

EKSPO FAKTORİNG A.Ş.

ANNUAL REPORT 2012

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Independent Auditors' Report

The most innovative player in the non-bank financial services industry, Ekspo Faktoring continued to provide new, unique and effective financing solutions for the Turkish economy in 2012. During the year, the Company extended its correspondent network and range of financing options through international collaborations. As of year-end, the Company reported assets of US\$ 151 million, US\$ 618 million in turnover and profit of US\$ 8 million. As a result of this strong performance, Ekspo Faktoring has further advanced toward its vision of achieving US\$ 500 million in assets by 2015.

Operating with the understanding that good corporate governance enables its sustainable success, Ekspo Faktoring plans to continue growing, developing, and providing financing and cash flow solutions with the Company's strong capital structure and highly qualified human capital, which plays a significant role in its many achievements to date.

BOARD OF DIRECTORS



Murat Tümay
Chairman of the Board of Directors and General Manager



Zeynep Akçakayalıoğlu
Deputy Chairman



Namık Bahri Uğraş
Member



Şerif Orhan Çolak
Member

MESSAGE FROM THE CHAIRMAN AND THE GENERAL MANAGER

Having further extended the correspondent network and range of financing options through international collaborations, Ekspo Faktoring increased its assets to US\$ 151 million, improved turnover to US\$ 618 million, and posted a rise in profit to US\$ 8 million in 2012.

Dear Stakeholders,

The effects of the global economic crisis that began in late 2008 and persisted through 2011 continued to be felt in 2012 across the world, but most acutely in Europe. Nonetheless, developments that helped put the markets at ease occurred in the second half of the year. Despite the shocks from Europe and the Middle East, as well as ongoing concerns about the fiscal cliff in the US, the global economy recorded positive growth in 2012, albeit at a slower rate. The US economy expanded more than expected while Europe snapped out of its downward spiral of high sovereign debt, record-breaking rates of unemployment, and recession thanks to the policies of the European Central Bank; and the EU became less likely to plunge into a new crisis.

Of course, these positive developments do not mean that global economic growth has returned to its previous upward trend. The high rates of government and household debt in the most advanced economies, including the US, Europe, and Japan, continue to suppress the world's economic growth in the long run.

The expansionary monetary policies implemented to counteract this growth bottleneck are expected to continue throughout 2013, meaning, we will be facing the continuation of a low interest rate environment.

In this largely negative world economy, Turkey is one of the few countries that has succeeded in maintaining economic stability. For the Turkish economy, 2012 was a period when domestic demand was more or less in balance with external demand. The current account deficit, which demonstrated a strong uptrend and exceeded 10% in 2011, was brought back down to single digits as a result of the Central Bank of Turkey's effective policy implementations. It closed the year at a more sustainable 7%. The inflation rate also followed a similar course during 2012. Although inflation had risen to a high of 11.14% in April, it dropped to a more modest 6.16% by year's end.

Although the economic growth policies implemented in the second half of the year caused the country's projected budget deficit to be revised upward, it was still below the 3% level of the EU's Maastricht criteria. Despite the relative slowdown in the overall economy in 2012, Turkey's labor market maintained a positive outlook with unemployment rates falling below 8%, the lowest level in 11 years.

Thanks to these developments, at the beginning of November, the international rating agency Fitch raised Turkey's credit rating from BB+ to BBB-, or investment grade. This was later followed by a credit rating increase to investment grade by Moody's, which lifted the country's rating from Ba1 to Baa3.

This is the first time that Turkey's credit rating has reached investment level since 1994. Now, large funds that are having a difficult time finding an attractive investment destination can provide the financing opportunities Turkey needs to grow.

In turn, this will strengthen the hand of the government, which will adopt an organic growth policy as it enters an election period for the next three years. If managed correctly, Turkey will likely advance to an investment grade country through future credit rating raises.

US\$ 8 million in profit

Ekspo Faktoring is proud to be contributing to Turkey's development by introducing new trade finance solutions to its clients.

Having further extended the correspondent network and range of financing options through international collaborations, Ekspo Faktoring increased its assets to US\$ 151 million, improved turnover to US\$ 618 million, and posted a rise in profit to US\$ 8 million in 2012. The Company increased shareholders' equity by 15%, to US\$ 43 million. In addition, Ekspo Faktoring has increased commission income to a record-breaking high in the Company's history.

Collaboration with Black Sea Trade and Development Bank

Ekspo Faktoring further improved its correspondent relationships with domestic and international banking and financial institutions in 2012. The Company has also provided financing of US\$ 68 million in commodity imports and provided clients with long term import loans.

Ekspo Faktoring undertook many ground breaking initiatives in 2012. Among these was obtaining a trade finance loan facility from the Black Sea Trade and Development Bank, which is composed of 11 member countries, including Russia, Ukraine, and Greece. Our Company is the first non-bank financial institution to be offered this loan facility from the BSTDB. This unique opportunity will enable Ekspo Faktoring to provide customers who import raw materials from BSTDB member countries with financing with terms of up to one year. Similarly, we have collaborated with Canada Ex-Im Bank and signed loan agreements for the financing of trade between Turkey and Canada.

In order to achieve its growth target, Ekspo Faktoring increased its paid-in capital to US\$ 28 million in 2012. Additionally, the Company issued bonds for US\$ 28 million to be used in meeting the import and export finance needs of industrial enterprises in the client portfolio.

Thanks to its high profitability, strong shareholders' equity, and healthy asset quality, Ekspo Faktoring occupies a leading position in the industry. Our strong and robust structure was further proven when Moody's reaffirmed our credit rating as Ba3.

Increased paid-in capital

Ekspo Faktoring conducts its operations today with the vision of reaching US\$ 500 million in assets by 2015 through continued sustainable growth. The Company also aims to increase its asset size through initiatives with high added value in the coming period. In 2012, Ekspo Faktoring increased the share of commodity financing in its assets; the Company plans to raise this share even further in 2013. To this end, we established the Structured Products and Commodity Financing Department to accelerate the process.

In 2013, Ekspo Faktoring also plans to further increase its paid-in capital by US\$ 6 million. As in previous years, our Company will continue to improve its debt to equity ratio in the coming period.

We offer gratitude to all of our stakeholders with us on our path to continued success.



Murat TÜMAY

Ekspo Faktoring A.Ş.

Chairman of the Board of Directors and General Manager

FINANCIAL HIGHLIGHTS

In 2012, Ekspo Faktoring advanced toward its targets with great speed and increased total shareholders' equity and profitability.

US\$ **618** million

Total Turnover
(US\$ thousand)

| | |
|------|----------------|
| 2012 | 617,937 |
| 2011 | 567,829 |
| 2010 | 734,696 |

US\$ **43** million

Total Shareholders' Equity
(US\$ thousand)

| | |
|------|---------------|
| 2012 | 42,750 |
| 2011 | 35,312 |
| 2010 | 48,084 |

US\$ **151** million

Asset Size
(US\$ thousand)

| | |
|------|----------------|
| 2012 | 151,226 |
| 2011 | 135,416 |
| 2010 | 147,672 |

Financial Highlights

| | December 2012 US\$ | December 2011 US\$ | December 2010 US\$ |
|----------------------------|--------------------|--------------------|--------------------|
| Total Assets | 151,226,188 | 135,416,291 | 147,671,792 |
| Total Shareholders' Equity | 42,749,647 | 35,311,821 | 48,084,334 |
| Paid-in Capital | 28,048,917 | 21,176,346 | 25,873,221 |
| Net Working Capital | 41,256,332 | 33,763,586 | 59,965,294 |
| Factoring Receivables | 131,013,341 | 125,165,582 | 142,945,586 |
| Factoring Payables | 555,533 | 319,192 | 49,613 |
| Net Advances to Clients | 130,457,808 | 124,846,390 | 142,895,973 |
| Bank Loans | 59,415,898 | 80,148,622 | 82,494,927 |
| Issued Bonds | 28,048,917 | 10,588,173 | 13,197,923 |
| Total Income | 23,054,930 | 23,926,894 | 21,022,673 |
| Factoring Income | 22,973,233 | 23,746,672 | 20,528,860 |
| Gross Profit | 8,082,143 | 7,036,895 | 9,717,327 |
| Net Profit | 6,438,897 | 6,271,670 | 7,762,605 |

US\$ 8 million

Gross Profit
(US\$ thousand)

| | |
|------|-------|
| 2012 | 8,082 |
| 2011 | 7,037 |
| 2010 | 9,717 |

US\$ 23 million

Total income
(US\$ thousand)

| | |
|------|--------|
| 2012 | 23,055 |
| 2011 | 23,927 |
| 2010 | 21,023 |

US\$ 131 million

Factoring Receivables
(US\$ thousand)

| | |
|------|---------|
| 2012 | 131,013 |
| 2011 | 125,166 |
| 2010 | 142,946 |

Financial Data (%)

| | December 2012 | December 2011 | December 2010 |
|--|---------------|---------------|---------------|
| Current Ratio | 1.46 | 1.37 | 1.72 |
| Liquidity Ratio | 1.46 | 1.37 | 1.72 |
| Net Working Capital / Total Assets Ratio | 31 | 26 | 41 |
| Liquid Assets / Total Assets Ratio | 98 | 98 | 99 |
| Debt / Assets (Indebtedness Ratio) | 68 | 72 | 67 |
| Debt / Equity (Financial Leverage Ratio) | 2.12 | 2.61 | 2.01 |
| Financial Liabilities / Total Assets Ratio | 67 | 71 | 66 |
| Interest Coverage Ratio (Times) | 1.91 | 1.74 | 2.62 |
| Average Collection Period (Days) | 84 | 94 | 78 |
| Total Expenses / Turnover Ratio | 2 | 3 | 2 |
| Gross Profit Margin | 17 | 17 | 17 |
| Net Profit Margin (Sales Profitability) | 6 | 6 | 8 |
| Return on Equity (Equity Profitability) | 20 | 19 | 22 |

MANAGEMENT



H. Cenk Eynehan (1)

Assistant General Manager, Marketing

Ertuğ Sanlı (2)

*Assistant General Manager, Structured
Financing and Commodity Financing*

Hale Yıldırım (3)

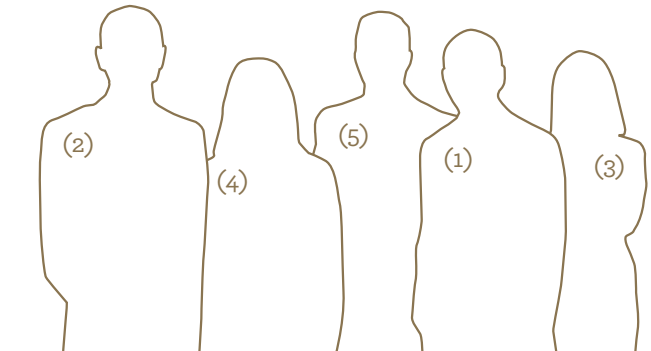
Manager, Marketing

Duygu Taşkınısu (4)

Manager, Marketing

Emre Özsoy (5)

Manager, Marketing





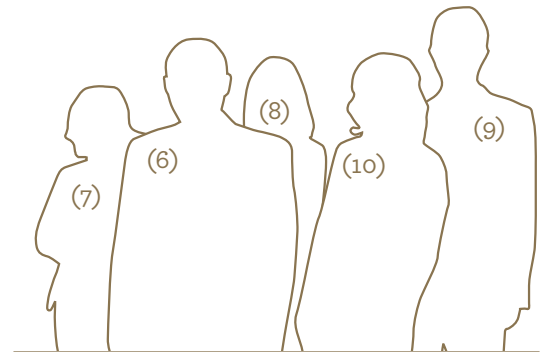
Erhan Meral (6)
*Assistant General Manager, Financial
and Administrative Affairs*

Banu Hayta (7)
*Manager, Internal Audit and
Financial Control*

Funda Köseadağı (8)
Manager, Accounting

Siyami Serdar Noyan (9)
Manager, Risk Assessment

Arzu Toksöz (10)
Manager, Operations



EKSPO FAKTORING IN BRIEF

Ekspo Faktoring is a financial services institution that provides trade financing through an international correspondent network and with an asset size of US\$ 151 million.

Ekspo Faktoring is one of the leading companies in Turkey's financial services industry. Since the Company's founding in 2000, Ekspo Faktoring has carved out a niche in the sector through its innovative solutions.

Ekspo Faktoring works diligently to increase the quality and variety of services available in the Turkish financial services industry while developing effective financing solutions to meet the expectations and needs of its clients.

Ekspo Faktoring differentiates itself well in the industry especially with its expertise in foreign trade transactions. The Company has a significant competitive advantage due to its strong international correspondent network coupled with its innovative financial solutions in the area of imports and exports.

Essential business partner in foreign trade

As the most important partner of its customers in their foreign trade activities in sectors ranging from construction to food, Ekspo Faktoring has taken important steps to become a comprehensive financial services institution by increasing service quality and diversifying the product portfolio.

Ekspo Faktoring is one of the 23 financial institutions in Turkey authorized by the US Department of Agriculture to extend GSM-102 loans. As a result of the Company's international initiatives in 2012, Ekspo Faktoring has collaborated and signed loan facility agreements with Black Sea Trade and Development Bank and Canada Ex-Im Bank for the financing of trade between Turkey and Russia, Ukraine, Azerbaijan, Georgia, Greece, Bulgaria, Moldova, Romania, Albania and Canada. Now, Ekspo Faktoring can provide clients with a wider array of medium and long term financing options.

Customized solutions from experienced professionals

At the top of the list of Ekspo Faktoring's success factors is the Company's highly qualified personnel who are focused on improving added value in business processes. Ekspo Faktoring's team of experienced professionals, who monitor

sector developments very closely, offer clients customized solutions tailored to their needs and expectations.

Ekspo Faktoring has adopted the continuous improvement approach in line with its mission and vision. Through the professionals in its workforce, Ekspo Faktoring continuously develops its service infrastructure and monitors recent developments in the financial services industry closely.

In the information technology area, the Company has switched to the SWIFT system. Relations with banks and international financial institutions are carried out through this system. The use of SWIFT has minimized operational risks of transactions by decreasing the number of business processes. Additionally, the corporate web site, www.ekspofaktoring.com, has been refreshed with a more contemporary and user-friendly interface and to become more compliant with newly advanced technology standards.

Diversified product range

Ekspo Faktoring has significantly diversified its client portfolio on an industry basis in line with the Company's mission of introducing a range of enterprises operating in different sectors with advantageous financing products. Ekspo Faktoring aims to maintain a competitive edge in the industry by providing innovative products and adhering to good corporate governance practices. As a result, the Company has attained a high level of customer satisfaction and differentiated itself in the financial services industry, which is growing increasingly competitive day by day.

The Company provides clients with a diverse range of products including trade, commodity, and structured finance solutions.

Ekspo Faktoring increased its assets to US\$ 151 million, improved turnover to US\$ 618 million, and posted a rise in profit to US\$ 8 million in 2012. The Company also increased shareholders' equity by 15% to US\$ 43 million. In addition, Ekspo Faktoring has increased commission income to a record-breaking high in the Company's history.

Mission to support the real economy

Since its foundation in 2000, Ekspo Faktoring has provided significant financial support to the development of Turkey's real sector through product diversity and high-quality service. The Company's significant financial support to the real economy continued in 2012. About 86% of Ekspo Faktoring's turnover was generated from domestic transactions, while 14% came from international transactions during the reporting period.

One of the most significant steps taken toward this mission was the Company's loan agreement signed with Black Sea Trade and Development Bank. The US\$ 5 million loan facility with a term of 370 days was for international trade financing with BSTDB member countries.

In 2012, Ekspo Faktoring also signed an agreement for correspondent relations with the US\$ 1.8 trillion Bank of China, owned by the Republic of China and one of the world's largest banks.

Ekspo Faktoring is the only financial institution in the country, aside from Turkey's largest 23 banks, authorized by the US Department of Agriculture to provide GSM-102 loans, a privilege extended primarily to select banks in the world.

In 2012, Ekspo Faktoring began participating in SWIFT (Society for Worldwide Interbank Financial Telecommunication), a secure information exchange system between banks. The Company's participation is the first of its kind in the industry. Ekspo Faktoring's solid financial structure is also reflected in its credit rating: Moody's reaffirmed the Company's credit rating as Ba3 with particular reference to its high profitability, strong shareholders' equity and healthy asset quality.

Through its effective business processes based on speed and quality along with a corporate structure open for continuous improvement, Ekspo Faktoring is committed to playing a key role in the future growth and development of Turkey's economy.

WORLD ECONOMY

With the effects of the debt crisis persisting in the Eurozone, the European economy contracted 0.4%, while China's economy expanded 7.4%. Meanwhile, the US posted economic growth of a modest 2.2%, which was considered a relatively strong performance among the world's most advanced economies.



2012 saw slowing global economic growth. The world economy grew 5.1% in 2010, 3.8% in 2011, and 2.6% in 2012. The driver of this positive growth in recent years has been emerging markets. Developing economies expanded 5.3%, while the most developed countries recorded economic growth of no more than 1.3% during the year. With the effects of the debt crisis persisting in the Eurozone, the European economy contracted 0.4%, while China's economy expanded 7.4%. Meanwhile, the US posted economic growth of a mere 2.2%, which was considered a relatively strong performance among the world's most advanced economies.

Global commodity trade increased 23.4% in terms of total value in 2010 and 18% in 2011; for 2012, this rate is estimated at only 1%. Lower Baltic Dry Index (BDI) and global Purchasing Managers' Index (PMI) rates throughout the year have signaled recession and slowing growth rates in the world's economies.

In this environment, the European Central Bank (ECB) and the US Federal Reserve (the FED) have both taken positive steps forward; as a result of their low interest rate and liquidity policies implemented, inflation has remained at reasonable levels. In 2012, the inflation rate in advanced economies was 1.5% while emerging markets saw inflation of 4.2%. The global inflation rate for the year was 2.8%.

The FED announced that it would continue to pursue a monetary policy targeting price stability and maximum employment. Specifically, the FED plans to implement a low interest rate policy, purchase mortgage backed securities at a rate of US\$ 40 billion per month and buy US\$ 45 billion in Treasury securities per month.

The ECB also continued to implement a price stability policy in 2012. However, despite the positive steps taken, uncertainty surrounding EU markets did not completely dissipate. The European banking union discussions to lessen the connection between the banking industry and the sovereign debt issue have reached a

consensus agreement. It has now been fully clarified what resources will be used and which departments will use these resources for capitalization purposes if banks become in need of capital. During this time, in which the EU has attempted to address Greece's debt problem, unemployment in Spain has rocketed to a record-breaking level and this was followed by discussions about Italy's deteriorating situation.

Global industrial production and foreign trade indicators signal that world economic growth is not likely to gain momentum. As a result, the growth rate for the global economy in 2013 has been revised downward from 3.6% to 3.5%.

The World Bank is forecasting 2% growth for the US economy in the coming year. In the US, improvements in the housing market, which have positively impacted household balance sheets, show that the potential increase in consumer spending is powerful. On the other hand, falling margins of sovereign debt loads in the Eurozone will have a delayed positive effect on the banking industry and therefore consumers. As a result, fragility in Europe is expected to linger, and a contraction of 0.2% is expected in the EU economy in 2013.

TURKISH ECONOMY

In 2012, the Turkish economy managed to achieve a soft landing with great success. The current account deficit, inflation and unemployment all decreased while economic growth slowed to a sustainable rate.

Turkey's economy slowed as well in 2012. Growth rates fell from 8.5% in 2011 to near 3%, while the current account deficit improved beyond expectations.

After climbing to around US\$ 77 billion in 2011, the current account deficit dropped to US\$ 49 billion in 2012. And while the ratio of the current account deficit to gross domestic product was 10% in 2011, it decreased to 6% during the reporting year.

With the effect of the stability measures implemented by the Central Bank of Turkey against inflationary pressures and macroeconomic weakness in 2011, domestic demand growth, which was 15.4% in the first half of 2011, slowed to 1.9% in the first half of 2012.

Although total investment and consumption expenditures also slowed in 2012, Turkey escaped a recession through increased exports. During the year, total exports climbed to US\$ 152 billion, exceeding the country's Medium-Term Program goal. In parallel with the general state of the world's economies, Turkey's exports to emerging markets increased while exports to developed countries decreased. In 2012, annual imports totaled US\$ 236.5 billion, while the trade deficit amounted to US\$ 84 billion.

The weakest link in the Turkish economy continues to consist of a structurally high current account deficit and in turn the need for high levels of external financing. A key driver in Turkey's current deficit is energy imports, which contributed US\$ 59 billion net to the current deficit for the year.

In 2011, Turkey's net foreign direct investment inflow totaled US\$ 13.7 billion, while it fell to US\$ 8.3 billion in 2012. Portfolio investments amounted to \$41 billion for the year.

The Central Bank's monetary policies and implementations have had a direct impact on the country's growth rate. The CBT has monitored bank clearing results, banks' uncollected late receivables results, and similar data in order to manage liquidity in the market. With the reserve option mechanism, the Central Bank has assessed the liquidity of and foreign currency in the market.

Due to the overheating of the economy in 2011, the consumer price index peaked in April 2012 at 11.1%. CPI then decreased in the following months, dropping to 9.2% in September before closing the year at 6.16%, the lowest year-end rate in the last 44 years.

Core inflation was in a downward trend starting in August; in November, it dropped to 5.7% before ticking up to 5.81% in December.

While interest rates decreased rapidly, the Central Bank's policy interest rate dropped to 5.5% and a negative interest rate resulted compared to the announced inflation rate. Financial markets maintained a balanced course while the indicator interest rate concurrently recorded all-time lows.

The banking system incurred international liabilities in the amount of US\$ 8.5 billion. Meanwhile, the long term external debt rollover rate dropped from 102% in 2011 to 95% in 2012. The rate has increased from 108% to 115% for the real sector.

Compared to 2011, the central government deficit expanded during the reporting year. The main factor in this increase is the fall in tax revenues due to slowing economic growth. Turkey's budget deficit for 2012 was projected to total TL 21 billion; however, it reached TL 28.8 billion.

The expenditure target for the 2012 budget was TL 350 billion, but the budget actual was TL 360 billion. Interest expense dropped by TL 2 billion, while non-interest expenditure increased TL 12 billion.

The country's budget expenditure rose 14.5% compared to 2011 while revenue increased by 11.7%. Total tax income grew 9.8%. In light of slowing demand, VAT income from the domestic market increased 5.4%; VAT proceeds from imports increased 2.7% and Special Consumption Tax income jumped 11.7%.

BANKING INDUSTRY

Today, the Turkish banking industry has reached a level of development that cannot be overlooked in terms of both financial strength and corporate infrastructure. Turkey has been able to maintain steady growth despite an environment where global uncertainties persist thanks to its stable financial sector.

The existence of a strong economy is possible through a developing and solid financial services industry. The financial sector plays a critical role in a nation's economy: the collection and transfer of financial resources to users. It is the brains and centerpiece of the market's mechanism. In a country such as Turkey where there is a resource deficit, the financial services industry absolutely must work effectively and precisely in economically efficient utilization of financial savings. Establishment of an effective, precise, and growing financial system depends mostly on the trust placed in this system and macroeconomic stability stemming from political stability.

The Turkish banking system is based on a deep rooted banking tradition dating back to the 19th century. However, the real development of an improvement in the system has occurred in the last 20 years. The liberalization process that began especially in 1980, and impacted Turkey's economy radically, naturally affected banks as well.

Important steps were taken to establish a functioning market mechanism in Turkey; a corporate infrastructure to improve and strengthen this mechanism was set up in the 1980s. Allowing markets to set prices was an important part of the liberalization of financial services in the country. In addition, regulations for complying with international standards for monitoring, auditing, and regulating banking activities were established at that time.

Despite these positive developments in the 1980s, due to ongoing macroeconomic instability and high public deficits, the straining negative effects of government-owned banks on the system, and weakening of risk detection and management in the 1990s, the country's banking industry could not effectively carry out its financial intermediary role to aid production and manage resources with long term investments. As a result, the Turkish banking system was plagued with structural weaknesses including the lack of equity, a small-scale highly fragmented banking structure, high shares of state-owned banks in the system, weak asset quality, hypersensitivity and fragility to market risks, and an acute lack of internal control, risk management, transparency, and good corporate governance.

The back-to-back crises in 2000 and 2001 significantly damaged the country's financial system, and especially the banking system. The "Restructuring Program for the Banking System" implemented after the crisis period forms the beginning point of the reform of Turkey's financial system. The restructuring program included legal requirements and corporate regulations that moved the banking industry forward to a more efficient and competitive structure. It also increased effectiveness of oversight and auditing of the banking industry through applications to strengthen the financial and operational structures of public and private banks, and banks held by the Savings Deposit Insurance Fund.

Today, the Turkish banking industry has reached a level of development that cannot be overlooked in terms of both financial strength and corporate infrastructure. Turkey has been able to maintain steady growth despite an environment where global uncertainties persist thanks to its stable financial sector.

The indicators in the Turkish financial industry point to an even more solid and stronger structure. Some 57.7% of banking industry assets consists of loans that define basic financial intermediary functions. The industry today operates with an asset structure that has high levels of liquidity. The liquidity adequacy ratio for a one month term is 124.1%, well over the 100% marker. Foreign asset utilization in the industry points to a manageable leverage ratio; 87.1% of assets are financed with foreign assets.

The number of banks operating in the Turkish banking industry has risen to 49. As of year-end 2012, the industry operates with 11,066 branches and 201,474 employees.

Internet, ATM, and POS investments are increasing in order to improve the productivity of, and expand accessibility to, banking services.

The Turkish banking industry has a high rate of asset profitability; in addition, it has healthy net interest margins coupled with increasing non-interest income. Despite its relatively small asset size, the industry maintains its current robust position based on high profitability, high share of deposits, high non-interest expenditure, high rate of capital, high inflation rates, and high real growth rates.

Turkey's banking industry is expected to maintain its strong position into the foreseeable future as well. Maintaining stability in the macroeconomic environment, lower inflation, continued growth and rising national income are factors that will help the country's banking industry continue to grow to a sufficient level of development.

FINANCIAL ADVANTAGES OF EKspo FAKTORİNG

Each day, Ekspo Faktoring is coming closer to achieving its strategic goals. Having added import and export letters of credit to its product portfolio, the Company has become one of the most important financial partners of international trading firms with effective solutions for external financing.

Since the Company's establishment in 2000, Ekspo Faktoring has continuously strived to improve and deepen relations between global companies and Turkish enterprises. Ekspo Faktoring has since become one of the leading companies in Turkey in financial services. The Company has been the destination for innovative products and services in the non-bank financial industry, thanks to its many competitive advantages, including a robust capital structure, highly qualified human resources, and a solutions focused corporate culture.

Each day, Ekspo Faktoring is coming closer to achieving its strategic goals. Having added import and export letters of credit to its product portfolio, the Company has become one of the most important financial partners of international trading firms with effective solutions for external financing.

Turnover

As of year-end 2012, Ekspo Faktoring's turnover totaled US\$ 618 million. Domestic transactions accounts for 86% of the Company's turnover, while international transactions comprise the remaining 14%.

Ekspo Faktoring offers clients a wide variety of products and services related to international transactions, including: Non-Recourse Export Financing, Recourse Export Factoring, Assignment of Export Letters of Credit, Import Letters of Credit, GSM-102 Loans of the US Department of Agriculture, Loans from the United States Ex-Im Bank, Canada Ex-Im Bank, Korea Eximbank and UK Export Finance, Loans from the Black Sea Trade and Development Bank, Assignment of Export Receivables backed by Accepted Drafts, Import Factoring and Direct Factoring.

The Company's domestic transaction related products and services, which are important in improving Turkey's export potential include: Undisclosed Assignment of Receivables, Disclosed Assignment of Receivable and Assignment of Collateralized Receivables.

In 2011, Ekspo Faktoring gained a significant competitive advantage by focusing on its supplier financing product. The Company maintained its competitive edge in this area in the reporting period.

In addition to its expertise in domestic and international transactions, Ekspo Faktoring also provides consulting services including market and industry analyses and project finance. As a result, the Company can develop customized financial solutions to fully meet the needs and expectations of its clients.

Profitability

Ekspo Faktoring's profit for 2012 amounted to US\$ 8 million, all of which originated from trade related operations. The Company bears a manageable amount of maturity, liquidity and foreign currency risks.

Shareholders' Equity

At year-end 2012, the Company increased its capital to US\$ 43 million, maintaining steady corporate growth.

The high ratings assigned by international rating agencies to the Company also prove Ekspo Faktoring's financial strength. The Company will continue to offer fast and cost-effective solutions to clients in 2013 while aiming to increase profitability and provide support to the real sector.



Debt-to-equity ratio

One of the main factors that gives Ekspo Faktoring a competitive edge is its debt-to-equity ratio of 2.07. A low financial leverage ratio has enabled the Company to establish strong relations with correspondent and financial institutions both within Turkey and internationally. Funding a significant part of its operations via shareholders' equity, the Company has achieved a high level of profitability due to its effective business processes.

Pursuant to Banking Regulation and Supervision Agency regulations, the maximum amount of receivables a non-bank financial institution can hold at any time is limited to 30 times its equity of the previous reporting period. At 3.17, Ekspo Faktoring's multiplier is significantly below the extremely high industry average. In 2012, the Company adopted measures that will reinforce its stable position based on its low debt-to-equity ratio.

Asset Quality

Ekspo Faktoring's non-performing loans ratio is below the industry average. During 2012, net NPLs in the non-bank financial sector rose from 3.67% to 4.71%, an increase of 49%. Despite this negative trend in the sector, Ekspo Faktoring's non-performing loans remained at 3%.

Of the Company's receivables, 98% are with recourse. Ekspo Faktoring limits its maximum exposure to any one sector to 16%. The Company works to ensure that the share of a single debtor in the receivables assigned by one client does not exceed 5% of that client's total risk.

This is a concrete indication of the reliability of the Company's rating system and the high quality of its assets. Ekspo Faktoring receives ratings from the world's leading rating agencies in order to accurately and coherently assess its financial receivables. Additionally, the Company continues to keep its asset quality above the industry average by adding low risk enterprises to its client portfolio.

Asset Size

As of year-end 2012, Ekspo Faktoring's asset size was US\$ 151 million, equivalent to a 1.34% market share. The Company produces fast and effective solutions to meet clients' needs and expectations thanks to its sector expertise, strong fund structure and well qualified human resources. The Company serves many companies operating domestically or internationally with this approach. Ekspo Faktoring sees its clients as long term and permanent business partners and provides resources obtained from local and foreign banks with attractive terms while restructuring them according to customer expectations.

Ekspo Faktoring's target for 2013 is to reach net advances of US\$ 210 million. The high ratings assigned by international rating agencies to the Company also prove Ekspo Faktoring's financial strength. The Company will continue to offer fast and cost-effective solutions to clients in 2013 while aiming to increase profitability and provide support to the real sector.

CREDIT RATINGS

Ekspo Faktoring has received foreign and local currency long term credit ratings of Ba3 from Moody's and BBB+ from Fitch.

Moody's: **Ba3**

A pioneer in strong international business partnerships, Ekspo Faktoring was, and still is, the first and only Turkish company in the non-bank financial industry to be evaluated by Moody's. In 2007, the Company's foreign and local currency long term credit ratings received Ba3 with a stable outlook. The Company maintained this rating through 2008, 2009, 2010, 2011, and 2012 thanks to its asset quality and high profitability.

Fitch Ratings: **BBB+**

An innovative and leading force in the non-bank finance sector, Ekspo Faktoring achieved a breakthrough in 2006 when it was first included in the Fitch Ratings credit rating system. At the time, the Company received the enviable local currency credit rating of BBB (tur). The following year, this rating was revised upwards to BBB+ (tur). Despite the global financial crisis, Fitch Ratings affirmed this rating for Ekspo Faktoring in 2008, 2009, 2010, 2011, and 2012, five years in a row, thanks to the Company's professional management approach, robust capital structure, and expertise in credit portfolio management.

POSITIONING OF EKSPo FAKTORİNG IN THE INDUSTRY

In 2012, Ekspo Faktoring implemented many projects that aim to expand the client base, increase profitability, and boost trade finance activities; thanks to these initiatives, the Company maintained a privileged position in the industry.

Funding sources of over US\$ 400 million

Ekspo Faktoring, a well-respected player in the Turkish financial sector, continues to make breakthroughs and steadily bolster its market share with the strength from its business partners.

In 2012, Ekspo Faktoring improved correspondent relations with banks and financial institutions in Turkey and internationally. Ekspo Faktoring has funding sources of over US\$ 400 million. The Company's international transaction volume totaled US\$ 62 million for the year. In 2013, the Company aims to grow its domestic and foreign transaction volumes by 40%.

Additionally, the Company has received positive ratings from international rating agencies and has very high credibility in international markets.

International cooperation in trade financing

In 2012, Ekspo Faktoring implemented many projects that aim to expand the client base, increase profitability and boost trade finance activities; thanks to these initiatives, the Company maintained a privileged position in the industry.

During the year, the Company also expanded its own correspondent network and provided non-cash financing options by starting up confirmed and unconfirmed export operations.

Ekspo Faktoring expanded its product portfolio through new loan types administered by the United States Ex-Im Bank, Korea Eximbank, UK Export Finance, Canada Ex-Im Bank and Black Sea Trade and Development Bank. As a result, the Company provided medium and long term funding and guarantees to clients for their import activities. In turn, this helped Ekspo Faktoring gain an additional competitive advantage for its customers.

By being accepted into the Export Credit Guarantee Program (GSM-102) administered by the US Department of Agriculture, the Company has further bolstered its competitiveness in terms of product range.

Customer satisfaction oriented innovative solutions

Having many industry leading companies in the client portfolio, Ekspo Faktoring conducts its operations based on the philosophy that business processes are valuable investments both for customers as well as its own corporate structure.

Ekspo Faktoring's target customer base includes companies that mainly import commodities to use for export purposes and enterprises active in the construction, tourism, textile, basic metals, machinery and equipment, durable consumer goods, energy and food industries. The common features of firms in these sectors are that they all focus on export operations rather than domestic markets and that they prefer to work on a project, contract or purchase order basis.

In order to provide customers with the most attractive financing alternative, Ekspo Faktoring assesses the needs of clients, with whom the Company is closely acquainted, with a multi-dimensional analysis.

POSITIONING OF EKSP0 FAKTORİNG IN THE INDUSTRY

Ekspo Faktoring develops innovative solutions to meet customer needs and expectations. In order to provide the most attractive financing alternative, Ekspo Faktoring assesses the needs of clients, with whom the Company is closely acquainted, with a multi-dimensional analysis.

Culture of continuous improvement

Always operating in line with the principle of continuous development, Ekspo Faktoring does not limit its activities to providing alternative solutions to its clients' existing financing needs. Today's highly competitive market conditions and rapid changing operating environment cause customer needs to change at a moment's notice. Ekspo Faktoring works to anticipate its clients' future needs; the Company then provides the most suitable financing, guarantees, and cash management alternatives to meet present and future customer needs.

Ekspo Faktoring's financial products including Contract Finance, Project Finance, Purchase Order Finance, Pre-Sales Finance, Supply Chain Finance, and Structured Trade Finance, reflect the Company's proactive product development approach. And thanks to this proactive approach, Ekspo Faktoring conducts profitable business transactions with numerous long term clients.

High customer loyalty

As a result of great importance placed on portfolio efficiency and its proactive approach, a significant portion of Ekspo Faktoring's client base consists of customers that have preferred to work with the Company for long terms. At 67%, the Company has one of the highest customer retention rates in the industry, significantly over the sector average.

Good corporate governance approach empowered by industry know-how

Ekspo Faktoring embraces a good corporate governance approach that is supported by its experienced personnel and industry know-how. The Company underscored its commitment to transparency and accountability principles by electing two independent members to its Board of Directors.

The Company continues its efforts to ensure adoption of good corporate governance practices throughout the organization at consistent standards, to enhance corporate communications, and to reinforce the corporate culture. Through committees established to meet these objectives, Ekspo Faktoring aims to eliminate any deficiencies and achieve sustainable corporate growth. Ekspo Faktoring's committees and their duties are as follows:

The Assets-Liabilities Committee evaluates the assets and liabilities on Ekspo Faktoring's balance sheet, the Company's resources and the use of these resources as well as the risks that may affect the Company's activities and its asset quality.

The Risk Assessment Committee evaluates client requests, performs detailed and comprehensive analyses and makes decisions on credit limit proposals.

The Liquidity Committee is responsible for keeping Ekspo Faktoring's balance sheet highly liquid to ensure that operations are carried out without exposure to foreign currency and maturity risks.

The Information Technology Committee focuses on updating the Company's IT infrastructure in line with the latest technological developments and with the purpose of fulfilling client expectations and long-term corporate strategies.

The Human Resources Committee is responsible for increasing the productivity of the Company's human resources through activities ranging from the orientation of new personnel to training programs.

DEVELOPMENT OF THE BANKING SECTOR

By transferring resources to consumption and investment, the Turkish banking industry has had a significant effect on restarting the country's economic activity and growth.



The Turkish economy has maintained its robustness during the economic crisis that began in the US in 2008 and spread around the entire world. The main factor behind this successful performance was the country's strong banking system. Turkey's economy was one of the few in the world that could remain standing without government assistance. The domestic banking industry played a critical role in the acceleration of economic activity post-crisis.

By transferring resources to consumption and investment, the Turkish banking industry has had a significant effect on restarting the country's economic activity and growth. Despite the ongoing global crisis, Turkey's banking sector continued to expand in 2012: the industry grew 12.6% while its total assets amounted to TL 1.371 trillion.

In addition to the amendment of regulations that increased credit costs by the Banking Regulation and Supervision Agency (BRSA) in the second half of 2011, the contractionary monetary measures of the Central Bank expanded the interest rate corridor and decreased repo funding until the first half of 2012. As a result, and as targeted, a moderate slowing in funding cost rates, loan growth rates, and industry growth has taken place.

Although the downtrend in interest rates continued, lending regained momentum in parallel with percolating economic growth in the fourth quarter and triggered further industry growth. As a result, banking sector growth that was 4.6% in the first half of 2012 rose to 7.6% in the second half, mainly due to the increase in the last quarter.

In 2012, lending increased 16.4%, while the securities portfolio decreased 5.3%. As a result, the share of loans in total assets rose to 58%, up from 56.1% in December 2011. Meanwhile, the share of securities portfolio in total assets dropped to 19.7%, down from 23.4%. The weighting of loans continued to increase compared to securities in the industry as a whole.

Adjusted to not reflect foreign exchange and interest rate parity effects, loans and deposits rose 18.6% and 13.9%, respectively, in 2012.

The annual growth trend in loans began slowing in June 2011; this trend continued into 2012 before picking up again toward the end of the year.

In November 2012, Fitch Ratings upgraded Turkey's sovereign credit rating and the Central Bank of Turkey (CBT) lowered the upper limit of the interest rate corridor. As a result, growth in housing loans and corporate lending boomed. Although the annual growth rate in deposits was at its lowest level in the last five years in 2012, it started to improve in the final quarter of the year.

The banking industry's non-performing conversion rate has increased by a mere 0.2 points. Meanwhile, the industry's leverage ratio stood at 8.3% as of December 2012. Suggesting the future growth potential of the banking sector, the Turkish banking sector's leverage ratio is low compared to the average of developed countries and results in a limited asset size compared to the current capital.

GENERAL ECONOMIC DATA

The Turkish economy has maintained its robustness during the economic crisis that began in the US in 2008 and spread around the entire world.

1.4

Banking Industry Total Assets
(TL trillion)

| | |
|------|-----|
| 2012 | 1.4 |
| 2011 | 1.2 |
| 2010 | 1.0 |

23.6

Banking Industry Net Profit
(TL billion)

| | |
|------|------|
| 2012 | 23.6 |
| 2011 | 19.8 |
| 2010 | 22.1 |

1,417

GDP (Fixed prices)
(TL billion)

| | |
|------|-------|
| 2012 | 1,417 |
| 2011 | 1,298 |
| 2010 | 1,099 |

237

Imports
(US\$ billion)

| | |
|------|------|
| 2012 | 237* |
| 2011 | 241 |
| 2010 | 186 |

9%

GDP Growth Rate
(Real GDP) (%)

| | |
|------|----|
| 2012 | 9 |
| 2011 | 18 |
| 2010 | 15 |

* (temporary data)

In November 2012, Fitch Ratings upgraded Turkey's sovereign credit rating and the Central Bank of Turkey (CBT) lowered the upper limit of the interest rate corridor. As a result, growth in housing loans and corporate lending boomed.

151.9

Exports
(US\$ billion)



2.2%

Growth Rate of Turkish Economy
(%)



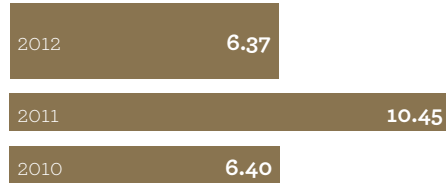
10,504

GDP per capita
(US\$)



6.37%

CPI
(%)



9.2%

Unemployment
(%)



REVIEW OF 2012 OPERATIONS

Ekspo Faktoring broke new ground with many new projects in 2012; including securing a trade finance loan facility from the Black Sea Trade and Development Bank, which has 11 member nations, including Russia, Ukraine and Greece.

Shareholders' equity of US\$ 43 million

Since its founding in 2000, Ekspo Faktoring has been the destination for innovative and effective solutions in the non-bank financial sector. The Company is a trustworthy institution for its clients and creditors; in addition, it maintains long term, permanent relationships with customers based on the principles of mutual trust and profitability. As a result of this approach, the Company implements profitable initiatives and steadily increases its turnover.

Although the effects of the global economic crisis lingered in 2012, Ekspo Faktoring continued its steady growth by working with industry leading clients. As a result, Ekspo Faktoring's turnover climbed to US\$ 618 million as of year's end.

With shareholders' equity of US\$ 43 million at end-2012, Ekspo Faktoring continues to develop unique financing products in line with the financial needs of its customers, further strengthening their own competitive advantages.

Trade finance facility from Black Sea Trade and Development Bank

Ekspo Faktoring broke new ground with many new projects in 2012; including securing a trade finance loan facility from the Black Sea Trade and Development Bank, which has 11 member nations, including Russia, Ukraine and Greece. The Company is the first non-bank financial institution to have received this unique lending facility from the BSTDB. Ekspo Faktoring is now able to provide customers who import commodities from Black Sea Trade and Development Bank member countries with one-year term financing. Similarly, we have collaborated and signed credit agreements with Canada Ex-Im Bank to finance trade between Turkey and Canada.

Agreement with Bank of China

In 2012, Ekspo Faktoring also signed an agreement with the US\$ 1.8 trillion Bank of China, owned by the Republic of China and one of the world's largest banks, for correspondent relations.

Ekspo Faktoring is the only financial institution in the country, aside from Turkey's largest 23 banks, authorized by the US Department of Agriculture to provide GSM-102 loans, a privilege extended primarily to select banks in the world.

In order to achieve its growth target, Ekspo Faktoring increased its paid-in capital to US\$ 28 million in 2012. Additionally, the Company issued bonds for US\$ 28 million to be used in meeting the import and export financing needs of industrial enterprises in the client portfolio.

Thanks to its high profitability, strong shareholders' equity, and healthy asset quality, Ekspo Faktoring occupies a leading position in the industry. Our strong and robust structure was further proven when Moody's reaffirmed our credit rating as Ba3.

In today's challenging market environment, Turkish companies that aim to sell products abroad face many difficulties. Ekspo Faktoring offers a very important financing option that can help customers to gain a competitive edge.

The Company provides loans and funding sources acquired from its expansive international correspondent network to exporter clients, significantly contributing to the realization of Turkey's full export potential.

Having experience and expertise in financing both domestic and international trade, Ekspo Faktoring's total transaction volume comprises 86% domestic and 14% international transactions. In 2012, the Company's international transaction volume amounted to US\$ 85 million, with US\$ 23 million from exports and US\$ 62 million from imports.

Ekspo Faktoring's goal for international transactions in 2013 is to move its already strong market position forward by focusing on import transactions via correspondent agencies.

During the year, all of Ekspo Faktoring's domestic financing activities were with recourse. Of foreign finance transactions in 2012, US\$ 21 million were without recourse and US\$ 2 million were with recourse. (*)

Membership in the world's largest non-bank financial network: FCI

A member of FCI, the world's largest non-bank financial network, since 2004, Ekspo Faktoring maintained close contact with other member companies in 2012. As a result, the Company extended its correspondent network and increased its funding sources.

Founded in 1968 to help expand the volume of international trade and to establish a common standard in international operations, Factors Chain International members account for 61% of global non-bank financing turnover. FCI is active in 74 countries with 260 members, as of year-end 2012. (*)

International liaisons strengthening corporate reputation and financing power

In 2012, Ekspo Faktoring's correspondent network continued to provide guarantee services and to finance those transactions under guarantee.

Ekspo Faktoring strides confidently towards the future, expanding its export and import financing volume with a strong correspondent network and increasing its funding sources. In 2012, the Company's senior management visited international financial institutions located in developed countries such as the US, UK, and China and established collaborations to strengthen the Company's overseas connections.

To further expand its international transactions and correspondent network, Ekspo Faktoring plans to accelerate its efforts in this area in the coming period.

(*) Source: FCI

PRODUCTS AND SERVICES

Ekspo Faktoring seized the opportunity to introduce many new products in 2012, such as restructured solutions for customers who import from Asia and other international markets.

Products and Services

Ekspo Faktoring's client-partnership approach and win-win solutions that benefit both parties form the foundation of the Company's trust based customer relations. Ekspo Faktoring's guiding principle is to always produce solutions that meet client needs. To this end, the Company has adopted a more systematic approach to customer relationship management compared to the industry average. Since its establishment, Ekspo Faktoring has provided liquidity, trust and a long term partnership in the same package to clients.

Despite possible fluctuations in the real economy or financial sector, the Company always considers the best interests of its customers by focusing on transparency and consistency. Ekspo Faktoring sees volatile periods as opportunities to get to know its clients better and improve its experience in risk management.

The Company also offers guarantee and collection services in addition to financing. Ekspo Faktoring focuses on expanding its product range along with marketing its products effectively to enlarge the domestic market client base.

Ekspo Faktoring seized the opportunity to introduce many new products in 2012, such as restructured solutions for customers who import from Asia and other international markets.

Structured Trade Finance

For many emerging economies, the extraction and export of energy and other natural resources as well as the import of raw materials for the purpose of exporting finished products is critical to economic well-being, and a cornerstone of national aspiration. The high market price of commodities over recent years led to an unprecedented boom in the level of investment for expansion, upgrade of existing facilities and acquisition. Structured trade finance has played an important role in facilitating this investment and continues to do so. Through providing legally pledged export contracts as security, Ekspo Faktoring clients are able to tap the international capital markets with advantageous terms. Ekspo Faktoring has been providing structured pre-export finance facilities for its clients for many years. To date, Ekspo Faktoring has closed over US\$ 100 million in transactions in recent years across a range of sectors.

Pre Export Finance

Ekspo Faktoring can offer its clients pre export finance via assignment of export contracts, covering the deliveries of products in aggregate quantities sufficient to enable the borrower to meet its debt service. The collateralization ratio will be dependent on the history of the buyer and seller relationship, goods, the shipping period and the credit history of both buyer and the seller in case of non-payment of the buyer.

Commodity Finance

Commodity finance aims to provide short-term, self-liquidating finance facilities to a range of small traders to integrated major industrial factories. These facilities may be secured or unsecured depending upon our perception of the creditworthiness of the borrower and the structure of the business we are undertaking. Our major business lines comprise cotton, wheat, forest products and chemicals. Generally, we target business where there are liquid terminal markets for the underlying commodity, but we will also work selectively with market-leaders that effect business in less liquid commodities.

The Ekspo Faktoring trade finance team for commodities operates on a global basis providing comprehensive solutions for the finance of international trade. We employ a team of professionals, all of whom have multi-year experience in commodity finance and can offer our customers a range of traditional or bespoke commodity-finance solutions using a full range of products.

Ekspo Faktoring is in close cooperation with Export Credit Agencies and other global financial institutions and can offer its clients the tools needed such as letters of credit and inventory financing.

Agribusiness

Agribusiness is a very significant sector in many developed and emerging markets including Turkey. Ekspo Faktoring's knowledge in agribusiness and commodities is vast in a product range that includes sugar, soy, cocoa, coffee and tobacco.

PRODUCTS AND SERVICES

Ekspo Faktoring's guiding principle is to always produce solutions that meet client needs. To this end, the Company has adopted a more systematic approach to customer relationship management compared to the industry average.

GSM 102

Agricultural product imports from the United States can be term financed by Turkish importers by the Commodity Credit Corporation (CCC) under the United States Department of Agriculture (USDA) GSM 102 program. Under the GSM facility, the USDA insures the corporate and sovereign risk; whereas the credit facility is provided by an intermediary bank in the US. Through the process, a sight letter of credit is issued and following the shipment, the intermediary US bank extends a loan to Ekspo Faktoring and payment is made to the exporter through us. Even though the Turkish importer is the borrower, credit is allocated by Ekspo Faktoring. Repayments of the principal loan are carried out annually or (optionally) at the end of six month periods. The maximum maturity is two years within the GSM program in which a wide range of goods is accredited. In GSM transactions, the amount of all imports can be credited (usually the value of FOB and for certain categories of goods value of CIF); it is not required to pay in advance though in some cases Ekspo Faktoring may request a downpayment. Timber wood products, wheat, flour, semolina, rice, rice paddy, fodder seeds, animal feed products, protein foods, livestock, poultry, fish, vegetable oils, seeds, tallow, oil, animal fat, dairy products, meat, cattle, cotton, cotton yarn, cotton products, crop seeds, ethyl alcohol, farm animals (cattle, sheep, goats, horses, sperm and embryos included) can be imported under this program.

Import Finance

Aside from assisting its clients in meeting their commodity finance requirements Ekspo Faktoring can offer its clients financial tools that may they may need for the import of any product.

Ekspo Faktoring can and has been offering its clients guarantee services accepted by worldwide financial institutions. Ekspo Faktoring's guarantee services are accepted and discounted by the world's largest banks in Asia, Europe and the Americas. Via this international support, Ekspo Faktoring can offer its clients import guarantee limits up to EUR 10 million.

Export Finance

A key problem facing many exporters is cash flow - the need to offer cash to customers but at the same time the need for cash to finance growth. For exporters selling to clients in emerging markets as well as developed markets, export finance becomes especially useful.

Export finance involves the extension of medium- or long-term financing against the assignment of export trade receivables. Besides these, Ekspo Faktoring can also offer its clients the support needed from Export Credit Agencies for their bulk sales to unstable markets.

Ekspo Faktoring's relationship with all the major ECAs means that we are in a good position to provide our customers with the best possible ECA guarantee financing.

Trade Solutions

Trade solutions involve structuring facilities using a combination of Ekspo Faktoring products to satisfy customer requirements, including:

- Account receivable purchases,
- Guarantees,
- Without recourse discounting (discounting of drafts on a without recourse basis),
- Supply chain financing, using L/C confirmation, bills discounting, refinance, account receivable, purchase, payment guarantee, warehouse finance.

Ekspo Faktoring's experienced staff is well equipped to provide our customers with bespoke financing solutions to help achieve their liquidity needs. We have structured a large number of bespoke facilities and we are continuously looking for new and innovative ways to meet our customers' needs.

Payment Guarantees

Payment guarantees mitigate credit or country risk when selling on an open account basis. They are often used to cover the non-payment of debts arising under a transaction or over a period of time.

Payment guarantees provide financial security to the beneficiary should the applicant fail to make payment for the goods or services supplied. Such guarantees generally run up to the final scheduled date of payment, plus a grace period to allow the beneficiary to make demand in the event of non-payment.

Via international support, Ekspo Faktoring can offer its clients import guarantee limits up to EUR 10 million.



For certain buyer credit risks, Ekspo Faktoring can provide payment guarantee services. These are generally well suited to large spot deals or annual contracts without L/C. We will negotiate the details of the guarantee - what kind of risks are to be hedged, the definition of country risks - with our client and those details will be included in the documentation. The guarantee fee will vary depending on importer, documentation and the like.

Accounts Receivable Finance

The purchase of accounts receivable is an essential business expertise of Ekspo Faktoring and involves the Company buying accounts receivable possessed by the seller (creditor) against the buyer (debtor) under the commercial contract; and meanwhile maintaining recourse to the debtor.

Benefits of Accounts Receivable Purchase:

- Stronger balance sheet structure,
- Controlling and management of receivables,
- Alternative way of raising funds,
- Can enhance earnings by enabling proceeds to be reinvested into productive assets,
- May assist with problems of capitalization,
- Differs from factoring in that the relationship between the corporate and debtor is maintained,
- Relatively simple to administer and operate.

Supply Chain Finance

Over the last few years, supply chain financing has gained prominence among corporate CFOs as an important tool to manage working capital and to derive efficiencies throughout the procurement and manufacturing processes.

Supply chain finance programs, especially those assisted by a technology platform, allow automated discounting of a large volume of receivables by a large number of large and small suppliers.

By offering supply chain financing, large buyers support their suppliers by providing them access to an alternative and cheaper source of funding and expediting their cash collection. In return, buyers negotiate better procurement costs and stretch their payment terms.

By using supply chain financing, corporations free up funds while ensuring uninterrupted supply of raw material and other goods and services.

Export Credit Agency Facilities (ECA) Korea Exim Bank

The Korea Exim Bank (K-Exim) was established as an Export Credit Agency to encourage export of Korean products via banks and to provide attractive financing opportunities. Recently, Ekspo Faktoring has provided up to six month financing opportunities for customer imports from Korea through an agreement with Korean Exim Bank. In this context, Ekspo Faktoring finances heavy machinery and chemical product imports by its customers.

United States Ex-Im Bank

The United States is one of the countries from which Turkey imports high amounts of agricultural raw materials. Ekspo Faktoring will be able to offer Turkish clients deferred payment options for imports from the US within the framework of an agreement with US Ex-Im Bank. Thus, Ekspo Faktoring will be able to provide inexpensive one-year term funding opportunity for customer imports.

UK Export Finance (formerly ECGD)

UK Export Credit Agency (formerly ECGD) is another export incentive agency and an intermediary for imports for Ekspo Faktoring's customers from the UK. In this regard, reduced cost and long-term funding opportunity will be provided for imports from the UK.

Canada Eximbank (EDC) Loans

Ekspo Faktoring secures loans from Canada Eximbank to provide medium and long term financing for Turkish imports from Canada.

The Black Sea Trade and Development Bank

Ekspo Faktoring has signed a trade finance facility of USD 5 million with a maturity of 370 days, with The Black Sea Trade and Development Bank for financing international trade. The said facility is designed to finance Turkish companies' imports from BSTDB member countries and to support Turkish companies' exports to the entire world. The Company will utilize this funding mainly to facilitate Turkish companies' large scale raw material imports from BSTDB member countries.

INTERNAL AUDIT AND FINANCIAL CONTROL

Ekspo Faktoring ranks among the sector leaders in its commitment to transparency and accountability; the Company strictly adheres to the principles of accuracy, accountability, and transparency in all its operations.

Internal audit and financial control have become increasingly critical issues for financial services companies. Since its establishment, Ekspo Faktoring has been audited internally by an in-house team and externally by independent international audit firms. Ekspo Faktoring ranks among the sector leaders in its commitment to transparency and accountability; the Company strictly adheres to the principles of accuracy, accountability, and transparency in all its operations. Additionally, the Company ensures its financial integrity through both internal and external audits.

Ekspo Faktoring's audit process includes internal and external audits, which are conducted by experienced and specialized teams in their respective areas. Two different international independent audit firms, which are the best in their field, periodically audit the Company's tax and financial statements. These audit firms regularly report the required information to the BRSA and the Ministry of Finance; they also prepare two different Independent Auditors' Reports with financial statements in accordance with IFRS and BRSA standards.

The Internal Audit and Financial Control Department carries out the internal audit function at Ekspo Faktoring. Internal audit ensures that the Company conducts its operations in line with corporate management strategies and policies and pursuant to the factoring regulatory framework in a coordinated, efficient and effective manner. Monitoring integration and reliability of accounting records and ensuring timely access to information in the database are also part of this function's responsibility. Internal audit also monitors and ensures that within the scope of the Company's activities, all employees comply with management's corporate governance approach, as determined by the Board of

Directors and Senior Management. The results of the financial, operational, and other inspections carried out independently by the Internal Audit team, are immediately reported to the Board of Directors.

The Department is also responsible for the financial control function which ensures that the Company's financial statements have been prepared in accordance with IFRS and BRSA standards. Financial control generates the Non-Bank Financial Institutions Monitoring System reports, which are prepared for and submitted to BRSA each quarter. It also ensures that these reports are submitted through the data transfer system and that they are transferred to the database after confirmation has been received. Other duties of this function include conducting macro and microeconomic research, formulating annual budget estimates and preparing, reporting, and submitting the budget to the Board of Directors. Actual operational results are compared to budget estimates at the end of each month and deviations are calculated.

Ekspo Faktoring's Internal Audit and Financial Control Department checks all client domestic and international transactions in order to minimize risks originating from errors and detect problems before they occur; in addition, it monitors daily and monthly transactions. Internal Audit and Financial Control reviews all correspondence and reporting of the Marketing Department, Operations Department, Treasury Department, Accounting Department, Risk Assessment Department and International Operations Department. The Department aims to correct any deficiencies on the same day and prepares weekly and monthly reports for Senior Management and the Board of Directors. Further, the Internal Audit and Financial Control Department reviews and

approves all statements and invoices to be sent to clients; conducts physical and system reconciliation of securities in the portfolio and reconciliation with the banks; and undertakes the cash count. Account reconciliation is carried out monthly with all clients, suppliers, correspondents and other financial institutions.

The Internal Audit and Financial Control Department regularly gathers the Internal Audit Committee and implements the Committee's decisions. The Department also sets new checkpoints to improve the system and generates reports when necessary. In addition to contributing to the professional and personal development of employees, it also identifies all the Company's training needs. The Department sees that relevant training content is prepared, trainers are selected, and training is implemented as necessary.

As of January 9, 2008, non-bank financial companies are obliged to abide by Law No. 5549 for the Prevention of the Laundering Proceeds of Crime and Regulation No. 26751. In order to comply with the Regulation, Company management requested that the Internal Audit and Financial Control Department take fact-finding and preventative measures in line with Financial Crimes Investigation Board (MASAK) warnings.

Pursuant to Regulation No. 26999 dated September 16, 2008, the Company's Internal Audit and Financial Control Manager was appointed as Compliance Officer by a resolution of the Board of Directors. The Compliance Officer attends all training sessions organized by MASAK and the Factoring Association and shares essential points with Company employees, informing them about compliance requirements and other important issues.

RISK MANAGEMENT

Ekspo Faktoring identifies and defines potential risks and carries out proactive control and management of these risks on the road to achieving the Company's strategic goals.



Effective risk management is a key component in achieving sustainable success. Implementing an effective risk management policy is especially critical for companies operating in the financial services industry.

Ekspo Faktoring identifies and defines potential risks and carries out proactive control and management of these risks on the road to achieving the Company's strategic goals.

The relevant units within the Company regularly report analyses of credit risks and submit them to management to support decision-making processes. Thus, these units take the lead in setting Company policies in line with the possible risks.

Ekspo Faktoring manages its lending policy with a dynamic and proactive approach; the Company constantly monitors its portfolio risks based on various parameters and develops a range of scenarios using various models. Ekspo Faktoring's most important credit risk criteria include: the target company's longevity and history, sector of activity, the experience of its managers and partners, shareholders' equity structure and fund raising capacity.

The Company manages risk exposure within the framework of sector and group limits. In addition, it ensures that any individual risk does not exceed 10% of shareholders' equity. Under some exceptional circumstances, this limit can be raised to a maximum of 20%, contingent on a Board of Directors' resolution.

In line with effective risk management policies, Ekspo Faktoring avoids concentrating in any one industry to ensure an even distribution of risk. In accordance with a Board of Directors' decision, the Company takes great care not to assume any risk of over 16% of total advances in a single sector. The Company also performs a sensitivity analysis when determining debtor limits and strictly avoids limit violations.

The comprehensive evaluation of risks in compliance with international standards is of utmost importance for Ekspo Faktoring. In this context, in recent years Company management has executed a series of studies with various risk-rating agencies to develop an effective risk-rating system and increase the efficiency of risk monitoring. Adoption of a new rating system, compliant with international standards, was finalized as of end-2008. Since the beginning of 2009, all Ekspo Faktoring customers are analyzed according to the new rating system.

The Company pays close attention to the quality of its receivables assigned and constantly monitors its receivables. Ekspo Faktoring began using the drawer check report and risk reports effectively since they were made available for the use of non-bank financial companies by the Credit Bureau of Turkey as of year-end 2012.

RISK MANAGEMENT

While establishing its credit portfolio, Ekspo Faktoring acts very rigorously and selectively to ensure its high asset quality, which is above the sector average.



In risk monitoring, Ekspo Faktoring uses the Central Bank's periodical Risk Centralization Report, to which notifications are uploaded and monitored and changes can be reported. In this new system, risks of existing customers are efficiently monitored and changes can be investigated. The credit assessments of companies that apply for limit increase or a new line of credit are made on the basis of objective criteria. In addition, during weekly Asset Quality meetings, existing risks are evaluated in terms of balance sheets, intelligence results and collateral.

While establishing its credit portfolio, Ekspo Faktoring acts very rigorously and selectively to ensure its high asset quality, which is above the sector average. In this process, the Company benefits from the expertise of its Risk Assessment Department, composed of professionals experienced in the most recent financial analysis methods and techniques. Department staff members regularly participate in the training courses offered by professional training institutions on credit, financial analysis and market intelligence. The goal is to keep personnel informed of the latest developments in their field and to learn the newest techniques.

As one of the most important units of Ekspo Faktoring, the Risk Committee evaluates the enterprises that borrow from the Company according to their financial status, sector conditions, as well as operational risks and market intelligence. The Committee meets twice weekly and evaluates client requests within a two-day timeframe. Additional committee meetings are held to handle matters requiring urgent attention. Credit Files created for individual companies through financial analyses and intelligence efforts are examined at these meetings. Credit Files include a company's strengths and weaknesses, opportunities and threats based on a SWOT analysis. Decisions are made on the credit line proposals presented to the Risk Committee as a result of all of these evaluations.

The Company's extensive database is constantly enhanced in terms of content and quality. This risk database is used not only for credit line allocation decisions, but also to devise and implement marketing strategies. Additionally, the database contains detailed and complementary information such as that given by correspondents as well as payment patterns and check-honoring performance.

While determining sector limits, Ekspo Faktoring uses company data and sector information present in the database. The Company's TL and foreign currency positions are also closely monitored. Ekspo Faktoring's analyses comply with Basel II criteria to measure market risks. The reports prepared as a result of these intensive and diligent analyses are presented to the Company's senior management.

The sector's average non-performing loans ratio, including bank-owned companies, stood at 5% in 2012, while Ekspo Faktoring posted an NPL ratio of 3%.

CORPORATE GOVERNANCE

Ekspo Faktoring's significant investments in human resources enable the Company to move forward with speed and confidence during its transformation into a financial services provider focused on foreign trade financing while also making its corporate structure and achievements sustainable.

Human Resources

At the top of the list of Ekspo Faktoring's success factors is the Company's highly qualified personnel who are focused on improving added value in business processes.

Thanks to its specialized core staff, whose professional experience is well above the sector average, Ekspo Faktoring is able to execute highly productive business processes. As of the end of 2012, the Company employed 34 personnel. Ekspo Faktoring's team of experienced professionals, who monitor sector developments very closely, offer clients customized solutions tailored to their needs and expectations.

In line with the Company's targets and strategies, the Human Resources Department is responsible for a range of personnel related activities, from orientation of new employees to professional training programs.

Acutely aware of the importance of a well skilled workforce, the Company organizes continuing education programs under Ekspo Faktoring Academy. Continuing education opportunities are also available through training programs provided by the Turkish Factoring Association, of which the Company is a member, and Factors Chain International (FCI), which is the world's largest non-bank financial service network, as well as private consultancy firms.

In 2012, Ekspo Faktoring contributed to training on subject areas that included leadership, management, teamwork, corporate culture, and foreign trade financing, depending on employee needs.

In its marketing and promotion activities, Ekspo Faktoring prefers to reach customers directly via its own marketing personnel instead of employing advertising and promotional campaigns. In customer relationship management, the Company aims to differentiate itself with its highly capable human resources. To this end, Ekspo Faktoring provides regular training to all employees, from Finance Department personnel to the members of the Marketing team. Thanks to training programs provided by the financial sector's leading and most experienced institutions, Ekspo Faktoring plans to expand its client portfolio and increase customer satisfaction.

Corporate Structure

In all facets of its business, Ekspo Faktoring operates with the awareness and responsibility of being a corporate entity. The Company works steadily to improve its profitability and productivity and as a result sustains its corporate structure and development. The great progress the Company has made since its founding is also confirmed by the high ratings it has received from international rating agencies. Ekspo Faktoring is Turkey's first non-bank financial company to be rated by Moody's. In addition, the Company is audited by two independent international audit firms every year. Ekspo Faktoring changes the audit companies every five years to ensure that transparency is sustained.

Ekspo Faktoring uses a variety of criteria when recruiting staff; these include, holding a university degree, showing proficiency in a foreign language, having banking sector experience, and having expertise in their respective functional area. Using this recruitment approach, the Company ensures the superior quality of its human resources, which currently ranks above the sector average. Employees joining the Company are trained in both professional and cultural issues. These training sessions are conducted within Ekspo Faktoring or given by external professionals invited to the Company from time to time.

CORPORATE GOVERNANCE

Ekspo Faktoring differentiates itself in the sector through customer service that is focused on speed and efficiency. To this end, the Company always places great importance on investments that will strengthen its technological infrastructure.

In line with the greater importance placed on transparency and consistency in the financial sector, the BRSA recommends that all financial institutions regularly report their balance sheets on their websites. Ekspo Faktoring has, in fact, disclosed its balance sheet each quarter since its establishment. Additionally, as a result of bond issuances, Ekspo Faktoring publishes all of its financial statements on the Public Disclosure Platform quarterly, to keep its investors informed.

Ekspo Faktoring has an effective organizational structure, which elevates it to a leading position in the sector. This structure enables the Company to execute its operations efficiently, quickly and effectively. Combining these advantages with its advanced technological infrastructure, Ekspo Faktoring has succeeded in further increasing its competitive edge.

Well-supported, feature rich, and state-of-the-art IT infrastructure

Focused on providing effective and fast client services, Ekspo Faktoring aims to improve its service quality and places utmost importance on strengthening its technological infrastructure. In contrast to its simple and lean organizational structure, the Company has an advanced information technology infrastructure comprising the latest and most extensive hardware and software in the sector. Meeting its IT requirements through outsourcing, Ekspo Faktoring opened its Disaster Recovery Center in Ankara in 2006. In 2007, the Center completed its hardware and software development initiatives.

Ekspo Faktoring uses the Facto 2000 software package, developed in line with the Company's daily operating requirements, by a financial software developer specialized in financial applications. This software provides integration between the marketing, client services and accounting functions. In addition, clients can monitor their transactions on Ekspo Online and view their accounts instantly.

The face of Ekspo Faktoring on the internet: www.ekspofaktoring.com

Ekspo Faktoring's corporate website, www.ekspofaktoring.com, is the Company's face on the internet. The website has an advanced technology infrastructure and enables clients to view their checks in collection, account statements, outstanding balances and other information they want to instantly access online. The Company's public disclosures and announcements are also published on ekspofaktoring.com.

As an innovation in the sector, Ekspo Faktoring launched a check viewing system on its corporate website. Now, both clients and the Company are provided with a more effective monitoring mechanism. By regularly updating its online services, Ekspo Faktoring strives to implement new initiatives to serve its clients at the highest possible standards. In order to provide customers with more convenient and efficient services, the Company redesigned its corporate website in 2012.

Well aware of the value added created by its IT investments, the Company aims to focus on heightened security firewalls, higher internet connection speed, and strengthening virtual servers in the coming period.

INDEPENDENT AUDITORS' REPORT



Ekspo Faktoring Anonim Şirketi

Financial Statements
As at and for the Year Ended
31 December 2012
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi 20 February 2013

This report includes 1 page of independent auditors' report and 33 pages
of financial statements and notes to the financial statements.

Ekspo Faktoring Anonim Şirketi

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**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

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Independent Auditors' Report

To the Board of Directors of
Ekspo Faktoring Anonim Şirketi

We have audited the accompanying financial statements of Ekspo Faktoring Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

20 February 2013
İstanbul, Turkey

EKSPO FAKTORİNG ANONİM ŞİRKETİ**Statement of Financial Position****as at 31 December 2012**

(Currency: Turkish Lira (“TL”) unless otherwise stated)

| | Notes | 31 December 2012 | 31 December 2011 |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 10 | 122,466 | 222,669 |
| Derivative financial assets | 21 | 77,889 | 244,353 |
| Factoring receivables | 11 | 233,544,382 | 236,425,268 |
| Other assets | 12 | 268,105 | 211,428 |
| Assets held for sale | 13 | 486,703 | 486,703 |
| Investment property | 14 | 1,192,170 | 1,219,053 |
| Tangible assets | 15 | 1,313,529 | 1,432,378 |
| Intangible assets | 16 | 24,475 | 19,374 |
| Deferred tax assets | 9 | 692,855 | 557,126 |
| Total assets | | 237,722,574 | 240,818,352 |
| Liabilities | | | |
| Loans and borrowings | 17 | 105,914,780 | 151,392,733 |
| Debt securities issued | 18 | 52,419,024 | 20,435,166 |
| Derivative financial liabilities | 21 | 82,747 | 242,363 |
| Factoring payables | 19 | 990,294 | 602,921 |
| Other liabilities | 20 | 723,014 | 517,214 |
| Income taxes payable | 9 | 1,032,301 | 694,409 |
| Reserve for employee severance payments | 22 | 354,893 | 233,047 |
| Total liabilities | | 161,517,053 | 174,117,853 |
| Equity | | | |
| Share capital | 23 | 50,000,000 | 40,000,000 |
| Adjustment to share capital | 23 | 279,326 | 279,326 |
| Legal reserves | 23 | 9,174,381 | 8,424,204 |
| Retained earnings | 23 | 16,751,814 | 17,996,969 |
| Total shareholders' equity | | 76,205,521 | 66,700,499 |
| Total equity and liabilities | | 237,722,574 | 240,818,352 |
| Commitments and contingencies | | | |
| | 25 | | |

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

EKSPÖ FAKTORİNG ANONİM ŞİRKETİ**Statement of Comprehensive Income****for the Year Ended 31 December 2012**

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Notes | 31 December 2012 | 31 December 2011 |
|---|--------------|------------------|------------------|
| Factoring interest income | | 36,004,148 | 35,028,486 |
| Factoring commission income, net | | 5,044,424 | 4,963,284 |
| Income from factoring operations | | 41,048,572 | 39,991,770 |
| Interest and commission expense on bank borrowings | | (11,780,026) | (16,127,598) |
| Interest expense on debt securities issued | | (4,297,861) | (2,167,177) |
| Derivative trading losses, net | | (6,848) | (3,657) |
| Foreign exchange gains, net | | 137,881 | 40,171 |
| Interest income other than on factoring operations | 5 | 485 | 12,046 |
| Interest, commission and foreign exchange income, net | | 25,102,203 | 21,745,555 |
| Personnel expenses | 7 | (5,694,913) | (5,097,991) |
| Administrative expenses | 8 | (2,200,931) | (1,917,293) |
| Provision for impaired factoring receivables, net of recoveries | 11 | (2,583,759) | (1,111,053) |
| Other expenses | | - | (103,283) |
| Depreciation and amortisation expenses | 14,15 and 16 | (229,831) | (236,406) |
| Other income | 6 | 14,459 | 12,462 |
| Profit before income taxes | | 14,407,228 | 13,291,991 |
| Income tax expense | 9 | (2,902,206) | (2,729,872) |
| Profit for the year | | 11,505,022 | 10,562,119 |
| Other comprehensive income for the year, net of income tax | | - | - |
| Total comprehensive income for the year | | 11,505,022 | 10,562,119 |

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

EKspo FAKTORİNG ANONİM ŞİRKETİ

Statement of Changes in Equity

for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Notes | Share Capital | Adjustment to Share Capital | Legal Reserves | Retained Earnings | Total Equity |
|--|-------|---------------|-----------------------------|----------------|-------------------|--------------|
| Balances at 1 January 2011 | | 40,000,000 | 279,326 | 6,070,877 | 27,988,177 | 74,338,380 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | 10,562,119 | 10,562,119 |
| Total comprehensive income for the year | | - | - | - | 10,562,119 | 10,562,119 |
| Transactions with owners of the Company, recognized directly in equity | | | | | | |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | |
| Transfer to legal reserves | | - | - | 2,353,327 | (2,353,327) | - |
| Dividend distribution | | - | - | - | (18,200,000) | (18,200,000) |
| Total contributions by and distribution to owners of the Company | | - | - | 2,353,327 | (20,553,327) | (18,200,000) |
| Balances at 31 December 2011 | 23 | 40,000,000 | 279,326 | 8,424,204 | 17,996,969 | 66,700,499 |
| Balances at 1 January 2012 | | 40,000,000 | 279,326 | 8,424,204 | 17,996,969 | 66,700,499 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | 11,505,022 | 11,505,022 |
| Total comprehensive income for the year | | - | - | - | 11,505,022 | 11,505,022 |
| Transactions with owners of the Company, recognized directly in equity | | | | | | |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | |
| Capital increase | | 10,000,000 | | | (10,000,000) | - |
| Transfer to legal reserves | | - | - | 750,177 | (750,177) | - |
| Dividend distribution | | - | - | - | (2,000,000) | (2,000,000) |
| Total contributions by and distribution to owners of the Company | | 10,000,000 | - | 750,177 | (12,750,177) | (2,000,000) |
| Balances at 31 December 2012 | 23 | 50,000,000 | 279,326 | 9,174,381 | 16,751,814 | 76,205,521 |

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ**Statement of Cash Flows****as at 31 December 2012**

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Notes | 2012 | 2011 |
|---|---------------|---------------------|--------------------|
| Cash Flows From Operating Activities: | | | |
| Profit for the year | | 11,505,022 | 10,562,119 |
| Adjustments for: | | | |
| Depreciation and amortisation | 14, 15 and 16 | 229,831 | 236,406 |
| Provision for employee severance payments | 22 | 155,111 | 106,146 |
| Other expense/(income) accruals | | (779,049) | 2,512,822 |
| Provision for deferred and income taxes | 9 | 2,902,206 | 2,729,872 |
| Interest income | | (36,004,633) | (35,040,532) |
| Interest expense | | 16,077,887 | 18,294,775 |
| Provision for impaired factoring receivables | 11 | 3,041,621 | 1,353,543 |
| Changes in fair value of currency swap contracts | 24 | 6,848 | 3,657 |
| | | (2,865,156) | 758,808 |
| Changes in factoring receivables and payables | | (33,401) | (19,321,881) |
| Changes in other assets | | (61,339) | (66,108) |
| Changes in other liabilities | | 593,173 | (309,159) |
| Employee severance paid | 22 | (33,265) | (51,544) |
| Taxes paid | 9 | (2,700,043) | (3,155,165) |
| Interest paid | | (12,818,143) | (17,003,228) |
| Interest received | | 36,198,486 | 35,590,876 |
| Proceeds from recoveries of impaired factoring receivables | 11 | 457,862 | 242,490 |
| Net cash provided by/ (used in) operating activities | | 18,738,174 | (3,314,911) |
| Cash Flows From Investing Activities: | | | |
| Acquisition of investment property | 14 | - | (512,376) |
| Acquisition of property and equipment | 15 | (75,084) | (504,532) |
| Acquisition of intangible assets | 16 | (14,116) | - |
| Net cash used in investing activities | | (89,200) | (1,016,908) |
| Cash Flows From Financing Activities: | | | |
| Changes in loans and borrowings | | (46,753,840) | 22,595,206 |
| Debt securities issued paid | | (20,000,000) | - |
| Proceeds from debt securities issued | | 50,000,000 | - |
| Dividends paid | | (2,000,000) | (18,200,000) |
| Net cash (used in)/ provided from financing activities | | (18,753,840) | 4,395,206 |
| Effect of changes in foreign exchange rate on cash and cash equivalents | | 4,663 | 1,694 |
| Net increase/ (decrease) in cash and cash equivalents | | (100,203) | 65,081 |
| Cash and cash equivalents at 1 January | | 222,669 | 157,588 |
| Cash and cash equivalents at 31 December | 10 | 122,466 | 222,669 |

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL") unless otherwise stated)



Notes to the financial statements

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EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira (“TL”) unless otherwise stated)

1 Reporting entity

Ekspo Faktoring Anonim Şirketi (“the Company”) was incorporated in Turkey to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry Gazette on 2 June 2000.

The Company operates in accordance with “Financial Lease, Factoring and Financing Companies Law” published on the 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 Company operates in both domestic and international markets and factors its without recourse type transactions via its correspondent factoring companies abroad. The Company provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey.

The Company’s head office is located at Ayazağa Mahallesi Meydan Sokak Büyükdere Asfaltı Mevkii Spring Giz Plaza B Blok Maslak-İstanbul/Türkiye.

The Company has 32 employees as at 31 December 2012 (2011: 34 employees).

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board and are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The Company adopted all IFRS, which were mandatory as at 31 December 2012.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Turkish Accounting Standards as promulgated by the Banking Regulation and Supervision Agency (“BRSA”) and also the Turkish Commercial Code (collectively, “Turkish GAAP”).

The financial statements of the Company as at and for the year ended 31 December 2012 were authorized for issue by the Board of Directors on 20 February 2013. The General Assembly and certain regulatory bodies have power to amend the statutory financial statements after issue.

(b) Basis of measurement

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. They are prepared on the historical cost basis, except for derivatives which are measured at fair value, adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005.

(c) Functional and presentation currency

The financial statements are presented in TL, which is the Company’s functional currency. All financial information presented in TL is rounded to the nearest digit.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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.

EKSPo FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL") unless otherwise stated)

2 Basis of preparation (Continued)

(d) Use of estimates and judgements (Continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 4 Determination of fair values
- Note 9 Taxation
- Note 11 Factoring receivables, provision for impairment of doubtful receivables
- Note 13 Assets held for sale
- Note 14 Investment property
- Note 15 Tangible assets
- Note 16 Intangible assets
- Note 21 Derivative financial instruments
- Note 22 Reserve for employee severance payments
- Note 25 Commitment and contingencies

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey has been 35.61% at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilisation, decrease in the interest rates and the appreciation of TL against the US Dollars ("USD"), have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements of the Company as at and for the year ended 31 December 2006 and thereafter.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the profit or loss as realized during the course of the year.

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

| | 2012 | 2011 |
|------|--------|--------|
| USD | 1.7826 | 1.8889 |
| Euro | 2.3517 | 2.4438 |
| GBP | 2.8708 | 2.9170 |
| CHF | 1.9430 | 2.0062 |

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise factoring receivables, other assets, cash and cash equivalents, bank borrowings, debt securities, factoring payables and other liabilities.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time and demand deposits at banks having original maturity less than 3 months and readily to be used by the Company or not blocked for any other purpose.

Time deposits are measured at amortised cost using the effective interest method, less any impairment losses. Demand deposits are measured at cost.

Accounting for financial income and expense is discussed in note 3(m).

Factoring receivables

Factoring receivables are measured at amortised cost less specific allowances for uncollectibility and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately.

Borrowings and debt securities

Bank borrowings and debt securities are recognized initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, bank borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the statement of comprehensive income over the period of the borrowings.

Other

Other assets and liabilities are measured at cost due to their short term nature.

(ii) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are based on available quoted market prices and discounted cash flow model if needed. Fair value of unquoted foreign exchange contracts are presented by the rate of the first term of the contract compared by the rest of the relevant currency market interest rates calculated on the table, minus the maturity rate is determined by comparing the statement of financial position. If fair value of derivative financial instruments is positive, it is accounted as assets; if the fair value is negative, it is accounted as liabilities.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gain and losses on these instruments are included in the statement of comprehensive income.

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Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira (“TL”) unless otherwise stated)

3 Significant accounting policies (Continued)

(c) Financial Instruments (Continued)

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

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

(d) Investment property

Investment property is accounted using the cost model, less accumulated depreciation, and impairment losses. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over 50 years.

(e) Assets held for sale

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

(f) Tangible assets

(i) Recognition and measurement

Items of tangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses, if any. Tangible assets acquired after 31 December 2005 are measured at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of tangible assets have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Any gain and loss on disposal of an item of tangible assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in other income and other expenses in profit or loss.

(ii) Subsequent costs

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 statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. The estimated useful lives for the current and comparative periods are as follows:

| | |
|------------------------|---------|
| Furniture and fixtures | 5 years |
| Motor vehicles | 5 years |

Leasehold improvements are amortised over the periods of the respective leases on a straight-line basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira (“TL”) unless otherwise stated)

3 Significant accounting policies (Continued)

(g) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortisation, and impairment losses, if any. Intangible assets acquired after 31 December 2005 are measured at cost, less accumulated amortisation, and impairment losses, if any. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

(h) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All financial assets are tested for impairment on an individual basis.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in the profit or loss to the extent that the impairment loss in respect of a financial asset was not recognized in the previous year.

(ii) Non-financial assets

The carrying amounts of the 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. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the profit or loss.

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.

Impairment losses recognized 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 in respect of goodwill is not reversed. 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 recognized.

EKSPo FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(i) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

The assumptions used in the calculation are as follows:

| | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| Net discount rate | 2.60% | 3.73% |
| Expected salary/ limit increase | 5.00% | 5.00% |
| Expected severance payment benefit ratio | 95% | 95% |

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

(k) Offsetting

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

(l) Related parties

For the purpose of the accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

(m) Revenue and cost recognition

(i) Factoring interest and commission income

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(m) Revenue and cost recognition (Continued)

(ii) Factoring commission expense

Factoring commission charges are recognised as expense in profit or loss on accrual basis using the effective interest method.

(iii) Other income and expenses

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

(iv) Financial income/ expenses

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

Financial expenses include interest expense on borrowings and debt securities calculated using the effective interest method, foreign exchange losses and other financial expenses.

(n) Income tax

Taxes on income comprise current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

(o) New standards and interpretations not yet adopted

The Company applied all of the relevant and required standards promulgated by International Accounting Standards Board ("IASB") and the interpretations of IASB as at 31 December 2012.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for:

-IFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets.

-IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

-Amendments to IAS 19 *Employee Benefits* includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013.

Company does not plan to adopt these standards early and the extent of the impact on the financial statements has not been determined yet as at the reporting date.

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(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(p) Events after the reporting period

Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected information. In accordance with IAS 10, "Events After the Reporting Period", the Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the reporting period. Non adjusting events are disclosed in the notes to the financial statements, if material.

(q) Statement of cash flows

The Company prepares cash flow statements to inform the users of the financial statements about the changes in its net assets, its financial structure and its ability to affect the amount and timing of its cash flows with respect to changing external conditions.

In the statement of cash flows, cash flows of the period are reported with a classification based on operating, investing and financing activities. Cash flows from operating activities represent cash flows from activities within the scope of business. Cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Cash flows relating to financing activities represent the sources of financing the Company used and the repayments of these sources.

(r) Segment reporting of financial information

Since the Company does not have segments whose financial performances are reviewed by operating decision makers, no segment reporting information is provided in the notes.

4 Determination of fair values

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

| 31 December 2012 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------|---------|---------|---------|
| Derivative financial assets | - | 77,889 | - | 77,889 |
| | - | 77,889 | - | 77,889 |
| Derivative financial liabilities | - | 82,747 | - | 82,747 |
| | - | 82,747 | - | 82,747 |
| 31 December 2011 | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial assets | - | 244,353 | - | 244,353 |
| | - | 244,353 | - | 244,353 |
| Derivative financial liabilities | - | 242,363 | - | 242,363 |
| | - | 242,363 | - | 242,363 |

EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

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(Currency: Turkish Lira ("TL") unless otherwise stated)

4 Determination of fair values (Continued)

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain financial position instruments is not materially different than their recorded values due to their short nature. These statement of financial position instruments include cash and cash equivalents, factoring receivables, factoring payables, loans and borrowings, other assets and other liabilities. Fair value of debt securities is determined with reference to their quoted bid price at the reporting date.

As at 31 December, the carrying amounts and fair values of financial instruments are as follows:

| | 2012 | | 2011 | |
|------------------------------|-----------------|-------------|-----------------|-------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 122,466 | 122,466 | 222,669 | 222,669 |
| Factoring receivables | 233,544,382 | 233,544,382 | 236,425,268 | 236,425,268 |
| <i>Financial liabilities</i> | | | | |
| Bank borrowings | 105,914,780 | 105,914,780 | 151,392,733 | 151,392,733 |
| Debt securities issued | 52,419,024 | 52,403,319 | 20,435,166 | 20,178,044 |
| Factoring payables | 990,294 | 990,294 | 602,921 | 602,921 |
| Other liabilities | 723,014 | 723,014 | 517,214 | 517,214 |

5 Interest income other than factoring operations

As at and for the years ended 31 December, interest income other than factoring operations are as follows:

| | 2012 | 2011 |
|----------------------------------|------|--------|
| Interest income on bank deposits | 485 | 12,046 |
| | 485 | 12,046 |

6 Other income

For the year ended 31 December 2012, other income comprised of rent income amounting to TL 14,459 (2011: TL 12,462).

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Notes to the Financial Statements

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7 Personnel expenses

For the years ended 31 December, personnel expenses comprised the following:

| | 2012 | 2011 |
|---|-----------|-----------|
| Salary expenses | 4,483,482 | 4,002,262 |
| Social security premium employer's share | 346,843 | 302,918 |
| Bonus expenses | 230,493 | 323,529 |
| Insurance expenses | 159,698 | 109,158 |
| Provision for employee severance payments | 155,111 | 106,146 |
| Meal expenses | 117,397 | 109,865 |
| Transportation expenses | 93,184 | 91,066 |
| Unemployment security employer's share | 30,926 | 26,849 |
| Others | 77,779 | 26,198 |
| | 5,694,913 | 5,097,991 |

8 Administrative expenses

For the years ended 31 December, administrative expenses comprised the following:

| | 2012 | 2011 |
|---------------------------------------|-----------|-----------|
| Rental expenses | 451,811 | 424,663 |
| Audit and consultancy expenses | 292,222 | 202,573 |
| Legal expenses | 218,595 | 83,450 |
| Travel expenses | 195,148 | 234,444 |
| IT related expenses | 185,779 | 46,446 |
| Vehicle expenses | 135,996 | 113,027 |
| Communication expenses | 98,818 | 86,954 |
| Taxes and duties other than on income | 89,716 | 78,839 |
| Utilities | 80,406 | 68,280 |
| Subscription fees | 63,306 | 67,499 |
| Accommodation expenses | 56,726 | 131,809 |
| BRSA participation fee | 36,200 | 33,600 |
| Stationery expenses | 34,366 | 32,541 |
| Advertising expenses | 8,206 | 50,727 |
| Donations | 2,250 | 2,935 |
| Repair and maintenance expenses | - | 38,625 |
| Others | 251,386 | 220,881 |
| | 2,200,931 | 1,917,293 |

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Notes to the Financial Statements

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9 Taxation

As at 31 December 2012, corporate income tax is levied at the rate of 20% (2011: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, was redefined according to the Cabinet Decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months fifteen days following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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 on disguised profit distribution via Transfer Pricing, dated 18 November 2007 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.

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying the statutory tax rate to profits before income taxes.

| | 2012 | | 2011 | |
|---|-------------|------|-------------|------|
| | Amount | % | Amount | % |
| Reported profit before income taxes | 14,407,228 | | 13,291,991 | |
| Taxes on reported profit per statutory tax rate | (2,881,446) | (20) | (2,658,398) | (20) |
| Permanent differences: | | | | |
| Non-taxable expenses | (59,360) | - | (71,474) | (1) |
| Non-taxable income | 38,600 | - | - | - |
| Income tax expense | (2,902,206) | (20) | (2,729,872) | (21) |

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

| | 2012 | 2011 |
|----------------------|-----------|-----------|
| Current tax expense | 3,037,935 | 3,035,316 |
| Deferred tax expense | (135,729) | (305,444) |
| Income tax expense | 2,902,206 | 2,729,872 |

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the statement of financial position.

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Notes to the Financial Statements

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(Currency: Turkish Lira ("TL") unless otherwise stated)

9 Taxation (Continued)

The taxes payable on income at 31 December comprised the following:

| | 2012 | 2011 |
|---|-------------|-------------|
| Taxes on income | 3,037,935 | 3,035,316 |
| Less: Corporation taxes paid in advance | (2,005,634) | (2,340,907) |
| Income taxes payable | 1,032,301 | 694,409 |

For the years ended 31 December 2012 and 2011, movement of the Company's net deferred tax assets and liabilities is as follows:

| | 2012 | 2011 |
|--|---------|---------|
| Opening balance | 557,126 | 251,682 |
| Deferred tax income recognized in profit or loss | 135,729 | 305,444 |
| Closing balance | 692,855 | 557,126 |

Deferred income tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

As at 31 December 2012 and 2011, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

| | Temporary differences | | Deferred tax assets/ (liabilities) | |
|--|-----------------------|------------------|---------------------------------------|------------------|
| | 31 December 2012 | 31 December 2011 | 31 December 2012 | 31 December 2011 |
| Unearned interest income | 3,176,778 | 2,546,626 | 635,355 | 509,325 |
| Reserve for employee severance payments | 354,893 | 233,047 | 70,979 | 46,609 |
| Allowance for impaired factoring receivables | 316,473 | 347,000 | 63,295 | 69,400 |
| Derivative financial instruments | 4,858 | - | 972 | - |
| Deferred tax assets | 3,853,002 | 3,126,673 | 770,601 | 625,334 |
| Derivative financial instruments | - | 1,990 | - | (398) |
| Tangible assets, and intangible assets | 388,728 | 339,050 | (77,746) | (67,810) |
| Deferred tax liabilities | 388,728 | 341,040 | (77,746) | (68,208) |
| Deferred tax assets/ (liabilities), net | | | 692,855 | 557,126 |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts at 31 December, determined after appropriate offsetting, are shown in the statement of financial position.

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Notes to the Financial Statements

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(Currency: Turkish Lira ("TL") unless otherwise stated)

9 Taxation (Continued)

| | 2012 | | | 2011 | | |
|----------|----------|------------|---------|----------|------------|---------|
| | Gross | Offsetting | Net | Gross | Offsetting | Net |
| DTA | 770,601 | (77,746) | 692,855 | 625,334 | (68,208) | 557,126 |
| DTL | (77,746) | 77,746 | - | (68,208) | 68,208 | - |
| DTA, net | 692,855 | - | 692,855 | 557,126 | - | 557,126 |

For the years ended 31 December 2012 and 2011, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2012 and 2011, there are no unrecognised deferred tax assets and liabilities. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of recoverability of deferred tax assets.

10 Cash and cash equivalents

As at 31 December, cash and cash equivalents are as follows:

| | 2012 | 2011 |
|---------------------------------|---------|---------|
| Demand deposits at banks | 122,466 | 222,669 |
| Cash on hand | - | - |
| Total cash and cash equivalents | 122,466 | 222,669 |

As at 31 December 2012, there is not any blockage on bank deposits (31 December 2011: None).

11 Factoring receivables

At 31 December, factoring receivables comprised the following:

| | 2012 | 2011 |
|--|-------------|-------------|
| Domestic factoring receivables | 234,265,797 | 234,299,902 |
| Export and import factoring receivables | 3,752,273 | 6,013,858 |
| Impaired factoring receivables | 6,693,804 | 4,110,045 |
| Factoring receivables, gross | 244,711,874 | 244,423,805 |
| Unearned factoring interest income | (4,473,688) | (3,888,492) |
| Allowance for impaired factoring receivables | (6,693,804) | (4,110,045) |
| Factoring receivables | 233,544,382 | 236,425,268 |

The Company has obtained the following collaterals for its receivables at 31 December:

| | 2012 | 2011 |
|----------------------------|-------------|-------------|
| Customer notes and cheques | 445,057,311 | 382,312,583 |
| Mortgages | 5,611,020 | 2,166,280 |
| Letters of guarantee | 739,631 | 194,890 |
| Total | 451,407,962 | 384,673,753 |

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Notes to the Financial Statements

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11 Factoring receivables (Continued)

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

| | 2012 | 2011 |
|--------------------------------------|-----------|-----------|
| Balance at the beginning of the year | 4,110,045 | 2,998,992 |
| Provision for the year | 3,041,621 | 1,353,543 |
| Recoveries during the year | (457,862) | (242,490) |
| Balance at the end of the year | 6,693,804 | 4,110,045 |

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

| | 2012 | 2011 |
|------------------------|-----------|-----------|
| Overdue 1 to 3 months | 805,352 | 1,167,388 |
| Overdue 3 to 6 months | 1,641,218 | - |
| Overdue 6 to 12 months | 788,051 | 186,155 |
| Overdue over 1 year | 3,459,183 | 2,756,502 |
| | 6,693,804 | 4,110,045 |

12 Other assets

As at 31 December, other assets are as follows:

| | 2012 | 2011 |
|---------------------------------|---------|---------|
| Prepaid expenses ^(*) | 227,135 | 201,059 |
| Others | 40,970 | 10,369 |
| | 268,105 | 211,428 |

^(*) Prepaid expenses include participation fee paid to the Banking Regulatory Supervisory Agency amounting to TL 36,200 and TL 33,600 as at 31 December 2012 and 2011, respectively, and insurance expenses that will be utilized in the subsequent months.

13 Assets held for sale

As at 31 December 2012, assets classified as held for sale consists of two flats obtained in lieu of impaired factoring receivables, amounting to TL 486,703 (2011: TL 486,703).

EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

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14 Investment property

Movement of investment property and related accumulated depreciation during the year ended 31 December 2012 is as follows:

| | 1 January 2012 | Additions | Disposals | 31 December 2012 |
|---------------------------------------|------------------|---------------------|-----------|------------------|
| Cost | | | | |
| Buildings | 1,344,107 | - | - | 1,344,107 |
| | | | | |
| | 1 January 2012 | Current year charge | Disposals | 31 December 2012 |
| Less: Accumulated Depreciation | | | | |
| Buildings | 125,054 | 26,883 | - | 151,937 |
| Net carrying value | 1,219,053 | | | 1,192,170 |

*) Additions to investment property include renovations to the flat.

Movement of investment property and related accumulated depreciation during the year ended 31 December 2011 is as follows:

| | 1 January 2011 | Additions(*) | Disposals | 31 December 2011 |
|---------------------------------------|----------------|---------------------|-----------|------------------|
| Cost | | | | |
| Buildings | 831,731 | 512,376 | - | 1,344,107 |
| | | | | |
| | 1 January 2011 | Current year charge | Disposals | 31 December 2011 |
| Less: Accumulated Depreciation | | | | |
| Buildings | 106,734 | 18,320 | - | 125,054 |
| Net carrying value | 724,997 | | | 1,219,053 |

*) Additions to investment property include renovations to the flat.

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

The fair value of the investment property of the Company is determined by an independent real estate appraisal company in January 2013. The appraisal company has the appropriate qualification and experience for the valuation of property. The expertise report was prepared in accordance with International Valuation Standards and by considering the market prices of the similar properties around the same locations with the related properties. As at 31 December 2012, the fair value of the real estate, which net carrying value is TL 1,192,170, is determined as TL 1,900,000.

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15 Tangible assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2012 is as follows:

| | 1 January 2012 | Additions | Disposals | 31 December 2012 |
|---------------------------------------|------------------|---------------------|-----------|------------------|
| Cost | | | | |
| Motor vehicles | 1,247,735 | - | - | 1,247,735 |
| Furniture and fixtures | 536,930 | 43,909 | - | 580,839 |
| Leasehold improvements | 321,755 | 23,600 | - | 345,355 |
| Others (*) | 822,822 | 7,575 | - | 830,397 |
| Total cost | 2,929,242 | 75,084 | - | 3,004,326 |
| | | | | |
| | 1 January 2012 | Current year charge | Disposals | 31 December 2012 |
| Less: Accumulated depreciation | | | | |
| Motor vehicles | 697,191 | 154,649 | - | 851,840 |
| Furniture and fixtures | 489,320 | 27,702 | - | 517,022 |
| Leasehold improvements | 310,353 | 11,582 | - | 321,935 |
| Total accumulated depreciation | 1,496,864 | 193,933 | - | 1,690,797 |
| Net carrying value | 1,432,378 | | | 1,313,529 |

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2011 is as follows:

| | 1 January 2011 | Additions | Disposals | 31 December 2011 |
|---------------------------------------|------------------|---------------------|-----------|------------------|
| Cost | | | | |
| Motor vehicles | 757,153 | 490,582 | - | 1,247,735 |
| Furniture and fixtures | 522,980 | 13,950 | - | 536,930 |
| Leasehold improvements | 321,755 | - | - | 321,755 |
| Others (*) | 822,822 | - | - | 822,822 |
| Total cost | 2,424,710 | 504,532 | - | 2,929,242 |
| | | | | |
| | 1 January 2011 | Current year charge | Disposals | 31 December 2011 |
| Less: Accumulated depreciation | | | | |
| Motor vehicles | 539,215 | 157,976 | - | 697,191 |
| Furniture and fixtures | 458,451 | 30,869 | - | 489,320 |
| Leasehold improvements | 290,812 | 19,541 | - | 310,353 |
| Total accumulated depreciation | 1,288,478 | 208,386 | - | 1,496,864 |
| Net carrying value | 1,136,232 | | | 1,432,378 |

(*) Others comprise paintings and other decorative items which are not depreciated.

As at 31 December 2012, total amount of insurance on tangible assets is TL 2,592,141 (31 December 2011: TL 2,465,993) and total amount of insurance premium on tangible assets is TL 27,545 (31 December 2011: TL 21,914). As at 31 December 2012 and 2011, there is no pledge on tangible assets.

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16 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2012 is as follows:

| | 1 January 2012 | Additions | Disposals | 31 December 2012 |
|---------------------------------------|----------------|---------------------|-----------|------------------|
| Cost | | | | |
| Rights | 140,246 | 14,116 | - | 154,362 |
| | | | | |
| | 1 January 2012 | Current year Charge | Disposals | 31 December 2012 |
| Less: Accumulated amortisation | | | | |
| Rights | 120,872 | 9,015 | - | 129,887 |
| Net carrying value | 19,374 | | | 24,475 |

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2011 is as follows:

| | 1 January 2011 | Additions | Disposals | 31 December 2011 |
|---------------------------------------|----------------|---------------------|-----------|------------------|
| Cost | | | | |
| Rights | 140,246 | - | - | 140,246 |
| | | | | |
| | 1 January 2011 | Current year charge | Disposals | 31 December 2011 |
| Less: Accumulated amortisation | | | | |
| Rights | 111,172 | 9,700 | - | 120,872 |
| Net carrying value | 29,074 | | | 19,374 |

As at 31 December 2012 and 2011, the Company does not have any internally generated intangible assets.

17 Loans and borrowings

As at 31 December, secured bank borrowings are as follows:

| 2012 | | | | |
|-------------------|-----------------|--|--------------------|-----------------|
| | | | TL amount | |
| | Original Amount | Nominal Interest Rate (%) ^(*) | Up to 1 year | 1 year and over |
| TL | 94,426,018 | 6.00-7.50 | 94,426,018 | - |
| TL ^(*) | 8,020,342 | 3.75 | 8,020,342 | - |
| USD | 1,680 | Libor + 3.8 | 2,995 | - |
| EUR | 1,374,251 | 3.37-3.92 | 3,231,826 | - |
| GBP | 68,054 | 4.32 | 195,370 | - |
| CHF | 19,675 | Libor + 3.8 | 38,229 | - |
| Total | | | 105,914,780 | - |
| 2011 | | | | |
| | | | TL amount | |
| | Original Amount | Nominal Interest Rate (%) ^(*) | Up to 1 year | 1 year and over |
| TL | 135,016,185 | 11.55-17.00 | 135,016,185 | - |
| TL ^(*) | 10,731,699 | 4.98-5.77 | 10,731,699 | - |
| USD | 86,176 | Libor + 4.25 | 162,778 | - |
| EUR | 2,243,257 | Libor + 3.39 | 5,482,071 | - |
| Total | | | 151,392,733 | - |

^(*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2012 and 2011.

^(*) Includes the balances with reference to foreign currency indexed bank borrowings.

As at 31 December 2012, the Company has cheques and promissory notes amounting to TL 152,104,188 (31 December 2011: TL 209,634,993) given as collateral against its outstanding bank borrowings.

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18 Debt securities issued

The Company has issued floating rate debt securities amounting to TL 50,000,000 at 31 July 2012 with 2 years maturity and six-months period interest payment. As at 31 December 2012, debt securities are as follows:

2012

| | Currency | Maturity | Interest type | Interest rate ^(*) | Nominal value | Carrying value |
|-----------------|----------|----------|--------------------------|------------------------------|---------------|----------------|
| Debt Securities | TL | 2014 | Floating ^(**) | 5.7177% | 50,000,000 | 52,419,024 |
| | | | | | | 52,419,024 |

2011

| | Currency | Maturity | Interest type | Interest rate ^(*) | Nominal value | Carrying value |
|-----------------|----------|----------|---------------|------------------------------|---------------|----------------|
| Debt Securities | TL | 2012 | Floating | 5.5000% | 20,000,000 | 20,435,166 |
| | | | | | | 20,435,166 |

^(*) Represents the semi-annual interest rate applicable for the first coupon payment term.

^(**) The second coupon payment interest rate for the next six-month is 4.7579%. The “Benchmark Interest” that will constitute the base of the interest rate of the Security will be the last 5 business days weighted arithmetic mean of the zero coupon government bond with the longest term at Istanbul Stock Exchange Bills Market Outright Purchases and Sales Market issued by the Treasury. The same procedure will be repeated to present the “Benchmark Interest” on each coupon payment day and the valid Coupon Interest Rate will constitute the base of the next coupon payment. The Coupon Interest Rate will be calculated by adding 3.75% (2011: 2.70%) additional rate of return per annum to the “Benchmark Interest Rate”.

19 Factoring payables

As at 31 December, factoring payables comprised the following:

| | 2012 | 2011 |
|-----------------------------|---------|---------|
| Domestic factoring payables | 990,294 | 602,921 |
| | 990,294 | 602,921 |

Factoring payables represent the amounts collected on behalf of but not yet paid to the factoring customers at the reporting date.

20 Other liabilities

As at 31 December, other liabilities comprised the following:

| | 2012 | 2011 |
|---|---------|---------|
| Taxes and duties other than on income tax | 525,917 | 325,542 |
| Trade payables to vendors | 133,374 | 140,881 |
| Social security payables | 63,723 | 50,791 |
| | 723,014 | 517,214 |

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21 Derivative financial assets and derivative financial liabilities

The Company uses currency swap derivative instruments. “Currency swaps” are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Company uses these derivative financial instruments, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risk.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company’s exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

| | 2012 | | 2011 | |
|-----------------------------------|--------|-------------|---------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Currency swap purchases and sales | 77,889 | (82,747) | 244,353 | (242,363) |
| | 77,889 | (82,747) | 244,353 | (242,363) |

As at 31 December 2012 and 2011, the details of derivative transactions is presented in Note 25.

22 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days’ pay, maximum of TL 3,033.98 at 31 December 2012 (2011: TL 2,731.85) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

For the years ended 31 December, movements in the provision for employee severance indemnity were as follows:

| | 2012 | 2011 |
|--------------------------------------|----------|----------|
| Balance at the beginning of the year | 233,047 | 178,445 |
| Interest cost | 20,788 | 13,504 |
| Service cost | 60,009 | 37,240 |
| Paid during the year | (33,265) | (51,544) |
| Actuarial difference | 74,314 | 55,402 |
| Balance at the end of the year | 354,893 | 233,047 |

The Company recognises the actuarial gains/losses in profit or loss.

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23 Capital and reserves

23.1 Paid-in capital

The Company has increased its share capital to TL 50,000,000 by TL 1,000,000 from the profit of 2010 and TL 9,000,000 from the profit of 2011, with the resolution of Board of Directors meeting held on 5 March 2012.

At 31 December 2012, the Company’s nominal value of authorized and paid-in share capital amounts to TL 50,000,000 (2011: TL 40,000,000) comprising 50.000.000 (2011: 40.000.000) registered shares of par value of TL 1 each. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL as of 31 December 2005.

As at 31 December, the composition of the authorized and paid-in share capital are as follows:

| | 2012 | | 2011 | |
|-----------------------------|-----------|-------------------|-----------|-------------------|
| | Share (%) | TL | Share (%) | TL |
| M. Semra Tümay | 49.00% | 24,500,000 | 49.00% | 19,600,000 |
| Murat Tümay | 25.50% | 12,749,999 | 25.50% | 10,199,999 |
| Zeynep Ş. Akçakayalıoğlu | 25.50% | 12,749,999 | 24.50% | 9,799,999 |
| Others | 0.00% | 2 | 1.00% | 400,002 |
| Share capital | 100.00% | 50,000,000 | 100.00% | 40,000,000 |
| Adjustment to share capital | | 279,326 | | 279,326 |
| Total share capital | | 50,279,326 | | 40,279,326 |

23.2 Legal Reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company’s statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves is TL 9,174,381 (historical) at 31 December 2012 (2011: TL 8,424,204 (historical)).

According to the decisions based on the General Assembly Meeting held on 23 February 2012 and the Extraordinary General Assembly Meeting held on 31 August 2012, it was decided to distribute TL 1,000,000 from the profit of 2010 and TL 1,000,000 from the profit of 2011 as dividend to the owners of the Company. Dividends amounting to TL 2,000,000 are totally paid in cash as at 31 December 2012.

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24 Risk management disclosures

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Credit risk

The Company is subject to credit risk through its factoring operations. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not enter into factoring transactions with the firms which do not meet the predetermined criteria for credit approval. Credit evaluations are performed on all customers by the Credit Risk Committee based on their authorisation limits. The Credit Risk Committee meets every week regularly and performs credit evaluations. The Company has early warning controls with respect to the monitoring of on-going credit risks and the Company regularly performs scoring of the creditworthiness of the customers. A special software program has been developed to monitor the credit risk of the Company.

At 31 December 2012, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

| | 2012 | % | 2011 | % |
|--|-------------|-----|-------------|-----|
| Textiles | 37,082,472 | 16 | 41,378,441 | 18 |
| Food, beverages and tobacco | 31,274,396 | 13 | 26,042,243 | 11 |
| Construction | 25,744,758 | 11 | 27,618,963 | 12 |
| Financial services | 25,149,703 | 11 | 8,958,626 | 4 |
| Tourism | 14,863,580 | 6 | 23,098,040 | 9 |
| Mining other than metal | 12,644,926 | 5 | 23,729,059 | 9 |
| Agriculture and ranching | 10,539,883 | 5 | 1,297,502 | 1 |
| Electrical equipments | 10,405,786 | 4 | 269,052 | 1 |
| Transportation, storage and communication | 10,096,385 | 4 | 8,847,743 | 4 |
| Rubber and plastic goods | 8,760,072 | 4 | 11,544,646 | 5 |
| Retail and wholesale trade | 7,119,246 | 3 | 7,192,530 | 3 |
| Wood and wooden products | 6,231,319 | 3 | 8,266,373 | 3 |
| Automotive | 3,629,232 | 2 | 12,963,907 | 5 |
| Cultural, recreational and sports activities | 3,499,792 | 2 | 7,042,636 | 3 |
| Chemicals and pharmaceuticals | 3,204,359 | 1 | 2,985,815 | 1 |
| Iron, steel, coal, petroleum and other mines | 2,780,184 | 1 | 9,863,662 | 4 |
| Machinery and equipment | 2,742,935 | 1 | 6,360,785 | 3 |
| Computer and computer equipments | 893,980 | 1 | 3,975,727 | 2 |
| Others | 16,881,374 | 7 | 4,989,518 | 2 |
| | 233,544,382 | 100 | 236,425,268 | 100 |

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24 Risk management disclosures (continued)

Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2012 and 2011, details of the financial assets exposed to credit risk are as follows:

| | 2012 | 2011 |
|-----------------------------|-------------|-------------|
| Cash at banks | 122,466 | 222,669 |
| Factoring receivables, net | 233,544,382 | 236,425,268 |
| Derivative financial assets | 77,889 | 244,353 |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The table below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December:

| | 2012 | | | | 2011 | | | |
|------------------------|---------|---------|---------|--------|---------|---------|---------|--------|
| | USD (%) | EUR (%) | GBP (%) | TL (%) | USD (%) | EUR (%) | GBP (%) | TL (%) |
| Assets | | | | | | | | |
| Factoring receivables | 6.36 | 6.85 | 7.95 | 14.38 | 7.50 | 7.60 | 8.75 | 17.90 |
| Liabilities | | | | | | | | |
| Loans and borrowings | 3.74 | 3.81 | 4.32 | 6.73 | 5.77 | 5.49 | 4.98 | 14.75 |
| Debt securities issued | - | - | - | 11.47 | - | - | - | 11.34 |

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24 Risk management disclosures (continued)

Market risk (continued)

Interest rate profile

At 31 December, the interest rate profile of the interest-bearing financial instruments is as follows:

| | Carrying Amount | |
|---------------------------|-----------------|-------------|
| | 2012 | 2011 |
| Fixed rate instruments | | |
| Factoring receivables | 150,624,373 | 123,120,162 |
| Loans and borrowings | 31,538,220 | 119,166,185 |
| Variable rate instruments | | |
| Factoring receivables | 82,920,009 | 113,305,107 |
| Loans and borrowings | 74,376,560 | 32,226,548 |
| Debt securities | 52,419,024 | 20,435,166 |

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at 31 December would have increased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit or (loss) | |
|---------------------------|------------------|-----------------|
| | 100 bp increase | 100 bp decrease |
| 2012 | | |
| Variable rate instruments | 184,589 | (184,589) |
| 2011 | | |
| Variable rate instruments | 11,661 | (11,661) |

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24 Risk management disclosures (Continued)

Market risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL. The Company uses currency swap contracts to manage its exposure to foreign currency risk, which will be realized in a short period of time.

As at 31 December, the foreign currency position of the Company is as follows (TL equivalents):

| | 2012 | 2011 |
|--|----------------|----------------|
| A. Foreign currency monetary assets | 12,027,486 | 16,947,611 |
| B. Foreign currency monetary liabilities | (11,790,305) | (16,390,583) |
| C. Derivative financial instruments | 346,287 | - |
| Net foreign currency position (A+B+C) | 583,468 | 557,028 |

As at 31 December, TL equivalents of the currency risk exposures of the Company are as follows:

| | 2012 | | | | |
|--|------------------|------------------|----------------|---------------|-------------------|
| | USD | Euro | GBP | Other | Total |
| Foreign currency monetary assets | | | | | |
| Cash and cash equivalents | 57,503 | 115 | 894 | - | 58,512 |
| Factoring receivables | 6,734,496 | 4,994,138 | 195,912 | 42,645 | 11,967,191 |
| Other assets | 1,783 | - | - | - | 1,783 |
| Total foreign currency monetary assets | 6,793,782 | 4,994,253 | 196,806 | 42,645 | 12,027,486 |
| Foreign currency monetary liabilities | | | | | |
| Loans and borrowings | 5,760,386 | 5,494,774 | 195,372 | 38,229 | 11,488,761 |
| Factoring payables | 252,407 | 38,395 | - | - | 290,802 |
| Other payables | 5,540 | 4,993 | - | 209 | 10,742 |
| Total foreign currency monetary liabilities | 6,018,333 | 5,538,162 | 195,372 | 38,438 | 11,790,305 |
| Net on balance sheet position | 775,449 | (543,909) | 1,434 | 4,207 | 237,181 |
| Off balance sheet net notional position | - | 346,287 | - | - | - |
| Net position | 775,449 | (197,622) | 1,434 | 4,207 | 583,468 |

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24 Risk management disclosures (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

| | 2011 | | | |
|---|-----------|-----------|-----------|------------|
| | USD | Euro | GBP | Total |
| Foreign currency monetary assets | | | | |
| Cash and cash equivalents | 65,928 | 171 | - | 66,099 |
| Factoring receivables | 3,814,305 | 7,932,827 | 5,132,491 | 16,879,623 |
| Other assets | 1,889 | - | - | 1,889 |
| Total foreign currency monetary assets | 3,882,121 | 7,932,999 | 5,132,491 | 16,947,611 |
| Foreign currency monetary liabilities | | | | |
| Loans and borrowings | 2,815,834 | 8,455,964 | 5,104,750 | 16,376,548 |
| Factoring payables | - | - | - | - |
| Other payables | - | 14,035 | - | 14,035 |
| Total foreign currency monetary liabilities | 2,815,834 | 8,469,999 | 5,104,750 | 16,390,583 |
| Net on balance sheet position | 1,066,287 | (537,000) | 27,741 | 557,028 |
| Off balance sheet net notional position | - | - | - | - |
| Net position | 1,066,287 | (537,000) | 27,741 | 557,028 |

Foreign currency sensitivity analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2012 and 2011 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2012 and 2011 remain constant.

| TL | Profit/(Loss) 2012 | Profit/(Loss) 2011 | Equity ^(*) 2012 | Equity ^(*) 2011 |
|-------|-----------------------|-----------------------|-------------------------------|-------------------------------|
| USD | 77,545 | 106,629 | 77,545 | 106,629 |
| EUR | (19,762) | (53,700) | (19,762) | (53,700) |
| GBP | 143 | 2,774 | 143 | 2,774 |
| Other | 421 | - | 421 | - |
| Total | 58,347 | 55,703 | 58,347 | 55,703 |

^(*) Equity effect includes profit or loss effect.

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24 Risk management disclosures (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has access to funding sources from banks. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Company strategy. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities of the Company:

| | 31 December 2012 | | | | | |
|---|--------------------|------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Contractual cash flows | 3 months or less | 3-12 months | 1-5 years | More than 5 years |
| Non-derivative financial liabilities | 159,457,472 | 169,285,310 | 99,940,010 | 16,486,450 | 52,858,850 | - |
| Loans and borrowings | 105,914,780 | 106,726,242 | 95,957,492 | 10,768,750 | - | - |
| Debt securities | 52,419,024 | 61,435,400 | 2,858,850 | 5,717,700 | 52,858,850 | - |
| Factoring payables | 990,294 | 990,294 | 990,294 | - | - | - |
| Other liabilities | 133,374 | 133,374 | 133,374 | - | - | - |
| Derivative financial liabilities | (4,858) | (4,869) | (2,128) | (2,741) | - | - |
| Inflow | 77,889 | 91,779 | 40,706 | 51,073 | - | - |
| Outflow | (82,747) | (96,648) | (42,834) | (53,814) | - | - |

| | 31 December 2011 | | | | | |
|---|--------------------|------------------------|-------------------|-------------------|-----------|-------------------|
| | Carrying amount | Contractual cash flows | 3 months or less | 3-12 months | 1-5 years | More than 5 years |
| Non-derivative financial liabilities | 172,571,701 | 175,291,389 | 98,800,186 | 76,491,203 | - | - |
| Loans and borrowings | 151,392,733 | 152,285,801 | 98,056,384 | 54,229,417 | - | - |
| Debt securities | 20,435,166 | 22,261,786 | - | 22,261,786 | - | - |
| Factoring payables | 602,921 | 602,921 | 602,921 | - | - | - |
| Other liabilities | 140,881 | 140,881 | 140,881 | - | - | - |
| Derivative financial liabilities | 1,990 | 1,993 | 1,815 | 178 | - | - |
| Inflow | 244,353 | 240,475 | 176,939 | 63,536 | - | - |
| Outflow | (242,363) | (238,482) | (175,124) | (63,358) | - | - |

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Notes to the Financial Statements

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24 Risk management disclosures (Continued)

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements. The Board of Directors monitors the return on capital, which includes the capital and reserves explained in note 23. There is no change in the capital management policy of the Company in the current year.

25 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items at 31 December:

| Letters of guarantee | 2012 | 2011 |
|-----------------------|---------|---------|
| Given to legal courts | 739,631 | 194,890 |
| | 739,631 | 194,890 |

As at 31 December 2012, the Company has given cheques and notes amounting to TL 152,104,188 (2011: TL 209,634,993) as collateral against its outstanding bank borrowings.

EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

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(Currency: Turkish Lira ("TL") unless otherwise stated)

25 Commitments and contingencies (Continued)

As at 31 December, commitments for purchase and sale of currencies under swap contracts are as follows:

| | | 2012 | | 2011 | |
|-------------------------|-----|------------------|-----------|------------------|-----------|
| | | Foreign currency | TL | Foreign currency | TL |
| Currency swap purchases | | | | | |
| | USD | 1,399,879 | 2,495,424 | 2,369,597 | 4,475,932 |
| | TL | 6,350,309 | 6,350,309 | 6,100,767 | 6,100,767 |
| | EUR | 1,748,556 | 4,112,079 | 704,132 | 1,720,759 |
| Total purchases | | 12,957,812 | | 12,297,458 | |
| | | 2012 | | 2011 | |
| | | Foreign currency | TL | Foreign currency | TL |
| Currency swap sales | | | | | |
| | USD | 1,399,879 | 2,495,424 | 2,369,597 | 4,475,932 |
| | TL | 6,355,180 | 6,355,180 | 6,098,776 | 6,098,776 |
| | EUR | 1,601,306 | 3,765,792 | 704,132 | 1,720,759 |
| Total sales | | 12,616,396 | | 12,295,467 | |

As at 31 December 2012 and 2011, the details of the Company's items held in custody is as follows:

| | 2012 | 2011 |
|-----------|-------------|-------------|
| Cheques | 236,950,306 | 260,088,416 |
| Notes | 35,009,115 | 48,660,572 |
| Mortgages | 5,611,020 | 2,166,280 |
| | 277,570,441 | 310,915,268 |

As at 31 December 2012, the Company has import guarantees amounting to TL 2,100,805 (2011: None).

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements

as at and for the Year Ended 31 December 2012

(Currency: Turkish Lira (“TL”) unless otherwise stated)



26 Related party disclosures

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and their investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis during the normal course of business.

| | 2012 | 2011 |
|---------------------------------|---------|---------|
| General administrative expenses | | |
| M. Semra Tümay-rental expense | 428,936 | 405,163 |
| | 428,936 | 405,163 |

Total benefit of key management for the years ended 31 December 2012 and 2011 amounted to TL 2,827,894 and TL 2,375,294, respectively.

27 Events after the reporting period

In the meeting of the Board of Directors held on 25 February 2013; it was decided to gather the Ordinary General Assembly meeting for the year ended 31 December 2012 according to 416th article of the Turkish Commercial Code.

Management

| | |
|-----------------|--|
| Murat Tümay | General Manager |
| H. Cenk Eynehan | Assistant General Manager, Marketing |
| Ertuğ Sanlı | Assistant General Manager, Structured Financing and Commodity Financing |
| Erhan Meral | Assistant General Manager, Financial and Administrative Affairs |



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