CONTINGENCIES

As at 31 December 2018 and 31 December 2017, the details of guarantees taken by the Company are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Guarantee and Sureties	14.402.262	10.022.584	11.531.593	6.974.211
Finance Note	6.271.593	2.500.967	5.130.131	1.608.222
Letter of Guarantee	11.150	-	38.761	698
Intangible Pledge	16.160	210.436	19.210	-
Trade Receivable Insurance	2.000	30.140	17.500	-
Tangible Pledge	13.711	5.261	2.403	3.772
Guarantees given by correspondents	-	1.293.955	-	429.658
	20.716.876	**14.063.343**	**16.739.598**	**9.016.561**

As at 31 December 2018, TL 4.269 of letters of guarantee are given to courts (31 December 2017: TL 2.512).

As at 31 December 2018, does not have irrevocable commitments (31 December 2017: TL None).

As at the reporting date, the Company have TL 4.397 guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables (31 December 2017: TL 22.721).

As at 31 December 2018, the details of derivative instruments of the Company are as follows:

	31 December 2018	
	FC(thousands)	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

	31 December 2017	
	FC(thousands)	TL
Swap Purchase Transactions:		
TL	-	1.188.153
		1.188.153
Swap Sale Transactions:		
USD	186.200	702.328
EUR	104.700	472.772
GBP	2.000	10.161
		1.185.261

20. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2018, the Company has TL 12.513 unrealized profit and TL 20 unrealized loss arising from changes in fair value of derivative contracts which is related to profit/loss. (31 December 2017: TL 2.139 unrealized loss and TL 40 unrealized profit).

31 December 2018 and 31 December 2017, the details of the Company's items held in custody are as follows:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Cheques	162.794	39.747	457.095	51.701
Notes	11.201	69.755	20.978	79.534
	173.995	**109.502**	**478.073**	**131.235**

21. 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.

22. EVENTS AFTER THE REPORTING PERIOD

None.

23. OPERATING INCOME

For the years ended 31 December 2018 and 31 December 2017, details of operating income are as follows:

	31 December 2018	31 December 2017
Interest income from factoring receivables	489.758	309.152
Fee and commission from factoring receivables	40.707	18.888
	530.465	**328.040**

24. FINANCE EXPENSE

For the years ended 31 December 2018 and 31 December 2017, details of finance expenses are as follows:

	31 December 2018	31 December 2017
Interest Expense	(364.783)	(304.510)
Interest Expense on Debt Securities Issued	(71.773)	(36.806)
Fees and Commission Expenses	(18.687)	(13.570)
	(455.243)	**(354.886)**

25. OPERATING EXPENSES

For the years ended 31 December 2018 and 31 December 2017, details of operating expenses are as follows:

	31 December 2018	31 December 2017
Personnel expenses	(20.786)	(16.765)
Office rent expenses	(1.824)	(1.989)
Information technology expenses	(1.190)	(1.024)
Vehicle expenses	(951)	(674)
Depreciation and amortisation expenses	(816)	(562)
Consultancy expenses	(346)	(309)
Vacation pay expenses	(107)	(218)
Severance pay expense	(188)	(137)
Attorney – Litigation expenses	(45)	(16)
Other administrative expenses	(3.472)	(3.413)
	(29.725)	**(25.107)**

26. OTHER OPERATING INCOME

For the years ended 31 December 2018 and 31 December 2017, details of other operating income are as follows:

	31 December 2018	31 December 2017
Foreign exchange gains	1.140.710	352.631
Gain on derivative transactions	124.785	138.030
Other	10.637	2.106
Collections from doubtful receivables	8.136	2.127
Dividend income	2.716	1.329
Interest from banks	22	74
	1.287.006	**496.297**

27. EXPECTED CREDIT LOSS

For the years ended 31 December 2018 and 31 December 2017, details of specific provision for non-performing receivables are as follows:

	31 December 2018	31 December 2017
Specific provisions	-	(3.210)
Expected credit loss	(10)	-
	(10)	**(3.210)**

28. OTHER OPERATING EXPENSES

For the years ended 31 December 2018 and 31 December 2017, details of other operating expenses are as follows:

	31 December 2018	31 December 2017
Foreign exchange losses	(1.137.894)	(379.751)
Losses from derivative financial transactions	(595)	(373)
Other	(38)	-
	(1.138.527)	**(380.124)**

29. TAXATION

For the years ended 31 December 2018 and 31 December 2017, details of income tax expense are as follows:

	31 December 2018	31 December 2017
Current tax charge	(38.743)	(8.928)
Deferred tax income / (expense)	(8.205)	(2.552)
	(46.948)	**(11.480)**

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:

	%	2018	%	2017
Net profit for the period		147.018		49.530
Total tax expense		46.948		11.480
Profit before tax		**193.966**		**61.010**
Income tax using the Company's tax rate	22,00	42.672	20,00	12.202
Other Income from Tax base	5,63	10.133	12,91	7.878
Tax exempt income	(3,67)	(5.857)	(14,09)	(8.600)
Total income tax expense	**23,96**	**46.948**	**18,82**	**11.480**

Corporate Tax

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

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

As at 31 December 2018, corporate income tax rate is 22% (31 December 2017: 20%).

29. TAXATION (Continued)

In Turkey, temporary tax is calculated and accrued on a quarterly basis. The advance corporate income tax rate in 2018 is 22% (31 December 2017: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer Pricing

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

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

30. 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.

30. EARNINGS PER SHARE (Continued)

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Weighted average number of outstanding shares (*)	6.350.000.000	6.350.000.000
Net profit for the period (TL)	147.018	49.530
Earnings per share (full TL)	0,0232	0,00780

(*)As at 31 December 2018, the share capital of the Company consists of 6.350.000.000 shares having Kurus 1 nominal price.

	31 December 2018	31 December 2017
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**

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

None.

32. 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 2018, the debt/equity ratio is 12% as at 31 December 2018 (31 December 2017: 5%). As at 31 December 2018 and 31 December 2017, the leverage ratios are as follows:

	31 December 2018	31 December 2017
Funds borrowed	1.863.996	3.805.117
Debt securities issued (Net)	577.835	259.459
Factoring payables	3.848	1.779
Total debt	2.445.679	4.066.355
Banks (-)	(7.555)	(17.776)
Net debt	**2.438.124**	**4.048.579**
Total equity	301.123	188.754
Equity / Debt Ratio	12%	5%

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	31 December 2018	31 December 2017
Financial assets:		
Factoring receivables and non-performing factoring receivables	2.724.877	4.207.336
Financial assets at fair value through other comprehensive income	21.842	24.522
Banks	7.555	17.776
Fair value through profit or loss:	979	5.345
- Financial assets held for trading	-	*3.206*
- Derivative financial assets	*979*	*2.139*
Financial Liabilities:		
Funds borrowed	(1.863.996)	(3.805.117)
Debt securities issued (Net)	(577.835)	(259.459)
Factoring payables	(3.848)	(1.779)
Other liabilities	(1.021)	(1.548)
Financial assets at fair value through profit or loss:	-	-
-Derivative financial liabilities	-	-
Other payables	-	(1.634)

(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.

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

As at 31 December 2018 and 31 December 2017, details of foreign currency denominated assets and liabilities are as follows:

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	0	619.797
Other (**)	125	19	-	-	764
Total assets	**75.936**	**35.271**	**2.082**	**16**	**626.009**
Factoring payables(***)	47	80	154	-	1.755
Funds borrowed	25.303	3.794	-	-	164.542
Other payables	76	48	5	-	722
Total liabilities	**25.426**	**3.922**	**159**	-	**167.019**
Balance sheet position	**50.510**	**31.349**	**1.923**	**16**	**458.990**
Derivative Transactions,Off balance sheet position	**186.200**	**104.700**	**2.000**	-	**427.443**
Net foreign currency position	**(135.511)**	**(73.351)**	**(77)**	**16**	**32.501**

(*) Foreign currency indexed factoring receivables amounting to USD 5.084 Thousand, EUR 11.398 Thousand (Total: TL 95.454 thousand) are presented in TL column in the accompanying financial statements as at 31 December 2018.

(**) Foreign currency indexed other assets amounting to USD 51 Thousand and EUR 26 Thousand (Total: TL 425 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2018.

(***) Foreign currency indexed factoring payables amounting to Euro 2 Thousand (Total: TL 13 Thousand) are presented in TP column in the accompanying financial statements as at 31 December 2018.

31 December 2017	USD (000)	EUR (000)	GBP (000)	AUD (000)	TL
Banks	1.902	1.358	480	-	15.794
Factoring receivables (*)	189.361	152.705	1.864	-	1.413.262
Other (**)	98	190	-	-	1.230
Total assets	**191.361**	**154.253**	**2.344**	-	**1.430.286**
Factoring payables(***)	116	144	4	-	1.110
Funds borrowed	3.418	48.389	-	-	231.393
Other payables (****)	313	211	5	-	2.153
Total liabilities	**3.847**	**48.744**	**9**	-	**234.656**
Balance sheet position	**187.514**	**105.509**	**2.335**	-	**1.195.630**
Derivative Transactions,Off balance sheet position	**186.200**	**104.700**	**2.000**	-	**1.185.261**
Net foreign currency position	**1.314**	**809**	**335**	-	**10.369**

(*) Foreign currency indexed factoring receivables amounting to USD 78.933 Thousand, EUR 49.197 Thousand (Total: TL 519.876 thousand) are presented in TL column in the accompanying financial statements as at 31 December 2017.

(**) Foreign currency indexed other assets amounting to USD 54 Thousand and EUR 29 Thousand (Total: TL 337 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2017.

(***) Foreign currency indexed factoring payables amounting to USD 84 Thousand EUR 2 Thousand (Total: TL 324 Thousand) are presented in TP column in the accompanying financial statements as at 31 December 2017.

(****) Foreign currency indexed other payables amounting to USD 181 Thousand and EUR 5 Thousand (Total: TL 705 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2017.

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

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.

	Profit / (Loss)		Equity (*)	
31 December 2018	**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	40.000	(40.000)	40.000	(40.000)
2- Hedged portion of TL against USD risk (-)	37.405	(37.405)	37.405	(37.405)
3- Net effect of USD (1+ 2)	**77.405**	**(77.405)**	**77.405**	**(77.405)**
15% change of the Euro against TL				
4- Net Euro asset/liability	28.346	(28.346)	28.346	(28.346)
5- Hedged portion of TL against Euro risk (-)	26.312	(26.312)	26.312	(26.312)
6- Net effect of Euro (4+5)	**54.658**	**(54.658)**	**54.658**	**(54.658)**
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)	**1.035**	**(1.035)**	**1.035**	**(1.035)**
TOTAL (3+6+9)	**133.098**	**(133.098)**	**133.098**	**(133.098)**

(*) Includes profit/loss effect.

	Profit / (Loss)		Equity (*)	
31 December 2017	**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	106.093	(106.093)	106.093	(106.093)
2- Hedged portion of TL against USD risk (-)	(105.349)	105.349	(105.349)	105.349
3- Net effect of USD (1+ 2)	**744**	**(744)**	**744**	**(744)**
15% change of the Euro against TL				
4- Net Euro asset/liability	71.464	(71.464)	71.464	(71.464)
5- Hedged portion of TL against Euro risk (-)	(70.916)	70.916	(70.916)	70.916
6- Net effect of Euro (4+5)	**548**	**(548)**	**548**	**(548)**
15% change of other currencies against TL				
7-Net other currencies asset/liability	1.779	(1.779)	1.779	(1.779)
8-Hedged portion of TL against other currency risk (-)	(1.524)	1.524	(1.524)	1.524
9-Net effect of other currencies (7+8)	**255**	**(255)**	**255**	**(255)**
TOTAL (3+6+9)	**1.547**	**(1.547)**	**1.547**	**(1.547)**

(*) Includes profit/loss effect.

32. 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 2018 and 31 December 2017, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

Interest Position Table

	31 December 2018	31 December 2017
Fixed rate instruments		
Financial assets:		
Banks	-	6.790
Factoring receivables	2.027.450	3.091.909
Financial liabilities:		
Funds borrowed	1.703.851	3.782.074
Debt securities issued	577.835	259.459
Variable rate instruments		
Financial assets:		
Factoring receivables	697.427	1.115.427
Financial liabilities:		
Funds borrowed	160.145	23.043

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 12.535 (31 December 2017: TL 11.154).
- Interest expense from variable rate loans will increase by TL 20. (31 December 2017: 230 TL).

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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 5.370 increase / (decrease) (31 December 2017: TL 3.348).

(h) Credit risk management

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

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

Sectoral allocation of factoring receivables is as follows:

	31 December 2018 (%)	31 December 2017 (%)
Energy, gas, water and petroleum resources	13,20	10,40
Construction	11,20	11,31
Motor vehicles	3,54	27,66
Machinery equipment	3,06	1,99
Textiles	2,93	5,81
Food and beverages	2,72	3,72
Metal industry	2,01	4,76
Chemical, plastic and pharmacy	1,60	3,10
Glass, tile, cement	0,74	1,22
Logistic	0,64	6,77
Forest products, paper, wood	0,58	1,30
Health	0,24	2,64
Tourism	0,12	0,05
Other	57,41	19,27
	100	**100**

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2018, exposure to credit risk based on categories of financial instruments is 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 (*)	21.075	2.710.991	7.555	979
- The portion of maximum risk covered by guarantee		1.765.002		
A. Net carrying value of financial assets which are neither impaired nor overdue	21.075	2.690.596	7.555	979
- The portion covered by guarantee		1.744.607		
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		20.395		
- The portion covered by guarantee				
D. Net carrying value of impaired assets		7.189		
- Overdue (gross carrying value)		31.016		
- Impairment (-)		(23.827)		
- 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 2017, details of exposure to credit risk based on categories of financial instruments are as follows:

	Factoring Receivables			
31 December 2017	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 (*)	66.608	4.140.728	17.776	5.345
- The portion of maximum risk covered by guarantee	-	1.889.090	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	66.608	4.133.968	17.776	5.345
- The portion covered by guarantee	-	1.884.799	-	-
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	-	4.291	-	-
- The portion covered by guarantee	-	4.291	-	-
D. Net carrying value of impaired assets	-	2.469	-	-
- Overdue (gross carrying value)	-	42.099	-	-
- Impairment (-)	-	(39.630)	-	-
- 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)

(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 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)
Non-derivative financial assets	-	-	-	-	-	-
Banks	7.555	7.555	7.555	-	-	-
Factoring receivables	2.724.877	2.760.862	2.138.114	615.160	7.588	-
	2.732.432	**2.768.417**	**2.145.669**	**615.160**	**7.588**	**-**
Non-derivative financial liabilities	-	-	-	-	-	-
Factoring payables	3.848	3.848	3.848	-	-	-
Funds borrowed	1.863.996	1.876.976	1.753.939	-	141.037	-
Debt securities issued	577.835	590.150	590.150	-	-	-
	2.445.679	**4.470.974**	**3.329.737**	**-**	**141.037**	**-**

The Company makes payments based on contractual maturities.

31 December 2017

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)
Non-derivative financial assets	3.206	3.206	3.206	-	-	-
Banks	17.776	17.776	17.776	-	-	-
Factoring receivables	4.204.867	4.321.872	2.681.018	1.598.179	41.675	-
	4.225.849	**4.342.854**	**2.702.000**	**1.598.179**	**41.675**	
Non-derivative financial liabilities	-	-	-	-	-	-
Factoring payables	1.779	1.779	1.779	-	-	-
Funds borrowed	3.805.117	3.815.081	3.629.912	185.169	-	-
Debt securities issued	259.459	263.190	263.190	-	-	-
	4.066.355	**4.080.050**	**3.894.881**	**185.169**	-	-

32. 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 2018 and 31 December 2017.

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	-	-	-

31 December 2017

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	1.188.153	1.188.153	1.188.153	-	-	-
Derivative cash outflows	1.185.261	1.185.261	1.185.261	-	-	-

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.

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments

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 2018	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
Financial Assets							
Cash and Cash Equivalents	-	7.555	-	-	7.555	7.555	5
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	
Derivative financial assets	979	-	-	-	979	979	4
Factoring receivables and non-performing factoring receivables	-	-	2.732.066	-	2.732.066	2.732.066	7
Financial liabilities							
Derivative financial Liabilities	-	-	-	-	-	-	4
Factoring Payables	-	-	-	3.848	3.848	3.848	7
Other liabilities	-	-	-	1.021	1.021	1.021	15
Funds borrowed	-	-	-	1.863.996	1.863.996	1.863.996	13
Debt securities issued	-	-	-	577.835	577.835	577.835	14

31 December 2017	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
Financial Assets							
Banks	-	17.776	-	-	17.776	17.776	5
Financial assets at fair value through profit or loss	-	-	-	-			
- Financial assets held for trading	3.206	-	-	-	3.206	3.206	
- Derivative financial assets held for trading	2.139	-	-	-	2.139	2.139	4
Factoring receivables and non-performing factoring receivables	-	-	4.207.366	-	4.207.366	4.207.366	7
Financial liabilities							
Derivative financial liabilities held for trading	-	-	-	-	-	-	4
Factoring payables	-	-	-	1.779	1.779	1.779	7
Other payables	-	-	-	1.635	1.635	1.635	15
Funds borrowed	-	-	-	3.805.117	3.805.117	3.805.117	13
Debt securities issued(Net)	-	-	-	259.459	259.459	259.475	14

32. 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 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	979	-	979
Financial assets at fair value through other comprehensive income	21.842	-	-	21.842
Total financial assets carried at fair value	**21.842**	**979**	**-**	**22.821**
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	**-**	**-**	**-**	**-**

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	3.206	-	-	3.206
Derivative financial assets held for trading	-	2.139	-	2.139
Available-for-sale financial assets (*)	22.317	-	-	22.317
Total financial assets carried at fair value	**25.523**	**2.139**	**-**	**27.662**
Derivative financial liabilities held for trading	-	-	-	-
Total financial liabilities carried at fair value	**-**	**-**	**-**	**-**

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