İş Faktoring Anonim Şirketi

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

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)

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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish

Independent Auditor's Report

To the Shareholders of İş Faktoring A.Ş.

Report on the audit of the Financial Statements

Opinion

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

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

Basis for opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

2. In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

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

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

Yaşar Bivas, SMMM
Partner

January 28, 2020
İstanbul, Turkey

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

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

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

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

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

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İŞ FAKTORİNG ANONİM ŞİRKETİ

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

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

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

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

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

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

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

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

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

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

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

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

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

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

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

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

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

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

		Audited Current Year (31 December 2019)	Audited Prior Year (31 December 2018)
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT (*)**		
1.1	PROFIT FOR THE YEAR	**(30.303)**	**193.966**
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	(6.955)	46.948
1.2.1	Corporate Tax (Income Tax)	-	38.743
1.2.2	Withholding Tax	-	-
1.2.3	Other Taxes and Duties (**)	(6.955)	8.205
A.	**NET PROFIT FOR THE YEAR (1.1-1.2)**	**(23.348)**	**147.018**
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**-**	**147.018**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Redeemed Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Redeemed Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	STATUS RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	147.018
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTION OF RESERVES	-	-
2.2	DIVIDENTS TO SHAREHOLDERS (-)	-	-
2.2.1	To Owners of Ordinary Shares	-	-
2.2.2	To Owners of Privileged Shares	-	-
2.2.3	To Owners of Redeemed Shares	-	-
2.2.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
		-	-
III.	**EARNINGS PER SHARE**	-	-
		-	-
3.1	TO OWNERS OF ORDINARY SHARES (full TL)	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES (full TL)	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
		-	-
IV.	**DIVIDEND PER SHARE**	-	-
		-	-
4.1	TO OWNERS OF ORDINARY SHARES (TL)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) As at the report date, the General Assembly Meeting has not been held; therefore, only net profit is presented in the profit distribution table above for 2019.

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

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

The Company maintains its operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies of Banking Regulation and Supervision Agency ("BRSA)".

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

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

The head office of the Company is located at:

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

Dividend payable:

None.

Approval of the financial statements:

The financial statements as of 31 December 2019 have been approved by the Board of Directors of the Company and authorized for issue at 28 January 2020. The General Assembly and/or regulatory authorities have the discretion of making changes in the financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

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

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

As of December 31, 2018 financial statements are presented in new financial statement format in accordance with "regulation on amendments related to regulation on accounting applications and financial statements of financial leasing, factoring and financing companies" published by BRSA on February 1, 2019.

Additional Paragraph for Convenience Translation to English

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

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

2.1 Basis of the Presentation (Continued)

2.1.1 Functional and Reporting Currency

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

2.1.2 Preparation of Financial Statements in Hyperinflationary Periods

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

2.1.3 Clarification/Offsetting

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

2.1.4 Going Concern

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

2.1.5 Comparative information and correction of prior periods' financial statements

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

2.1.6 Accounting estimates

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

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

Note 7 – Factoring receivables, non-performing receivables

Note 19 – Employee benefits

Note 23 – Commitments and contingencies

2.2 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.

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

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

2.3 The new standards, amendments and interpretations

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

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

TFRS 16 Leases

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

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date 15ecognizes 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 15ecognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

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

Transition to IFRS 16 :

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

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

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

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

Assets	
Tangible Assets (right of-use assets)	1.823
Liabilities	
Lease Liabilities	1.823

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

2.3 The new standards, amendments and interpretations (Continued)

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

TFRS 16 Leases (Continued)

Right-of-use assets

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

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

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

Right-of-use assets are subject to impairment.

Lease liabilities

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

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

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

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

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

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

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

2.3 The new standards, amendments and interpretations (Continued)

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

Short-term leases and leases of low-value assets

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

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

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

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

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

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

2.3 The new standards, amendments and interpretations (Continued)

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

Annual Improvements – 2015–2017 Cycle

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

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

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

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

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

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

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

2.3 The new standards, amendments and interpretations (Continued)

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

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

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

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

IFRS 17 - The new Standard for insurance contracts

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

Definition of a Business (Amendments to IFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify the minimum requirements for a business;
- Remove the assessment of whether market participants are capable of replacing any missing elements;
- Add guidance to help entities assess whether an acquired process is substantive;
- Narrow the definitions of a business and of outputs; and
- Introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

2.3 The new standards, amendments and interpretations (Continued)

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

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

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

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

Annual Improvements – 2010–2012 Cycle

IFRS 17 - The new Standard for insurance contracts

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

2.4 Segment Reporting

None.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue

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

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

All income and expenses are accounted for on accrual basis.

b. Tangible Assets

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

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

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

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

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

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

Descriptions	***Years***
Furniture and fixtures	5 years
Leasehold improvements	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

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

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

d. Impairment of Non-Financial Assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Borrowing Costs

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

f. Financial Instruments

Financial assets

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

Financial Assets at Fair Value Through Profit or Loss

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

Financial Assets Measured at Amortised Cost

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Factoring receivables and other receivables

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

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

In accordance with the "TFRS 9-Financial Instruments, the Company recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income or financial assets measured at amortized cost.

Under TFRS 9, the expected credit loss and specific provision is calculated according to the "three-stage" impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Stage 1:

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

Stage 2:

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Company as at 31 December 2019 and 31 December 2018 are as follows:

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Leases (Continued)

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

m. Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Taxes on Income

Current Tax

The provisional article added to the Corporate Tax Law numbered 5520 with the article 91 of Law No. 7061, the tax rate for the corporate earnings for the corporate taxation periods of 2018, 2019 and 2020 (accounting periods starting in the relevant year for the institutions for which special accounting period has been determined) is 22%. It has been determined that it will be applied. Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred Tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TL 6.379,86 effective from 31 December 2019 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2018: full TL 5.434,42).

p. Statement of Cash Flows

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

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

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

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

r. Share Capital and Dividends

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

s. Related Parties

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

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

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

4. CASH and CASH EQUIVALENTS

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

As at 31 December 2019, EUR 238 thousand ,USD 751 Thousand, GBP 99 thousand, AUD 16 thousand, total TL 6.879 thousand portion of total foreign currency deposits (31 December 2018: EUR 451 thousand ,USD 474 thousand, GBP 26 thousand, AUD 16 thousand, total TL 5.448) and TL 997 thousand portion of total TL deposits (31 December 2018: TL 2.107) consist of accounts at the Company's ultimate shareholder, Türkiye İş Bankası A.Ş.

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

	31 December 2019	31 December 2018
Demand deposits	7.876	7.555
Time deposits (Up to 3 months)	-	-
Cash and cash equivalents	**7.876**	**7.555**

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

5. DERIVATIVE FINANCIAL ASSETS

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

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

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

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

6. FINANCIAL ASSETS at FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

				Ownership rate (%)		Carrying Amount	
Title of the investment	Core business	Incorporation and location	Voting right (%)	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş	Investment and Securities Services	İstanbul	2,43	**%2,43**	2,43	**39.480**	17.780
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	**%0,89**	0,89	**2.594**	1.337
Unquoted investments:							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	**%0,06**	0,06	**39**	39
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	Inf. Comm. and Techn. Services	İstanbul	1,00	**%1,00**	1,00	**686**	686
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	**%5,00**	5,00	**2.000**	2.000
TOTAL						**44.799**	**21.842**

7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

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

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

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

7. FACTORING RECEIVABLES AND PAYABLES (Continued)

Factoring receivables (Continued):

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

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

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

The Company has contractual sureties as collateral for factoring receivables.

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

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

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

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

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

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

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

7. FACTORING RECEIVABLES AND PAYABLES (Continued)

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

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

Factoring Payables:

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

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

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

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

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

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

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

8. RELATED PARTIES

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

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

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

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

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

8. RELATED PARTIES (Continued)

Borrowings

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

Türkiye İş Bankası A.Ş.

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

Türkiye Sınai Kalkınma Bankası A.Ş.

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

İşbank AG

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

Türkiye İş Bankası A.Ş.

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

Türkiye Sınai Kalkınma Bankası A.Ş.

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

İş Bank AG

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

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

8. RELATED PARTIES (Continued)

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

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

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

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

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

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

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

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

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

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

8. RELATED PARTIES (Continued)

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

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

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

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

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

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

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

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

9. TANGIBLE ASSETS

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

(*)Includes TFRS 16 effect.

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

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

10. INTANGIBLE ASSETS

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

11. CURRENT TAX ASSETS

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

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

12. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

12. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets / (liabilities)

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

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

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

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

13. OTHER ASSETS

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

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

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

14. FUNDS BORROWED

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

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

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

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

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

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

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

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

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

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

15. PAYABLES FROM LEASING TRANSACTIONS

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Payables from leasing transactions	309	-	-	-
	309	-	-	-

16. DEBT SECURITIES ISSUED

As at 31 December 2019 and 31 December 2018, the details of debt securities issued are as followed:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Debt securities issued(Net)	-	-	577.835	-
	-	-	**577.835**	-

As of 31 December 2019, the Company does not have any bonds issued.

As of 31 December 2018, 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%

17. DERIVATIVE FINANCIAL LIABILITIES

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Derivative Financial Liabilities	3.116	-	-	-
	3.116	-	-	-

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

18. OTHER LIABILITIES

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

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

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

19. EMPLOYEE BENEFITS

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

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

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002.

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

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

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

Actuarial gains or losses are recognized in other comprehensive income.

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

19. EMPLOYEE BENEFITS (Continued)

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

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

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

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

20. CURRENT TAX LIABILITY

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

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

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

21. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2019, nominal share capital of the Company is TL 63.500 and the share capital of the Company consists of 6.350.000.000 issued shares each with a nominal value of TL 1 Kurus.

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

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

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

Capital Reserves

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

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

Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities:

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

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

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

Gain/(Loss) on Remeasurement of Defined Benefit Plans

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

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

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

22. PROFIT RESERVES

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

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

23. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

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

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

23. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

24. SEGMENT REPORTING

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

25. EVENTS AFTER THE REPORTING PERIOD

None.

26. OPERATING INCOME

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

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

27. FINANCE EXPENSE

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

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

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

28. OPERATING EXPENSES

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

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

29. OTHER OPERATING INCOME

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

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

30. EXPECTED CREDIT LOSS

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

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

31. OTHER OPERATING EXPENSES

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

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

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

32. TAXATION

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

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

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

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

Corporate Tax

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

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

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

In Turkey, temporary tax is calculated and accrued on a quarterly basis. The advance corporate income tax rate in 2019 is 22% (31 December 2018: 22%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

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

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

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

32. TAXATION (Continued)

Income Withholding Tax

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

Transfer Pricing

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

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes. . Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

33. EARNINGS PER SHARE

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

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

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

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

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

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

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

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

None.

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

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

Although there is no change in the capital risk management strategy in 2019, the debt/equity ratio is 10% as at 31 December 2019 (31 December 2018: 12%). As at 31 December 2019 and 31 December 2018, the leverage ratios are as follows:

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

(b) Categories of financial instruments

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Financial risk management objectives

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

(d) Market risk

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

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

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

(e) Currency risk management

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

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

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

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

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

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

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

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

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

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

Foreign currency sensitivity

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

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

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

(*) Includes profit/loss effect.

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

(*) Includes profit/loss effect.

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Interest risk management

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

Interest rate sensitivity

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

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

Interest Position Table

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

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

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

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

35. 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 2.711 increase / (decrease) (31 December 2018: TL 5.370).

(h) Credit risk management

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

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

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

Sectoral allocation of factoring receivables is as follows:

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

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

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

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

	Factoring Receivables			
31 December 2019	**Related party**	**Other party**	**Deposits at banks**	**Financial assets at fair value through profit or loss**
Exposure to maximum credit risk as at reporting date (*)	15.029	3.144.719	7.876	146
- The portion of maximum risk covered by guarantee	-	1.332.781	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	15.029	3.097.550	7.876	146
- The portion covered by guarantee		1.332.765		
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
				-
C. Net carrying value of financial assets which are overdue but not impaired	-	16	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	18.975	-	-
- Overdue (gross carrying value)	-	227.541	-	-
- Impairment (-)	-	(208.566)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

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

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

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

32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

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

31 December 2018	Factoring Receivables			
	Related party	Other party	Deposits at banks	Financial assets at fair value through profit or loss
Exposure to maximum credit risk as at reporting date (*)	21.622	2.708.353	7.555	979
- The portion of maximum risk covered by guarantee	-	1.765.725	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	21.622	2.687.958	7.555	979
- The portion covered by guarantee		1.745.330		
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-
- The portion covered by guarantee	-	20.395	-	-
		-	-	
D. Net carrying value of impaired assets	-	(5.108)	-	-
- Overdue (gross carrying value)	-	31.016	-	-
- Impairment (-)	-	(36.124)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

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

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

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management

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

Liquidity risk table

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

31 December 2019

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

The Company makes payments based on contractual maturities.

31 December 2018

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

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

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

31 December 2019

Contractual Maturities	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	284.710	284.710	284.710	-	-	-
Derivative cash outflows	284.353	284.353	284.353	-	-	-

31 December 2018

Contractual Maturities	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	428.915	428.915	428.915	-	-	-
Derivative cash outflows	427.443	427.443	427.443	-	-	-

(j) Fair value of financial instruments

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

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

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments (Continued)

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

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

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

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

35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value hierarchy of Financial Instruments

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

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

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

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

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

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

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

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