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**EKSPÖ**

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**FAKTÖRİNG**

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**ANNUAL**

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**REPORT**

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2015

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**EKSPÖ**  
**FAKTÖRİNG**  
**ANNUAL**  
**REPORT**  
**2015**

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**INDEPENDENT AUDITOR'S REPORT**



We at Ekspo Faktoring are taking firm steps toward the future as we celebrate our 15th year in the industry, thanks to our long-established corporate culture, robust financial statement, transparent management understanding and strong international relationships. We will continue to build a stable and sustainable future together with our stakeholders.

**GÜRBÜZ TÜMAY**  
HONORARY CHAIRMAN

## MESSAGE FROM THE CHAIRMAN



Distinguished stakeholders,

Ekspo Faktoring has accomplished the goals we set in 2015 while financial market fluctuations made their mark throughout the year. Our company has grown with the vision of being a supporter of the economy and the real sector since its foundation and has had commercial performance success with the robust steps taken in 2015.

The year 2015 was challenging in terms of both the local and global economies. The general elections held one after another and increasing geopolitical risks in Turkey caused a negative impact on the growth. Emerging markets has entered into a difficult period abroad, with indications of increases in FED rates as a result of positive data from the US and the pressure on the emerging market currencies. However, the fast and strong formation of a single-party government and the delay of the increase of interest by the FED helped us to get through this difficult period relatively easy.

The recovery of the US dollar in the international markets as well as the weak progress of global demand conditions, which depended on the deceleration in the Chinese economy, caused an increase in concerns related to global growth. While developing commodity export economies were shaken, the Eurozone and Japan continued to have difficulties despite expansionary monetary policies.

While our country produced growth based on domestic consumption in 2015, our greatest contributions were the result of our resolutely maintained financial discipline. Inflation proceeded at higher rates than expected throughout the year while the current account balance improved due to the decrease in commodity prices.

## We have been playing an active role in helping our clients compete in global markets.

The interest rate cut at the beginning of 2015 affected interbank rates positively. However, the monetary depreciation of the TL in the following months caused interbank rates to increase. Although global fluctuations weakened capital flows toward developing countries, the Turkish banking sector did not have any trouble finding foreign finance in 2015.

The Turkish banking sector, which has a healthier active and passive structure compared to high-capital and European equivalents, increased its total assets by 18% compared to the previous year and supported the real sector robustly during this period. Non-bank financial institutions increased their assets from 79 to 91 billion TL with an increase of 17% compared to the previous year, and continued to be the empowering player of the real sector after the banks.

As Ekspo Faktoring, we believe that we have played our role well during this period. As of the end of 2015, our assets were about 290 million TL and our turnover was above 1.1 billion TL. Our shareholders' equity increased from 90 to 98 million TL, coming close to our 2016 goal of 120 million TL.

We have been playing an active role in increasing the competitive capacity of our clients in global markets. We achieved many successful financing solutions in 2015 together with our clients. Throughout the year we financed 35 million USD for export and 15 million USD for import as long-term buying. While accomplishing these achievements, we used our capital actively and increased the number of domestic and foreign financial institutions we collaborated with. Our strong dialogue with the Black Sea Trade and Development Bank helped us to increase our credit limit, which we use in the long-term, from 5

million USD to 10 million USD. We had our exporter clients, which operate in various industries from fishing to textiles, used this credit and helped them to increase their sales. We also offered 5 million USD of long-term credit facility that we received from Turk Eximbank to our clients and provided financing solutions. I would like to emphasize that we are proud of being one of the few factoring companies given access to the inexpensive funds of the state-sponsored Turk Eximbank. Through EF Commodity, the structured finance company that we introduced last year as a product, we helped our clients in financing the raw materials approximately 5 million USD.

We anticipate that the risks I mentioned above will continue in 2016. The progress of oil and commodity prices as well as the USD will continue to be determinative on global markets. We aim to increase our assets to 400 million TL and shareholders' equity to 120 million TL in 2016.

Just as we do every year, we will make reasonable efforts to introduce new products, and to increase our qualified and innovative services in 2016 as well. Developing Fintech products excites us and increased its market share globally, and actualizing these products within the year are among our goals. Fintech, named after the combined English abbreviations of the words 'finance' and 'technology', promises different products and services in all areas where technology meets with finance. We held meetings with some integration institutions to develop innovative products focused on the customer, technology and efficiency. By reviewing good examples of successes in this field, we have focused on how we can integrate the best solutions into our system and how to carry out them efficiently by taking into account the opinions of our stakeholders.

We have reached our 15th year in the field at Ekspo Faktoring. During this period, we have built a long-established corporate structure founded on a robust financial substructure and grown together with our stakeholders. Today, Ekspo Faktoring is known as an effective and stable company in global monetary markets. We have become an institution which has direct contact with many foreign financial organizations, has high credibility in the presence of development banks and has received rating scores from Moody's for 10 years. We did this together. We would like to take this opportunity to thank all our employees, clients and stakeholders.

Each passing year we continue to reinforce our position in the sector and to grow steadily. As it always has been, we will continue to endeavor to maximize our support in the economy in 2016.

Before I close, I would like to say that I hope that you have a good year in 2016 and for the welfare and peace of yourselves and our country, and I wish you the best in your business.

Kind regards,

**Murat Tümay**  
Ekspo Faktoring A.Ş.  
Chairman of the Board and  
General Manager



## BOARD OF DIRECTORS



**MURAT TÜMAY**  
CHAIRMAN OF THE BOARD AND  
GENERAL MANAGER

Murat Tümay was born in Istanbul in 1974. He graduated from Clark University, Department of Economics. He began his career in 1997, when he started working at The Park Avenue Bank N.A, where he worked as an analyst, assistant manager and manager respectively. Between the years 2000 and 2002 he worked as a director at Turkcell İletişim Hizmetleri and İş-Tim Telekomünikasyon Hizmetleri A.Ş., and has been working at Ekspo Faktoring since 2002. His current position is General Manager.



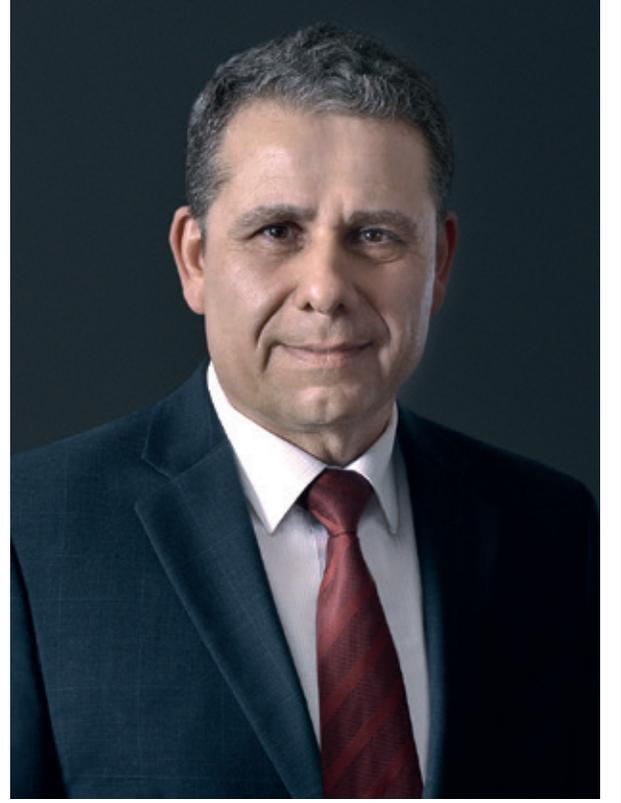
**ZEYNEP Ş. AKÇAKAYALIOĞLU**  
DEPUTY CHAIRMAN

Zeynep Şükriye Akçakayalıoğlu was born in Istanbul in 1969. She studied at Lycée Saint Benoit d'Istanbul, and afterwards graduated from the University of West Georgia, Department of Management Systems, in 1991. Between 1991 and 1999 she worked as a director at Arthur Andersen Human Resources Consultancy. She has been performing her duties as a Member of the Board at Royal Yönetim Danışmanlığı A.Ş. since 1999 and at Ekspo Faktoring A.Ş., where she is also a founding partner.



**ŞERİF ORHAN ÇOLAK**  
MEMBER

Şerif Orhan Çolak was born in Istanbul in 1945. He graduated from Neuchatel University, Department of Economics. He began his career in 1971 as a manager in Altın Mekik Tic. ve San. A.Ş. and has worked as a director in many finance institutions, such as the International Industry and Trade Bank, Facto Finans, Banque Internationale de Commerce and İktisat Bankası T.A.Ş. In 2007 he started working at Istanbul Commerce University as an instructor and has been working at Ekspo Faktoring A.Ş. as a Member of the Board since 2011.



**GÜNAL İNCE**  
MEMBER

Güenal İnce was born in Istanbul in 1959. He graduated from Boğazici University, Department of Management. He began his career in 1985 at İktisat Bankası T.A.Ş. and later worked at Dresdner Bank A.G., Dresdner Kleinwort Benson, BNP-AK-Dresdner Bank. Between 2000-2012 he worked as a director at Doruk Una Değer Katma A.Ş., Unmaş Unlu Mamüller A.Ş. (UNO), Doruk Perakende A.Ş. (Komşufırın), Dosu Maya A.Ş. and Zeelandia Doruk A.Ş. He started working at Ekspo Faktoring A.Ş. in December 2014 and has acted as a Member of the Board ever since.

## MISSION

Expanding its portfolio with recent financing models which are in demand throughout the global economy. Leading the process in which the Turkish banking sector increases its share of domestic and foreign trade.

Gaining a competitive edge in the sector with its corporate management insight, innovative products and introducing advantageous financing products to several companies operating in different sectors.

Applying quality and productivity based practices in client relations management.

Being a regional pioneer in international commerce.

## VISION

Continuing its steady growth and reaching an asset size of 170 million USD by 2016.

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## **STRATEGIC GOALS**

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Accommodating the ever-changing needs of the real sector with the help of innovative products and services.

Retaining a sustainable level of growth by adopting a service concept based on quality and productivity.

Developing “tailor-made financing models” for companies operating in different sectors and thus maintaining competitive power.

Financing Turkish companies in their foreign operations and helping them to improve their profitability.

Providing its employees with occupational and personal improvement opportunities and becoming a company which stands out with the quality of its human resources.

## EKSPÖ FAKTORİNG

### AT A GLANCE

#### THE NAME SYNONYMOUS WITH COMPETENCY AND TRUST IN THE INDUSTRY

Ekspo Faktoring established with a capital of 1 million TL in 2000 was the only company deemed worthy by the Undersecretariat for the Treasury during a period where factoring licenses were delayed for a long time and even, in some cases, not issued at all. Ekspo Faktoring, building factoring with a new perspective in Turkey through the broad experience of its founders in the banking field, is among the most powerful financial institutions in Turkey today.

The company, continuously supporting the real sector with its customer-oriented, profitable and sustainable growth strategy, has managed to overcome crises in a strong and successful way thanks to its innovative strategies, solid shareholders' equity structure and corporate management approach.

#### INNOVATIVE PERSPECTIVE EMBRACING TRANSITION

Ekspo Faktoring maintains its strong and pioneering stance in the Turkish finance industry with its products and services with high added value produced by its management approach which is open to innovations. The company puts emphasis on establishing long-term relationships with its clients and provides efficient and rapid solutions for its clients according to their needs and expectations.

Ekspo Faktoring has maintained its activities with an innovation-oriented approach since its foundation and has managed to stand out in the field with its superior performance. The company has distinguished itself in the sector in particular by its proficiency in foreign trade, and has a remarkable competitive advantage in its international correspondent relations abroad, as well as its innovative financial solutions in the import and export fields. The company has built long-term relationships with its clients based on trust; it presents investors with the right products at the right prices, and leads development through its competence and knowledge.

**Ekspo Faktoring, the company rebuilding factoring in Turkey with a new perspective, is confident about the future with its vision focused on sustainable growth and profitability and its superior performance making it stand out in the industry.**

#### **FUND PROCUREMENT**

Ekspo Faktoring procures significant funds for the financing needs of numerous companies operating in many sectors, such as construction, textile, transportation, and manufacturing, which are the locomotive of the Turkish economy. The company offers qualified financing solutions to its clients through its experience in foreign trade and is known to be an active and consistent institution in global monetary markets.

Ekspo Faktoring has a correspondent network extending from Japan to the United States, and has further strengthened its correspondent relationships with domestic and international banks and financial institutions in 2015. The company has the opportunity of financing reaching to 500 million USD and it mediated foreign trade financing of 53 million USD in total in 2015. The company aims to expand by 36% in domestic and international transactions in 2016.

By providing medium- and long-term resources and guarantees to its clients' imports, Ekspo Faktoring supports the increase of their competitive power. The company became one of the first factoring companies to be assigned a limit by Turk Eximbank and added the capacity of Turk Eximbank to its portfolio in order to increase the competition capacities of its importer clients in global markets and to minimize the risks that may be encountered. Upon the approval of the Central Bank of Turkey (TCMB) for the mediation of factoring companies to export rediscount credits, the Eximbank credit limits doubled in a short time for Ekspo Faktoring, which helped clients who are not direct Eximbank customers to reach cost-effective financing products.

Ekspo Faktoring was also assigned a limit of 44.9 million TL by Takasbank A.Ş. to transact in monetary markets in 2015.

In 2013 the company signed a loan agreement with the Black Sea Trade and Development Bank for financing international trade, for 5 million USD with a term of 370 days. Within this scope, Ekspo Faktoring made a lending of 5 million USD in 2013 and established a second bracket limit of 5 million USD to be used by its clients for pre-exports in April 2014. Within the year, this increased amount of 10 million USD was used to support the clients further by assigning them medium-term financing loans.

Ekspo Faktoring was given the GSM 102 loan by the US Department of Agriculture, which is granted to a limited number of banks in the world and, aside from the largest 22 banks in Turkey, Ekspo Faktoring became the only financing institution to receive this loan. The company has also collaborated with Canadian Eximbank in 2013 as a result of its international operations and has become able to provide medium- and long-term financing support for its clients. In addition to these institutions, Ekspo Faktoring has signed agreements with American Eximbank, Korean Eximbank and UK Export Finance (ECGD).

#### **STRONG INTELLECTUAL CAPITAL**

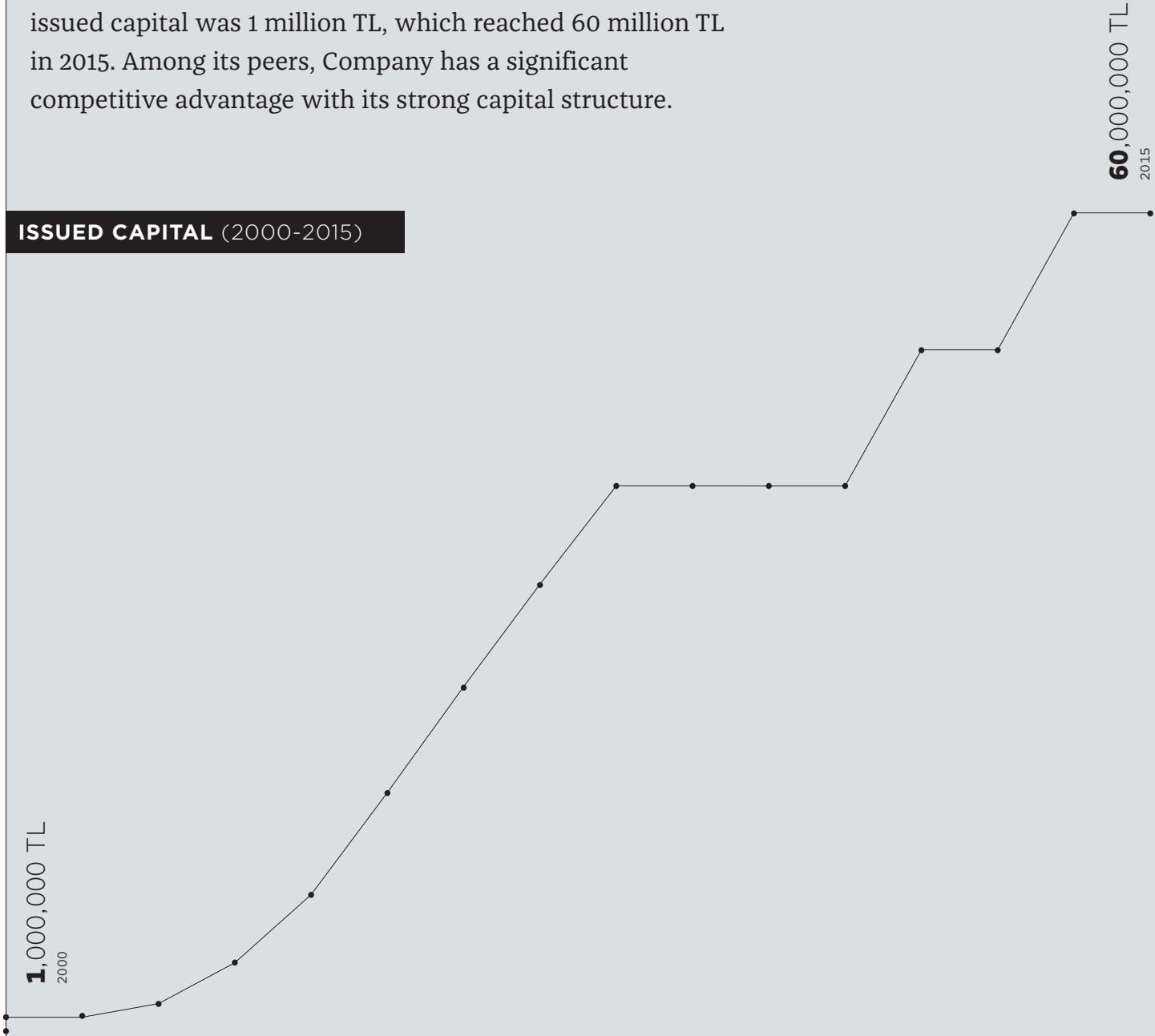
Without a doubt, one of the most significant factors making Ekspo Faktoring successful is its intellectual capital. The company's team, composed of experienced and up-to-date professionals, provides its clients with innovative and customized solutions suited to their needs and expectations. This kind of human resource, with high ethical standards, potential and responsibility, is essential to the company culture that carries Ekspo Faktoring forward.

In accordance with its mission and vision, Ekspo Faktoring has adopted the principle of perpetual development. Its specialists are dedicated to perfection, competence and coordination, remain up-to-date about the finance sector and improve the service infrastructure.

Ekspo Faktoring has also made large investments in information technologies. In 2012 the company switched to using the Society for Worldwide Interbank Financial Telecommunication (SWIFT), an interbank medium of secure information transfer, and was the first one to do so in its sector. The company is starting to communicate with banks and international financing institutions over this system, and redesigned the corporate website to be consistent with new technological standards through more useful design. Ekspo Faktoring improved its operational pace and efficiency by renovating its entire system infrastructure in 2014 and the company plans new investments in 2016 to increase data safety.

Since its foundation, Ekspo Faktoring has been focusing on sustainability since its foundation and has accommodated growth by strengthening its capital. In the year 2000 its issued capital was 1 million TL, which reached 60 million TL in 2015. Among its peers, Company has a significant competitive advantage with its strong capital structure.

**ISSUED CAPITAL (2000-2015)**



### ALTERNATIVE FINANCING SOLUTIONS FOR CLIENTS

Ekspo Faktoring has managed to make a difference in the field with its developments in innovative and creative products and services. By considering the future dynamics and pursuing trends in the markets closely, Ekspo Faktoring is a real solution partner as it can anticipate possible client needs in the future and present adequate finance, guarantee and cash options ahead of time.

Ekspo Faktoring provides a wide range of products and services including contract financing, project financing, order financing, pre-sale financing, supply chain financing and structured products to numerous companies operating in different industries, and also undertakes successful operations in cooperation with Turkey's leading corporations with the help of its proactive approach.

Ekspo Faktoring reached an asset size of 290 million TL, a turnover of 1.1 billion TL and a profit level of 13 million TL by the end of 2015, increasing its shareholders' equity up to 98 million TL by achieving a 9% growth. Also, this year saw the highest level of commission income in the history of the company.

### CONTINUOUS SUPPORT TO THE REAL SECTOR

Ekspo Faktoring, provides information and consultancy services to its clients continuously and brought its clients together with innovations and strategic perspective, leading it to the top of the competition in 2015. In that year, 86% of the company's turnover consisted of domestic transactions and 14% of international transactions; moreover, the company reached an export turnover of 36 million USD and an import volume of 17 million USD.

Ekspo Faktoring signed agreements with the largest banks of the world in 2015 and expanded its scope. The company's target clients are companies which import raw materials mainly for exports and companies which operate in construction, tourism, textiles, the metal primary industry, machinery, durable consumer goods, and the energy and food industries. The common trait of these industries is that they focus on exports as well as domestic operations and that they prefer to work on a project, contract and order basis.

Ekspo Faktoring is closely familiar with and analyzes the needs of its clients multidimensionally, and based on this presents the most appropriate financing options to them. The company is determined to actively partake in the steady rise of the Turkish economy with the help of its effective business processes that are formed in accordance with its pace and quality requirements and its corporate structure which is open to improvement.

### INCREASING CLIENT RETENTION

68% of the portfolio of Ekspo Faktoring, which establishes permanent and strong relationships with its clients, consists of loyal and long-term clients. Thanks to its sensitive portfolio management and proactive approach to portfolio efficiency, the company has a client retention rate well above the sector average. By visiting our clients regularly, we keep up-to-date on our clients' operations and activities, as well as the sectors they operate in.

In the year it was founded, Ekspo Faktoring had an asset size of 14 million TL in 2000 and it reached 290 million TL as of the end of 2015. The financial soundness of the Company were also confirmed by international rating agencies.

### SIZE OF ASSETS (2000-2015)



## MANAGEMENT UNDERSTANDING

**Ekspo Faktoring, supporting the sustainability of its success with well-structured internal control systems and risk management applications, continues its activities with a principled, transparent and responsible approach.**

### A NEW PERSPECTIVE IN FACTORING

Ekspo Faktoring has built factoring with a new perspective in Turkey thanks to the broad experience of its founders in banking industry and stands out with its understanding which highlights transparency and trust. It is a company which published annual reports for the first time in the industry, has shared financial statements regularly, assigns independent members to the board and is audited by independent audit institutions, and with this approach the company has managed to raise the standards in the factoring field.

The company is managed with a proactive strategy accommodating itself to the progress in the market, and it acts with financial discipline and accountability by complying with international criteria, legislation in force, specifications, standards and ethical values. The corporate management approach of Ekspo Faktoring, fed by experienced human resources and expertise, is based on a transparent mode of management, effective risk management and internal control mechanisms. Two independent members assigned to the Board of Directors demonstrate the company's dedication to the principles of transparency and accountability.

It is important that the understanding of corporate management is reflected and equally practiced in every single department of the organization; therefore, the company ceaselessly works in order for internal communication and corporate culture to become more solid. Within this scope, the goal is to resolve our shortcomings one by one and maintain a sustainable corporate growth with the help of our committees that have actively worked since our founding. These committees, which enable more solid and efficient work processes, and their duties are as follows:

### ASSET-LIABILITY (ALCO) COMMITTEE

This committee gathers weekly under the chairmanship of the General Manager and with the attendance of group managers which undertake activities that could affect the financial statement. The agenda includes the financial statement of the company, activities of departments, risk positions of clients, general economic information, current political and economic developments, current legislation and lendings to be made, and also the definition of a weekly strategy.

### RISK ASSESSMENT COMMITTEE

This committee gathers weekly, led by the Chairman of the Credit Committee. The committee evaluates the offers regarding corporate clients' requirements and the suggestions of the Marketing Department to approve or reject them within the limits of its authority. Outside these limits, it submits the offers and suggestions to the Board of Directors. The committee may have a non-scheduled gathering if need be.

### LIQUIDITY COMMITTEE

This committee gathers weekly under the chairmanship of the General Manager and with the attendance of senior executives. Interest rates applied in the financial markets, weekly positions to be assumed in banks and interest rates used by banks are discussed daily, weekly, quarterly, semiannually and, if possible, annually. The committee assesses available mobilized bank limits and collaterals maintained with banks, determines the financial institutions to work with and obtains information about their financial structure. Considering the market and economic conditions, the committee makes funding decisions in a manner that complies with the collection and payment terms. It also stress-tests the company's financial statement in order to evaluate its susceptibility to interests and market risks.

### INFORMATION TECHNOLOGIES COMMITTEE

This committee gathers once a year under the leadership of the General Manager and collects information about the latest technology related with new information technology investments that the Company may need. Ekspo Faktoring is audited by an international independent auditing institution to prevent internal and external risks regarding information technology. Taking action according to the results of this audit is among the principal duties of the Information Technology Committee.

### HUMAN RESOURCES COMMITTEE

This committee gathers every December under the chairmanship of the Member of the Board in charge. The committee evaluates the vertical (advancement of both the title and the duties and responsibilities) and horizontal (a change in duties and responsibilities with the title remaining the same) progress of all employees and makes final decisions within this scope. Also, the committee determines what actions are to be taken in order for new employees to undergo training and orientation processes, maximizing the human resources productivity of the Company.

Ekspo Faktoring continually improves its risk evaluation system by utilizing the methods of the world's leading rating agencies in order to assess its financial receivables in a healthy and consistent manner. The company increased its factoring receivables from 13 million TL in 2000 to 279 million TL in 2015.

**FACTORING RECEIVABLES (2000-2015)**



## PRODUCTS AND SERVICES

**Ekspo Faktoring achieves a corporate prudence above the industrial average in managing client relations, meets the financial needs of its clients with a business partner approach and offers its services at international standards.**

### LEADING PRACTICES IN FACTORING

Ekspo Faktoring has shaped its activities with the mission of finding effective solutions to the financial needs of its clients from various sectors and has achieved a corporate prudence above the industrial average in managing client relations. Since its foundation, the main point of client relations based on mutual trust has been to present liquidity and guarantee together within the same package.

Ekspo Faktoring is determined to act in a transparent manner while handling all kinds of demands that clients might request; indeed, the company regards these processes as an opportunity to better know its clients and also gain experience in risk management. The company provides financing services for both domestic and international transactions and also services guarantee and collection. In order to broaden its client portfolio, it has focused on expanding the product portfolio and utilizing more efficient marketing methods.

Ekspo Faktoring observes the conditions in the Turkish market and other markets with which they do business and, by assessing financing opportunities, supports its clients in achieving the highest possible added value.

### STRUCTURED FINANCING

For Turkey and also many other developing economies, importing raw materials for export purposes and manufacturing energy and other natural resources bears great importance to both national prosperity and export operations. The high commodity prices of recent years have led to an unprecedented rise in the level of demand, leaving businesses in need of additional bank limits. Structured financing, an essential factor in meeting these demands so far, provides funds by pledging future cash flows and current receivables as collateral.

Ekspo Faktoring has been providing structured pre-export financing options since 2012. It has provided 137 million US dollars in structured financing so far through finance institutions, contributing to the supply of raw materials that the industrial businesses need.

### PRE-SHIPMENT FINANCING

Pre-shipment financing means financing the expenses made until the goods are shipped for export. Ekspo Faktoring has been providing this service since 2008, allowing its clients to have an advance payment amounting to a certain percentage of the total export amount, on the condition that the export contract is assigned to Ekspo Faktoring. This percentage is determined in light of several parameters, such as the reliability of the relations between the client and the buyer, the duration of embarkation and the credibility of the client, as the amount will be revoked to them in the event that the export amount cannot be collected. This financing enables the client to gain a financial advantage in purchasing the goods or perform debt servicing.

### COMMODITY FINANCING

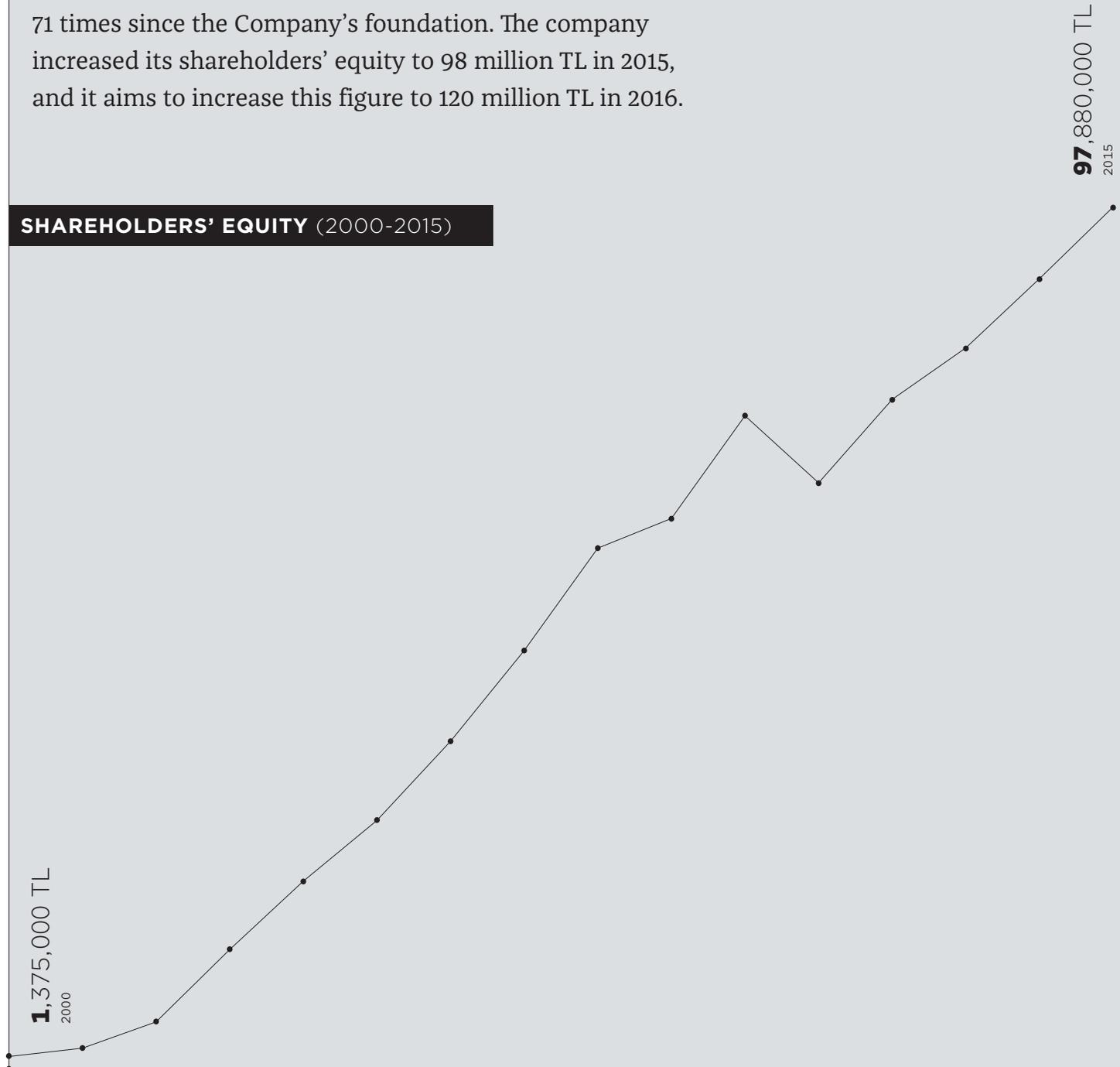
Commodity financing is a mechanism which allows to support medium- or large-scale industrialist clients to receive financing for raw material imports for the purpose of exports or domestic sale. Ekspo Faktoring has a high level of know-how in commodity financing, a major branch of the business since 2010, and mainly focuses on the energy industry and agricultural goods. The company provides these products to its clients with the contribution of the largest banks and export credit agencies in the world.

### AGRICULTURAL GOODS

Agriculture is a substantial industry for many developed and developing countries, including Turkey. Ekspo Faktoring provides trade financing for a wide range of agricultural products, such as cotton, sugar, soy beans, cocoa, coffee and tobacco. Besides meeting the daily financing needs of its clients, since 2012 Ekspo Faktoring has been supplying financing and pre-shipment financing services in exchange for commodity lien with the support of its business partners located in America, Europe and the Far East.

Ekspo Faktoring has a privileged position in the sector with its expertise, qualified human resources and strong funding structure, and the shareholders' equity which has multiplied 71 times since the Company's foundation. The company increased its shareholders' equity to 98 million TL in 2015, and it aims to increase this figure to 120 million TL in 2016.

### SHAREHOLDERS' EQUITY (2000-2015)



## **GSM 102**

Ekspo Faktoring A.Ş. offer extended payment terms to Turkish importers for their agricultural imports from the US within the scope of the GSM 102 program conducted by the Commodity Credit Corporation (CCC), a subsidiary of the US Department of Agriculture. Within the GSM credit process, the related institution insures the sovereign and the corporate risk status and the loan is provided by the intermediary bank in the US. The loan is extended as follows: A sight letter of credit is opened for the importer and, after shipment, the intermediary bank in the US issues a loan to Ekspo Faktoring, thus paying the exporter in United States. In this transaction, Ekspo Faktoring is the debtor, however, the loan is actually extended to the importer company in Turkey; that is why a credit line is allocated to this company by Ekspo Faktoring. Principal repayment is realized annually or semi-annually (optional).

GSM 102 allows a wide range of goods to be credited and the maximum term is two years. When a GSM transaction is in question, the whole import amount (generally over the FOB value, CIF for some types of goods) is credited with no obligation of advance payment. Since 2012, this program facilitates the import of such products as forest products, wheat, wheat flour, semolina, rice, brown rice, feed seeds, animal feed products, protein foods, breeding farm animals (cattle, sheep, goat, horse - including the sperm and the embryo), breeding poultry, fish, vegetable oils, seeds, tallow, oil, fat, dairy products, meat, feeder cattle, cotton, cotton thread, cotton products, sowing seeds and ethanol.

## **IMPORT FINANCING**

Since 2004, Ekspo Faktoring serves its clients in importing products. Within this scope, the guarantee given by Ekspo Faktoring to the foreign institution against the risk of non-payment on the side of the importer clients is accepted by international banks. The guarantee provided by Ekspo Faktoring is recognized by the largest banks in the Far East, Asia, America and Europe and, if need be, a discount is applied and the supplier is paid in advance. Thanks to its international reputation and network of correspondents, Ekspo Faktoring is able to meet its clients' export financing needs up to 30 million USD.

## **EXPORT FINANCING**

Cash flow is a significant problem faced by many exporters. Companies need to generate cash in order to finance their growth. Financing is an important issue for exporters who sell goods to developed and developing countries. Within the scope of export financing, exporters are provided with funds at reasonable charges in exchange for current or future receivables. Apart from this, through comprehensive insurance agreements made by export development agencies or private insurance companies, long-term funding can be provided for machinery or large-scale commodity export transactions made with developing countries that bear a certain level of risk or countries that experience domestic turbulence, thus preventing the political or credit risks that could be posed. Ekspo Faktoring has provided export financing services since 2002 and has vast experience in this area.

## **COMMERCIAL FINANCING SOLUTIONS**

Commercial financing solutions are represented by a structure in which several products provided by Ekspo Faktoring can be used together in order to meet client needs:

- Purchasing of current or future receivables,
- Guarantees,
- Purchasing of non-revocable commercial receivables,
- Supply chain financing, discount on confirmed letters of credit, post-financing, assignment of receivables agreement, payment guarantee, inventory financing.

With the help of its experienced specialists, Ekspo Faktoring creates unique financing structures and helps clients to reach liquidity. So far, the Company has met its clients' financing needs through structuring and is constantly in search of new and innovative solutions.

## **PAYMENT GUARANTEES**

Payment guarantees are instruments used in minimizing commercial and sovereign risks that could be posed by developing or developed countries with which open account export transactions are made. Usually, these guarantees are used to cover the possibility of non-payment of debts that are generated by a transaction or over a period of time. Ekspo Faktoring has provided payment guarantee services to its clients since 2004.

Ekspo Faktoring offers a wide range of services and financing opportunities, and has achieved an increase in its factoring income, obtained only from factoring operations, for the last 15 years since its foundation, thanks to its ceaselessly growing transaction volume. This figure reached 42.3 million TL in 2015.

**FACTORING INCOME (2000-2015)**



### **PURCHASING OF COMMERCIAL RECEIVABLES**

Ekspo Faktoring has provided this service since 2004. Purchasing of commercial receivables, i.e. factoring, is one of the main branches in which the Company operates. This process involves the purchasing of the commercial rights of the seller covered by a contract and payment of the related amount to the seller in advance. Purchasing of receivables provides opportunities for:

- Retaining a strong financial structure,
- Audit and management of receivables,
- Providing alternative human resources,
- Resolving issues of undercapitalization,
- Facilitating management and operation,
- Maintaining a good relationship between the seller and the client in case of undisclosed transactions.

### **SUPPLIER FINANCING**

Within recent years, supplier financing has been regarded by many foreign and Turkish CFO's as a significant tool that provides working capital and financing opportunities. Large-scale purchasers that use the supplier financing method are generating low-cost alternative financing resources for many primary product and service suppliers, supporting them in terms of cash flow. Through the supplier financing method it has been using since 2009, Ekspo Faktoring provides its clients with the opportunity to make deferred payments.

### **ECA LOANS**

Ekspo Faktoring also provides exclusive services to its clients through ECA loans.

**Korean Ex-Im Bank:** Korean Ex-Im Bank is a national export credit bank, which was founded in order to encourage the exportation of Korean products by providing attractive financing opportunities through banks. Since 2011, Ekspo Faktoring has been providing financing services with a maximum term of six months via its agreement signed with Korean Ex-Im Bank in order to facilitate its clients' import activities from Korea. Within this scope, Ekspo Faktoring finances its clients' imports of construction machines and chemicals.

**American Ex-Im Bank:** The USA is one of the countries from which Turkey procures and imports high amounts of agricultural raw material. Within the scope of an agreement that Ekspo Faktoring signed with the US Ex-Im Bank in 2011, the bank acts as an intermediary for industrialists undertaking deferred imports from the US to Turkey, thus providing low-cost funding for imports with a one year term.

**UK Export Finance (ECGD):** UK Export Finance (formerly ECGD) is another export incentive institution, which acts as an intermediary for Ekspo Faktoring clients that wish to import goods from the UK. The company has been providing low-cost and long-term funding for imports from the UK since 2012.

**Canadian Eximbank (EDC):** Since 2013, Ekspo Faktoring provides medium- and long-term financing opportunities for imports from Canada to Turkey with the help of Canadian Eximbank loans.

### **Black Sea Trade and Development Bank:**

In 2013, the Company signed a loan agreement of 5 million USD with a term of 370 days, with the Black Sea Trade and Development Bank for financing international trade. The funds are aimed to finance import activities undertaken by Turkish companies from member states of the Black Sea Trade and Development Bank and to support Turkish companies in their global export activities. The company primarily extends this resource in order to finance Turkish companies in their raw material imports from the Bank's member states. This loan, provided in 2013, was doubled in 2014 to reach 10 million USD.

**Turkish Eximbank:** Ekspo Faktoring became one of the first factoring companies which was assigned a limit by the Turkish Eximbank. The company began to work for extending post-shipment export rediscount credits. In order to boost the competitive power of its exporter clients in global markets, the company provides the most cost-efficient export financing options in Turkey. While exporter companies could have terms of up to 180 days in the current system, our term limit increased to 360 days within the context of Eximbank's Short-Term Export Credit Insurance Program.

**Takasbank Money Market:** In 2015, a line of 45 million TL was assigned to Ekspo Faktoring by Takasbank A.Ş. in order to make transactions in the Takasbank Money Market. Takasbank Money Market is an organized market where intermediary institutions and banks can meet the needs of those who have fund surpluses and/or fund deficits. It was declared with the General Letter of Takasbank A.Ş., numbered 1215 and dated 16.03.2015, that financial leasing, factoring and financing companies can become members of the Takasbank Money Market.

Ekspo Faktoring adopts a customer-oriented, profitable and sustainable growth strategy, and has increased its profitability at reasonable rates consistent with the conditions in money markets. The company obtained its entire profit, which was 13 million TL as of the end of 2015, from its operations.

**PERIOD INCOME (2000-2015)**



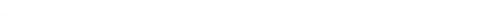
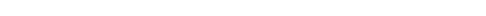
## FINANCED TRANSACTIONS

### SERVICES AND SOLUTIONS WITH HIGH ADDED VALUE

Ekspo Faktoring has built a robust bridge between the Turkish private sector and domestic and foreign funding institutions. In accordance with its target-oriented marketing approach, the company develops strategies suited to the corporate targets of numerous companies operating in many segments. Ekspo Faktoring supports its clients with its innovative foreign trade products in accordance with clients' needs as well as traditional products for import and export.

The company maintained its financing solutions for its clients from many sectors, including those in wholesale trade, textile, finance, construction and transportation, and provided a total of 53 million USD to Turkish companies in 2015.

### SECTORAL DISTRIBUTION OF FINANCED TRANSACTIONS IN 2015 (%)

|                                       |       |   |
|---------------------------------------|-------|---|
| Wholesale trade                       | 14.50 |    |
| Textiles                              | 11.99 |    |
| Factoring companies                   | 11.84 |    |
| Wood and wooden products              | 7.11  |    |
| Construction                          | 6.33  |    |
| Metal primary industry                | 5.71  |    |
| Sea transportation                    | 4.53  |    |
| Land transportation                   | 3.58  |    |
| Artificial and synthetic fiber        | 3.52  |    |
| Food and beverage industry            | 3.50  |    |
| Leather and leather products          | 3.32  |    |
| Earthenware and fire brick            | 2.23  |    |
| Hotels                                | 2.11  |    |
| Plastic industry                      | 2.06  |  |
| Textiles                              | 1.76  |  |
| Computer                              | 1.72  |  |
| Research, consultancy                 | 1.67  |  |
| Materials not producing energy        | 1.53  |  |
| Maintenance of motorized vehicles     | 1.45  |  |
| Electrical and non-electrical devices | 1.38  |  |
| Animal products                       | 1.23  |  |
| Ship and boat building                | 0.95  |  |
| Retail trade                          | 0.94  |  |
| Stockbreeding (Veterinary)            | 0.63  |  |
| Pulp and paper products               | 0.58  |  |
| Cement, lime and gypsum               | 0.52  |  |
| Other                                 | 3.51  |  |

**EXPORT FINANCING FOR AQUACULTURE PRODUCTS**

2013 250 thousand USD  
 2014 1.3 million USD  
 2015 8.2 million USD

Aquacultural activities in sea and stream springs and building the required facilities and infrastructure draw great investments presently. Ekspo Faktoring has provided financing support for the export of frozen fish and processed fish products to several European countries.

**EXPORT FINANCING FOR TEXTILES AND READY-WEAR PRODUCTS**

2013 2.3 million USD  
 2014 4.1 million USD  
 2015 12,1 million USD

Since the late 1980s, textile exports in Turkey have grown immensely, making the sector an essential segment of exports in Turkey. The sector provides great added value to the Turkish economy. Ekspo Faktoring continuously supports ready-wear export activities through long-term financing.

**EXPORT FINANCING FOR HOME TEXTILE PRODUCTS**

2015 10.9 million USD

The field of Turkish home textile products has a share of 5% in the global home textile trade and is among the most significant export sectors in Turkey. Ekspo Faktoring continues to support the field through long-term export financing for the garment and home textile industry.

**EXPORT FINANCING FOR STEEL PRODUCTS**

2013 500 thousand USD  
 2015 812 thousand USD

The steel industry, which has a wide product line ranging from construction steel to pipes and profiles, manufactures products with great added value thanks to recent investments. Ekspo Faktoring also provides financing for the steel industry.

**EXPORT FINANCING FOR MINING PRODUCTS**

2015 1.3 million USD

Ekspo Faktoring supports the financing of untreated product installation sales to China by the Turkish mining industry, which primarily manufactures chrome and zinc.

**COMMODITY IMPORT FINANCING FOR COTTON**

2011 9.0 million USD  
 2012 17.3 million USD  
 2013 9.3 million USD  
 2014 1.7 million USD  
 2015 5.4 million USD

Cotton is one of the most important raw materials used in Turkish textiles and ready-wear industries, two leading segments of export activities in Turkey. Ekspo Faktoring provides loans to importers under favorable conditions via international development agencies.

**EXPORT FINANCING FOR TEXTILE PRODUCTS**

2013 350 thousand USD  
 2014 1.3 million USD  
 2015 1.4 million USD

The textiles sector, growing gradually with regard to investment and employment, is also a critical source of tax income for the state owing to export activities. Ekspo Faktoring provides financing support for raw materials used in the textiles sector, predominantly for thread.

**COMMODITY IMPORT FINANCING FOR CHEMICALS**

2011 10.0 million USD  
 2014 1.2 million USD  
 2015 1.8 million USD

Gold was first produced in Turkey in 2001 and its role in economic development gradually grows larger. Within this scope, Ekspo Faktoring financially supports gold mining organizations through development agencies in purchasing sodium cyanide. In 2014, the Company also financed the import of urea to be used in the chipboard and MDF industry.

**COMMODITY IMPORT FINANCING FOR WOOD CHIP AND PULP**

2012 2.8 million USD  
 2013 425 thousand USD  
 2015 562 thousand USD

Wood chip is used as the primary raw material in the chipboard and MDF industry, while wood pulp is used for the production of all paper products. Within the scope of the incentive program conducted by international banks, Ekspo Faktoring extended a loan of 3.2 million USD to be used by Turkish importers.

**Ekspo Faktoring has built a robust bridge between the Turkish private sector and domestic and foreign funding institutions, and provided a total of 53 million USD to Turkish companies in 2015.**

#### **COMMODITY IMPORT FINANCING FOR PETROLEUM PRODUCTS**

2012 10.0 million USD  
2013 5.2 million USD  
2014 2.0 million USD

Petroleum coke is a waste that is used by the Turkish heavy industry due to its energy efficiency. Ekspo Faktoring finances the import of this product, which bears great importance for the Turkish industry, by broadening its agreements with international banks.

#### **COMMODITY FINANCING FOR PETROLEUM PRODUCTS**

2014 13.0 million TL

Petroleum products are products other than gasoline, which are derived from crude petroleum processed in refineries. Ekspo Faktoring realized commodity financing for petroleum products in 2014 at a value of 13 million TL.

#### **IMPORT FINANCING FOR CONSTRUCTION MACHINES**

2012 42.0 million USD

Turkey, which is the fourth largest construction machines market in Europe on a sales basis, is anticipated to become the largest in 2023. Ekspo Faktoring has provided deferred import opportunities for 42 million USD in total for Turkish distributors through international development agencies and banks.

#### **IMPORT FINANCING FOR CONSUMER PRODUCTS**

2012 9.0 million USD  
2013 1.6 million USD

Ekspo Faktoring also provides pre-shipment guarantee and financing services for importing consumer goods from China. Within this scope, guarantee and financing services were given for ready made clothes imports at an amount of 4.5 million USD and for technology products imports at an amount of 6.1 million USD.

#### **IMPORT FINANCING FOR WIND TURBINE SPARE PARTS**

2013 2.2 million USD

Wind power means turning the power of wind into energy. Several measurements demonstrate that Turkey has one of the most productive wind corridors in the world. With the support of its international banking network, Ekspo Faktoring has provided guarantee and financing services to its clients for their spare part import activities from Japan, Europe and the Far East with different payment terms at a total amount of 2.2 million USD.

#### **COMMODITY FINANCING FOR DAIRY PRODUCTS**

2012 1.2 million USD  
2013 750 thousand USD  
2014 218 thousand USD

Through its network of correspondents, Ekspo Faktoring provides guarantee and financing services to leading manufacturers of dairy products in Turkey for their animal fat import activities from Europe.

#### **IMPORT FINANCING FOR UNDERTAKING ELECTRICAL AND ELECTROMECHANICAL INSTALLATIONS**

2012 450 thousand USD  
2014 155 thousand USD

Undertaking electrical and electromechanical system installations in buildings and industrial operations is an area that enables the use of the most recent applications and technology products. Ekspo Faktoring provides financial support for electromechanical systems and spare parts.

#### **IMPORT FINANCING FOR AGRICULTURAL GOODS**

2014 370 thousand USD

The agricultural sector is greatly important for the Turkish economy in that it meets the food demands of the population, it provides raw materials for industry, creates employment opportunities and contributes to export activities. Ekspo Faktoring provides financial support for the sector, primarily financing seed import activities.

## FINANCIAL HIGHLIGHTS

| <b>FINANCIAL HIGHLIGHTS<br/>(TL THOUSAND)</b> | <b>DECEMBER<br/>2013 (TL)</b> | <b>DECEMBER<br/>2014 (TL)</b> | <b>DECEMBER<br/>2015 (TL)</b> | <b>DECEMBER<br/>2015 (USD)</b> |
|---|-------------------------------|-------------------------------|-------------------------------|--------------------------------|
| TOTAL ASSETS                                  | 294,598                       | 282,245                       | 289,850                       | 99,687                         |
| TOTAL SHAREHOLDERS' EQUITY                    | 82,067                        | 89,856                        | 97,880                        | 33,664                         |
| PAID IN CAPITAL                               | 50,000                        | 60,000                        | 60,000                        | 20,636                         |
| NET WORKING CAPITAL                           | 79,621                        | 87,320                        | 95,716                        | 32,919                         |
| FACTORING RECEIVABLES                         | 289,514                       | 276,087                       | 278,900                       | 95,921                         |
| FACTORING PAYABLES                            | 2,671                         | 1,249                         | 4,022                         | 1,383                          |
| NET ADVANCES TO CLIENTS                       | 286,843                       | 274,838                       | 274,878                       | 94,538                         |
| BANK LOANS                                    | 153,891                       | 188,216                       | 185,874                       | 63,927                         |
| ISSUED BONDS                                  | 50,000                        | -                             | -                             | -                              |
| TOTAL INCOME                                  | 33,848                        | 44,854                        | 45,827                        | 16,655                         |
| FACTORING INCOME                              | 32,688                        | 43,092                        | 42,335                        | 15,386                         |
| GROSS PROFIT                                  | 9,534                         | 12,270                        | 13,050                        | 4,743                          |
| NET PROFIT                                    | 7,862                         | 9,789                         | 10,424                        | 3,788                          |

| <b>FINANCIAL DATA (%)</b>                          | <b>DECEMBER<br/>2013</b> | <b>DECEMBER<br/>2014</b> | <b>DECEMBER<br/>2015</b> |
|--|--------------------------|--------------------------|--------------------------|
| CURRENT RATIO (TIMES)                              | 1.38                     | 1.46                     | 1.50                     |
| LIQUIDITY RATIO (TIMES)                            | 1.38                     | 1.46                     | 1.49                     |
| NET WORKING CAPITAL/<br>TOTAL ASSETS RATIO         | 27                       | 31                       | 33                       |
| LIQUID ASSETS/<br>TOTAL ASSETS RATIO               | 99                       | 98                       | 99                       |
| DEBTS/ASSETS (INDEBTNESS RATIO)                    | 72                       | 68                       | 66                       |
| DEBTS/EQUITY (FINANCIAL<br>LEVERAGE RATIO) (TIMES) | 2.59                     | 2.14                     | 1.95                     |
| FINANCIAL LIABILITIES/<br>TOTAL ASSETS RATIO       | 70                       | 67                       | 64                       |
| INTEREST COVERAGE RATIO (TIMES)                    | 1.76                     | 1.63                     | 1,80                     |
| AVERAGE COLLECTION PERIOD<br>(DAYS)                | 84                       | 88                       | 91                       |
| TOTAL EXPENSES/TURNOVER RATIO                      | 2                        | 3                        | 3                        |
| GROSS PROFIT MARGIN                                | 12                       | 16                       | 15                       |
| NET PROFIT MARGIN<br>(SALES PROFITABILITY)         | 4                        | 4                        | 5                        |
| RETURN ON EQUITY<br>(EQUITY PROFITABILITY)         | 12                       | 14                       | 13                       |

Ekspo Faktoring achieved successful results again in 2015 with its customer-oriented, profitable and sustainable strategy. The company's pre-tax profit increased by 6.36% compared to the previous year with the shareholders' equity rising up to 98 million TL.

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**TOTAL TURNOVER**  
(BIN TL)

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**1,123,950**<sup>2015</sup>

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1,104,410<sup>2014</sup>

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1,106,219<sup>2013</sup>

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**GROSS PROFIT**  
(TL THOUSAND)

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**13,050**<sup>2015</sup>

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12,270<sup>2014</sup>

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9,534<sup>2013</sup>

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**TOTAL SHAREHOLDERS' EQUITY**  
(TL THOUSAND)

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**97,880**<sup>2015</sup>

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89,856<sup>2014</sup>

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82,067<sup>2013</sup>

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**TOTAL INCOME**  
(BIN TL)

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**45,827**<sup>2015</sup>

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44,847<sup>2014</sup>

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33,848<sup>2013</sup>

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**TOTAL ASSETS**  
(TL THOUSAND)

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**289,850**<sup>2015</sup>

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284,002<sup>2014</sup>

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309,296<sup>2013</sup>

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**FACTORING RECEIVABLES**  
(TL THOUSAND)

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**278,900**<sup>2015</sup>

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276,087<sup>2014</sup>

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289,514<sup>2013</sup>

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## 2015 RESULTS

**Ekspo Faktoring proved its strong financial structure and reputation to both international creditors and its clients and managed to achieve its goals again in 2015.**

### **STRONG FINANCIAL STRUCTURE RISING ON CORPORATE MANAGEMENT**

The company has shaped its relationship with the clients based on the principles of mutual trust and profit, and has increased its turnover consistently by achieving successful projects in 2015. Ekspo Faktoring's portfolio primarily consists of the 500 largest companies in Turkey, as well as multinational companies. The Company regards its clients as business partners and develops unique products that meet their specific financial needs, and increased its turnover to 1.1 billion TL as of the end of 2015.

Operating in the factoring sector but adopting a banking approach enables Ekspo Faktoring to become as flexible as possible to make decisions and apply them in a rapid manner, allowing it to gain a competitive edge. Ekspo Faktoring has created a difference with its innovative and industry-leading practices, and it will continue to increase its contribution to the financing of the Turkish economy in 2016.

### **BROAD EXPERIENCE IN IMPORT FINANCING**

Ekspo Faktoring, with its deep level of experience and expertise in foreign trade as well as domestic trade, provides strategic perspectives and sufficient resources for its clients to reach their goals. In 2015, the company financed the imports of commodities such as cotton, chemicals, textile and wood products worth approximately 17 million USD.

In 2012, Ekspo Faktoring signed an agreement for a Trade Financing Loan with a term of 370 days with the Black Sea Trade and Development Bank, which has 11 member states including Russia, Ukraine and Greece. In 2014, the current limit was doubled and the Company thus increased the support provided to clients importing from the member states and exporting globally.

Ekspo Faktoring signed a loan contract with Wells Fargo Bank, headquartered in San Francisco, in order to support raw material imports from the US. Within the framework of the 360-day loan contract, the Company's clients receive attractive funds in order to finance their commodity import activities from the US regarding goods such as petroleum coke, scrap steel, coal, cotton and wood dust.

Ekspo Faktoring also signed an import loan and correspondent agreement with the National Bank of Canada, headquartered in Quebec. Within the framework of the 370-day loan contract, the Company's clients receive attractive funds to finance their import activities from Canada.

### **SUPPORTING IMPORTERS WITH THE RIGHT STRATEGIES**

Ekspo Faktoring makes significant contributions towards the development of Turkey's exporting potential, creating new markets for export goods and helping exporters to gain competitive capacity in international markets. Ekspo Faktoring provides funding obtained from its extensive network of correspondents to its exporter clients, thus helping Turkish exporters with properly defined strategies and guarantees offered.

Turkish companies that aim to sell goods in foreign markets may face plenty of difficulties. The services provided by Ekspo Faktoring constitute an immense financing advantage that leads to gaining a competitive edge. In 2015, the Company provided 36 million USD worth of export financing to many sectors, including textiles, aquaculture products, metal primary industry and cement, and it aims to raise this amount to 58 million USD in the coming period.

Since 2004 Ekspo Faktoring has been a member of Factors Chain International (FCI) -known as the largest non-bank financing services network in the world- and has established relations with other members so as to improve its network of correspondents and funding resources in 2015. FCI was established in 1968 to support the development of international trade volume and to standardize international financing transactions. FCI had a more than 400 members from 90 countries. The members of the organization constitute the greatest factoring network. The member transactions represent approximately 80% of the international factoring volume.

## CREDIT RATING

### THE POSITION BOOSTED VIA INTERNATIONAL COOPERATIONS

Ekspo Faktoring has boosted its position in the industry through strong relationships established with international financial organizations. The company is visionary in the industry and it makes a difference with its strong network of correspondents and funding resources that is increasing day by day.

The senior executives of Ekspo Faktoring visited international financial organizations in 2015 to establish collaborations that could reinforce the foreign relations of the company. By improving its financing power and corporate reputation, Ekspo Faktoring achieving success in funding transactions which were guaranteed by the correspondent finance companies in 2015.

With the goal of further improving the international funding opportunities and the network of correspondents, Ekspo Faktoring is planning to accelerate efforts in this area in 2016 through close cooperation with domestic and foreign finance organizations.

Ekspo Faktoring has positioned itself in a privileged point in the sector thanks to its thriving shareholders' equity and sound, high-quality assets. The company is the first Turkish factoring institution to be evaluated by Moody's, an international rating organization, and has been subjected to such evaluation since 2006.

### THE FIRST TURKISH FACTORING COMPANY TO BE EVALUATED BY MOODY'S

Rating is an important device of measurement taken into account by creditors and investors. All types of pricing are performed in accordance with rating results. Rating also contributes to the recognition of an organization. Pricing of the funds to be obtained from local money markets are based on this. For this reason, many local finance and non-finance institutions make an effort to undergo rating.

Ekspo Faktoring preferred to work with Moody's since 2006 on the grounds that it is an international organization that evaluates institutions within the framework of high standards of the banking sector.

Ekspo Faktoring A.Ş.'s long-term credit rating in foreign and local currency was determined to be **B2** as of the end of 2015.

## FINANCIAL ADVANTAGES

### SUCCESSFUL PERFORMANCE PROVEN WITH HIGH PROFITABILITY

Ekspo Faktoring is a financial institution which collaborates with the largest banks in the world and is able to have its risks purchased, and it continues to create resources for Turkish companies at reasonable costs based on mutual trust and transparency.

For 15 years, the company has been working to improve the relations between global companies and Turkish companies, gradually reinforcing its significance among international players and strengthening its position.

Ekspo Faktoring presents a global perspective to its clients for achieving world-class results. With its significant competitive edges, such as a solid capital structure, qualified human resources and solution-oriented business culture, Ekspo Faktoring is the leading company providing innovative products and services within the non-bank finance sector.

### A RELIABLE BUSINESS PARTNER OF CHOICE

Ekspo Faktoring strengthened its correspondent relationships with domestic and foreign banks and finance organizations in 2015, and maintains its rise through successful strategic partnerships. Now closer to its strategic goals than ever, the Company has expanded its product portfolio and has become one of the most prominent financial partners, preferred by import/export-based companies due to the effective solutions it provides in the area of foreign trade.

Ekspo Faktoring has a financing scope of approximately 500 million USD. In 2015, Ekspo Faktoring acted as an intermediary for foreign trade financing in the amount of 27.2 million USD and is targeting a realised growth of 36% in domestic and international transactions in 2016.

### CUSTOMIZED FINANCIAL SOLUTIONS

Ekspo Faktoring provides products and services within the scope of international transactions in many areas including irrevocable export financing, revocable export financing, assignment of export letters of credit, the US Department of Agriculture GSM 102 Loan, American Ex-Im Bank, Canadian Ex-Im Bank, Korean Ex-Im Bank and UK Export Finance loans, Black Sea Trade and Development Bank loans, assignment of export receivables with acceptance credit, import financing and direct factoring.

The Company also provides products and services within the scope of domestic transactions, including the assignment of receivables without notice, assignment of receivables with notice and assignment of receivables via checks and bonds, as well as products and services that play a key role in realizing Turkey's export potential. Since 2011, the Company gained the competitive edge by placing emphasis on supplier finance, maintaining its position in the competition also in 2015.

In addition to its expertise in domestic and international transactions, Ekspo Faktoring provides consultancy in markets, sectoral analyses and project financing, thus meeting client needs and expectations through customized financial solutions. The Company assists its clients in realizing their strategic and financial targets with the approach of being a "business partner" in a proactive manner.

## **Ekspo Faktoring maintains its asset quality and profitability by creating value for its clients through qualified and unique products offered with an innovative and dynamic approach.**

### **TURNOVER**

By the end of 2015, Ekspo Faktoring reached a transaction volume of 1.1 billion TL and the Company's turnover was composed of 86% domestic and 14% international transactions.

### **SHAREHOLDERS' EQUITY**

Traditionally Ekspo Faktoring does not distribute profits, indeed the issued capital is, at the very least, increased in parallel with the inflation rate. The company was founded in 2000 with 1 million TL capital and its shareholders' equity reached 98 million TL by the end of 2015. The Company has focused on sustainability since its founding, maintaining its growth ever since.

### **PROFITABILITY**

Ekspo Faktoring gained a profit of 13 million TL in 2015, all of which is derived from the company's activities. The Company carries a manageable level of maturity risk, liquidity risk and currency risk.

### **LEVERAGE**

The primary competitive edge of Ekspo Faktoring is its leverage ratio of 1.96. This low rate enabled Ekspo Faktoring to develop strong relationships with correspondents and financing organizations within domestic and international markets. The Company carries out its operations based heavily on its shareholders' equity and has achieved a high level of profitability through effective business processes.

In accordance with the regulation of the Banking Regulation and Supervision Agency (BDDK) dated 24.04.2013, a non bank finance company has to maintain its shareholders' equity/total assets ratio at a minimum level of 3%. This ratio is around 34% for Ekspo Faktoring.

### **QUALITY OF ASSETS**

Ekspo Faktoring's non-performing loan level is well below the sector average. The ratio of non-performing loans for the entire sector was 6% in 2015; however, this rate was 2% for Ekspo Faktoring.

99% of the Company's receivables are revocable. The Company takes care so that a single debtor's debt does not exceed 10% of that client's outstanding risk. This is a clear indication of the Company's high asset quality and the reliability of its rating system. In order to assess its financial receivables in a healthy and consistent manner, Ekspo Faktoring continuously improves its risk evaluation system by making use of methods utilized by the leading rating organizations of the world. The Company adds clients with low risk to its client portfolio, thus keeping the asset quality above the sector average.

### **SIZE OF ASSETS**

By the end of 2015, the asset size reached 290 million TL. The Company provides services to numerous domestic and foreign firms by making use of its expertise, strong funding structure and qualified human resources to offer fast and effective solutions suited to the needs of its clients. Ekspo Faktoring regards its clients as long-term and loyal business partners, customizes its resources obtained from domestic and foreign banks to its clients according to their expectations.

Ekspo Faktoring aims for a net lending size of 434 million TL in 2016. The Company's financial advantages have been officially confirmed by international rating organizations. Ekspo Faktoring aims to maintain its profitability and also its support to the real sector by developing fast and cost-effective solutions in 2016 as well.

## GLOBAL ECONOMY

### INTEREST RATE HIKE BY THE FED AFTER NINE YEARS

2015 was the year when the global economy lost acceleration due to increasing geopolitical risks and fluctuations in financial markets. The global economy increased by 3.1% in 2015 according to the estimation by the IMF. The on-going deceleration in developing countries, in China in particular, and the downward progress of oil and commodity prices affected the global economy.

When the recovery period of the US economy was on-going, the FED decided to increase interest rates in December for the first time in 9 years. Before the interest rate hike, which was delayed by the FED many times, a tense wait and mobility occurred in the markets throughout the year. The FED increased policy interest rates by 25 basis points, reaching a 0.25-0.50% interval, and announced that the monetary policy would support the economy and the increases would be gradual in the following period.

### EUROZONE AND JAPAN CONTINUE TO SEE DIFFICULTIES

Other significant developments in the global economy in 2015 were the expansionary monetary policies based on asset purchases in the Eurozone and Japan, which was struggling with a low growth rate for 25 years, and the negative interest practice directing credit incentives. While growth and export rates were below expectations, unemployment rates were high in spite of economic growth acceleration in the Eurozone compared to 2014. Despite the actions taken against the risk of deflation, weak domestic demand and low oil prices have had a downward effect on inflation. The continuation of the decrease in investments after the global crisis and structural problems, such as an aging population, also tend to become chronic. Another significant reason for being unable to have stable growth in the European economy is the high public debt. Although the Greek economy, which was the primary agenda of Europe during a large part of the year, seems to have calmed down, it is still a risk factor for the region.

The ECB (European Central Bank), refraining from the downward risks with regard to the economy, announced its new resolutions, relaxing its monetary policy, in the meeting held in December. The ECB, extending the period of purchasing bond tapering in the amount of 60 billion USD for another six months, announced that the purchases will end in March 2017 at the earliest and pulled down the deposit interest rate, which is currently negative. Similarly, Japan made additional decisions with regard to expansionary monetary policies.

### DEVELOPING ECONOMIES AT RISK

Capital outflows, decrease of export incomes and value losses in currencies decelerated the growth rates of developing economies. China, which is the second largest economy in the world, represented a growth rate of approximately 7% - the lowest figure in the last 25 years. Although China tried to revive domestic demand as a resolution to the decrease in foreign demand, the expansionary monetary policies applied did not produce the desired results. The hard fluctuation that first began in Chinese stock markets during the summer months caused the Yuan to be devalued up to 3% in the beginning of August. China entered into a significant deceleration after rapid on-going growth for years, and is trying to establish a more stable and sustainable growth model.

The 30% drop in oil prices in 2015 compared to the previous years and the on-going drop in commodity prices and agricultural products in particular have shaken developing economies which are commodity exporters. The countries in which exports and state budgets are mainly dependent on commodity prices, Russia and Brazil in particular, have lost a serious acceleration. In this group, India was the only country which has maintained its stability and increased its growth rate relatively.

Developing countries need serious structural reforms to increase their competitive capacities. Many countries faced with the deficit of investment capital cannot drop the interest rates in order to prevent capital outflow. Capital outflows reaching a level of almost more than capital inflows while high foreign financing dependency continues are the most prominent vulnerability factors for developing economies.

**In 2015 when the global economy increased by 3.1%, one of the most noteworthy developments of the year was the interest rate hike in December by the FED after nine years.**

#### **US DOLLAR CONTINUED TO GAIN VALUE**

The US dollar continued to gain value against all significant currencies in 2015. Following the gradual interest rate hike by the FED, the US dollar became stronger in the international markets. The US managed to fix the unemployment rate at 5% to draw inflation to reasonable levels and to have a better labor market, and continues to revive domestic consumption and to direct global finance markets with its stronger currency. Deflationary constraints in the Eurozone and Japan and expansionary monetary policies implemented by the ECB and Japan Central Bank throughout the year were other factors keeping the USD stronger.

#### **OIL PRICES DROPPED, IRAN IS BACK IN THE GAME**

Crude oil price starting 2015 at a level of 55 USD/barrel fell to 35 USD/barrel during the year. Cessation of crude oil export prohibition in the US, decelerated growth in major energy importer countries, OPEC's decision not to reduce crude oil production and the expectation for the removal of sanctions on Iran were the greatest factors in the on-going drop of oil prices. World oil consumption increased by 1.7% in 2015. Removing international embargos on Iran in the beginning of 2016 in line with the expectations and beginning oil supply again by Iran support the idea that oil prices will continue to drop in 2016.

Countries such as Russia, Saudi Arabia and Venezuela, whose incomes are based on oil, had to face not only an economic crisis but also increasing political tensions. Saudi Arabia contracted debt for the first time in years, Russia started to struggle with giant public budget deficit, and inflation in Venezuela increased to 85%.

#### **EXPECTATIONS FOR 2016**

The IMF indicated in the recent World Economic Outlook report published in April, 2016 that the global economy is recovering slower than it was expected. According to the estimations of the IMF, global growth will be 3.2% and the mean growth rate of industrialized countries will be 1.9% in 2016. It is expected that the growth rate for the US, the Eurozone and China will be 2.4%, 1.5% and 6.5%, respectively. According to the IMF, the fastest growing economies in the world in 2016 will be young developing industrial countries in Asia with a mean rate of 6.4%.

The roadmap to be drawn by the FED in 2016 will be the most significant factor that leads the global economy. Negative growth is estimated for Russia, Brazil, Argentina and Venezuela in the global economy which becomes more vulnerable to the risks.

## TURKISH ECONOMY

### THE ECONOMY GREW BY 4%

The Turkish economy had a successful year despite the negativity caused by global economic conditions and increasing geopolitical risks in our close geographical region. The economy made moderate progress against the increasing risks and has continued to utilize the advantages provided by the drop in oil prices.

Despite two general elections during the year, problems in foreign trade conditions and increases in exchange rates, the Turkish economy in 2015 ended with growth rate of 4%. Increasing domestic demand was the factor affecting this increase compared to 2014, yet net exportation had a negative impact on the growth rate. According to data from the Turkish Statistical Institute (TUIK), per capita income, which was 10,395 USD, decreased to 9,261 USD in 2015.

### BUDGET DISCIPLINE MAINTAINED, CURRENT DEFICIT DROPPED

The precautions taken in the economy after 2001 were primarily in the field of public finance. The budget discipline, which has been sustained sensitively without any interruption since then, has been the strongest aspect of the Turkish economy in 2015. Despite budget income increases and expenses with similar rates, a considerable decrease was observed in the current deficit depending on the drop in oil prices and improvements in gold exportation. With a reduction of 11.4 billion USD, the current deficit decreased to 32.2 billion USD in 2015 compared to the previous year. The foreign trade deficit reached 63.3 billion USD, reducing by 25.2% on a yearly basis. The ratio of the current deficit to GDP was 4.5%.

### INFLATION INCREASED

Inflation increased by 0.64 points in 2015 and reached 8.81% as of the end of the year compared to 2014. The value loss of TL and the increase in food prices were determinative in the maintenance of high progress in consumer inflation. In September, real exchange rates decreased to the lowest level after January 2003. In 2015, the Turkish lira lost its value by 24.5% against the USD and by 3.9% against the Euro.

The Central Bank of the Turkish Republic (TCMB) dropped policy interest to 7.75% in January and to 7.50% in February when it was 8.25% at the end of 2014. The overnight borrowing rate decreased from 7.50% to 7.25% and the overnight lending rate decreased from 11.25% to 10.75%. Considering the impact of TL's value loss on inflation, the Central Bank kept these rates fixed for a year after February.

**Despite two general elections during the year, problems in foreign trade conditions and increases in exchange rates, the Turkish economy in 2015 ended with growth rate of 4%.**

#### **DOWNWARD TREND IN IMPORTING AND EXPORTING**

In 2015, a significant recession was observed in import and export volumes. The main reason for the recession in export was the political tensions with Russia and Iraq which are our greatest export markets. Also, the change in Euro/Dollar parity as well as weak progress of the global economy affected exporting negatively. High rates of commodity prices due to exchange rates and decreasing the USD equivalency for exports to European countries made exporters have rough times.

According to the data of the Ministry of Customs and Trade, export volumes decreased to the rate of 8.56% in 2015 and reached 143 billion and 921 million USD. Relatively weak progress of investments also caused importing in non-energy industries to regress and Turkey's import volume as of the end of the year decreased by 14.5% compared to the previous year. In 2015, the locomotive of industrial production was the motorized land vehicle sector.

#### **UNEMPLOYMENT INCREASED, STOCK MARKET LOST VALUE**

Unemployment increased to 10.3% in 2015 from 9.9% in 2014 as of the end of the year. The number of unemployed individuals throughout the country increased by 204,000 and reached 3,057,000. While non-agricultural unemployment was 12.4%, the rate of unemployment was announced as 9.2% for men and 12.6% for women.

In 2015, the mean value loss of the securities publicly-traded in the Istanbul Stock Exchange was 16.33% on an annual basis. The BIST 100 index, which completed 2014 with a score of 85,721.13, dropped to 71,726.99 at the end of 2015.

#### **CREDIT SCORES MAINTAINED**

Turkey maintained its position in the "investing" category in 2015 by international credit institutions. The S&P credit rating agency confirmed the credit rating of Turkey as BB+. While Fitch declared that Turkey's credit rating was BBB-, Moody's increased its rating to BAA3 which means investing level.

#### **2016 PROJECTION**

While Moody's estimated the economic growth in Turkey at 3.4% in 2016, the World Bank fixed its growth estimation of Turkey at 3.5% for 2016.

It was predicted that fiscal discipline will achieve the targets specified in the Mid-Term Program and that the budget deficit will not exceed the expectations, and they estimate that the improvement in the current deficit will continue. Yet geopolitical risks continue in foreign trade. Due to the problems in Russia and the Middle East markets, the European market stands out as the best option for exporters. Lifting the sanctions on Iran can be seen as the only positive event in the nearby countries as far as Turkey is concerned.

It is likely that the monetary policies to be followed by the FED in the near future will continue to cause fluctuations in the markets, but it is predicted that capital inflow to Turkey may continue if a monetary policy consistent with FED policies is adopted.

## ECONOMIC DATA

### BANKING INDUSTRY TOTAL ASSETS (TL BILLION)

2.357<sup>2015</sup>

1.994<sup>2014</sup>

1.732<sup>2013</sup>

### BANKING SECTOR NET PROFIT (TL BILLION)

26.0<sup>2015</sup>

25.0<sup>2014</sup>

24.7<sup>2013</sup>

### GDP (CURRENT PRICES) (TL BILLION)

1,954<sup>2015</sup>

1,764<sup>2014</sup>

1,567<sup>2013</sup>

### GDP GROWTH RATE (CURRENT PRICES) (%)

11.7<sup>2015</sup>

11.6<sup>2014</sup>

10.6<sup>2013</sup>

### IMPORTS (USD BILLION)

207.6<sup>2015</sup>

242.2<sup>2014</sup>

251.6<sup>2013</sup>

The Turkish economy made moderate progress against the increasing risks and has continued to utilize the advantages provided by the drop in oil prices in 2015.

**EXPORTS**  
(USD BILLION)

143.9<sup>2015</sup>

157.6<sup>2014</sup>

151.8<sup>2013</sup>

**GROWTH RATE OF THE TURKISH ECONOMY**  
(%)

4<sup>2015</sup>

2.9<sup>2014</sup>

4.2<sup>2013</sup>

**GDP PER CAPITA**  
(USD)

9,261<sup>2015</sup>

10,395<sup>2014</sup>

10,822<sup>2013</sup>

**CONSUMER PRICE INDEX**  
(%)

8.81<sup>2015</sup>

8.17<sup>2014</sup>

7.40<sup>2013</sup>

**CAPITAL INFLOW EXCEPT RESERVES**  
(USD BILLION)

25.9<sup>2015</sup>

41.8<sup>2014</sup>

67.6<sup>2013</sup>

**UNEMPLOYMENT**  
(%)

10.3<sup>2015</sup>

9.9<sup>2014</sup>

9<sup>2013</sup>

# DEVELOPMENT OF THE BANKING SECTOR

## FIRST STEPS

The Turkish banking system was founded on a deep-rooted banking tradition dating back to the 19th century. During the last epoch of the Ottoman Empire, the economy was formed under the influence of European countries. Upon the establishment of foreign banks, and later the Ottoman Bank in 1863, money and capital markets in the modern sense began to develop. After the declaration of the Second Constitutionalist Monarchy Period, the number of national banks predicated on domestic capital increased. This era which ended with the War of Independence is quite significant in Turkish history in terms of being a period when experience was gained in banking.

## FIRST YEARS OF THE REPUBLIC

In the Turkish Economy Congress, which gathered four months before the signing of the Treaty of Lausanne, the economic targets of the Republic were determined, and many privileges provided to foreign banks were withdrawn by the Treaty of Lausanne. The decisions made in the Congress about the national character of economic development constituted the first steps of the statist approach to economy which was dominant until 1950s. The “golden principle” which involved the balanced budget approach where the primary goal is to prevent the state budget from having any deficit was adopted in public finance. After the proclamation of the Republic, many banks were founded through government promotion in order to encourage national banking. The Central Bank of Turkey came into operation in 1931. After the Great Depression, which caused the collapse of many economies in the world, state intervention came into question. Starting with this period, the power of public banks increased.

## LIBERALIST ERA

After World War II, state control in the economy lost significance and a new development policy led by the private sector was adopted. Private sector banking flourished in this period and, with the transition to multi-party democracy, the economy began to expand across borders. However, from 1953 onward, the economic balances were disturbed, and inflation and the foreign trade deficit rose rapidly.

## YEARS OF LIQUIDATION

Within the first half of the 1960s, 15 banks were closed and went into liquidation. The banking system was once again under government control. Until the 1980s, the Turkish economy adopted an isolated outlook once more; interest rates and exchange rates were adjusted by the state without necessarily any relevance to the world markets.

## PERIOD OF MARKET ECONOMY

From 1980 onward, liberalization was adopted for the financial system and the economy expanded abroad once more. With the rapid economic growth, the financial system was improved and the banking sector began merging with the international banking and financial system. On one hand, many foreign banks at the level of commerce banks, investment banks and their branches came into operation and also established partnerships with Turkish banks, and on the other hand, Turkish banks opened branches and new banks in foreign countries. With the decisions made in 1989, money markets and foreign currency markets were established and investors turned to foreign currency. However, the Treasury and the Central Bank fell short in balancing this new trend. Within this competitive environment where the number of banks multiplied and the interest rates were determined by the market itself, also with the influence of globalization, the banking system faced crisis.

## The Turkish banking sector, with a total of 52 banks operating as of the end of 2015, continues to provide financing to the real sector and to support the growth of Turkey.

The banking and finance sector crisis of 1994 spread because the Central Bank did not have sufficient reserves to intervene in a timely and efficient manner, thus posing a threat to the whole banking sector and to the economy. The 1994 crisis had a heavy influence on the banking sector because of the drop in the profit rates caused by the discontinuation of low exchange rate-high interest rate policies that were effective between 1989-1993.

### START OF FACTORING ACTIVITIES

The first factoring activities in Turkey began with transactions carried out by the banks in 1988. In 1990, the first authorized factoring company was founded. Factoring, which is the leading sector in the non-banking financial field with a significant role in varying and developing financial services, has entered into a rapid development process as of the second half of the 2000s.

### REORGANIZATION

Turkey entered the new millennium in an environment where major economic decisions were being made. In February 2001, another financial crisis unfolded due to the vulnerability of confidence in financial markets. As a result, the money and currency policies projected in the Disinflation Program of 2000 were abandoned and, on 22 February 2001, a flexible exchange rate system was adopted, thus bringing the program to an end.

The crises of 2000-2001 damaged the financial system of Turkey, especially the banking system, heavily. After the crisis, a financial system reformation was commenced with the "Reorganization Program for the Banking System" supervised by the IMF. Within the scope of the program, the capital structures of the banks with public capital were reinforced, their duty loss receivables were paid, the arrangements allowing new duty losses to occur were annulled and their short-term liabilities were rectified.

The fundamental reforms realized after 2001 allowed the banking sector to embrace a strong financial and operational presence through inspections and strict risk management. The sector has a strong capital structure and is in a much stronger position now against crises and is able to compete internationally, and it differentiated itself from banking sectors in other developing and developed countries which are in economic distress. Indeed, Turkey was the only OECD member which accepted no type of public support for the banking sector after the 2008-2009 crisis. The success of the reforms in the banking sector also helped the real sector to recover and grow.

### SUSTAINABLE GROWTH

Arrangements for detecting the problems in the system rapidly and solving them quickly and efficiently have become significant for the sustainability of the sector. The presence of a strong economy is only possible through a growing and healthy finance sector. In a country like Turkey where there is resource deficit, having a powerful banking sector is significant for using financial savings in the most economically efficient way. The constitution of such a financial system depends mainly on the level of trust in the system itself, and also macroeconomic stability earned through political stability.

As of the end of 2015, a total of 52 banks, including participation and development-investment banks, operate in the sector. The banking sector continues its development by sustaining its profitability although the capital adequacy ratio showed a slight decrease with the tightening financial conditions. The sector continuously provides a financing source to the economy and the real sector and supports the growth of Turkey despite the major depreciation in the currency and the sharp increase in interest rates. Within the scope of Basel III, new arrangements to be carried out regarding capital adequacy will have an impact on the performance of the sector in the following period.

## OVERVIEW OF

# THE BANKING SECTOR IN 2015

### THE SECTOR KEPT ITS SOLID POSITION

2015 was a challenging year for the Turkish banking sector, in which the uncertainties in the global economy and geopolitical events caused volatility. Despite reaching the lowest levels of the last decade in 2015 in terms of profitability rates, the banking sector managed to increase the size of its assets in 2015. The total assets of the sector increased by 18.2% in 2015 compared to 2014, reaching 2.357 billion TL.

### TCMB KEPT ITS CAUTIOUS STANCE

The developments in the world economy and the actions of the TCMB were determinative on the sector in 2015. The TCMB decided to reduce policy interest rates in the first quarter in parallel to supporting decreases of oil and commodity prices in inflation in the beginning of 2015. In this context, the policy interest rate, which was 8.25% at the end of 2014, was reduced by 75 basis points, reaching 7.50%. Due to the mobility increasing in domestic and foreign financial markets in the following period and the worsening in the inflation outlook, no change was made in interest rates and the interest rate corridor was preserved. However, with liquidity management, the TCMB ensured the average funding cost to increase and caused the borrowing costs of banks to increase in the general sense.

### A SUCCESSFUL YEAR DESPITE HARD CONDITIONS

As of December 2015, the interest yield in the sector was 164 billion TL and interest expense was 87 billion TL, while the net profit for the year in the sector was 26 billion TL. In addition, the size of non-cash credits was 459 billion TL. The return on assets in the sector decreased proportionately compared to the same period of the year.

The total loan amount in the sector was 1.48 trillion TL. The growth of loan volumes was affected primarily by the developments in the exchange rate. The share of commercial and corporate loans among the total loans was 48%, which equals 711 billion TL. The sector also continued to diversify funding resources. Among the total loans, the share of wholesale trade and brokerage was 8.33% while it was 7.54% for the construction sector. Absence of a significant increase in tracking the conversion rates of the sector was another prominent development, and the loan tracking conversion rate was 3.10%. The sector had no problem in access to foreign funding resources despite the uncertainties in the markets.

In the sector, the capital adequacy ratio was 15% in deposit banks, 14.91% in participation banks and 28.26% in development and investment banks.

### DEVELOPMENTS IN THE FACTORING SECTOR

2015 was a challenging year for the factoring sector as well as for the finance sector. The asset size of the sector reached 26.7 billion TL as of the end of 2015 with a growth rate of 0.7%. Despite the increase in transaction volume by 37%, the profitability rate of the sector decreased by 38.7%. Non-performing loans, which were 4.5% at the end of 2014, increased to 5.5% at the end of 2015 and the increase in interest rates were the most prominent factors reducing the profitability of the sector. Factoring receivables increased by 1.1% compared to the same period of last year and reached 25 billion TL.

Granting the right to access rediscount loans over Eximbank to provide financing support to the exporter companies and the right to do transactions in the Takasbank Money Market via the factoring companies which are the member of Association of Financial Institutions (FKB) were the prominent highlights in terms of the sector.

Official factoring authorizations of 10 companies were cancelled due to the obligation of paid capital being at least 20 million TL and the expiration of a 3-year adaptation period in 2015 stipulated by Financial Leasing Factoring and Financing Companies Law No. 6361 dated 13/12/2012. By the end of 2015, the number of companies was 66, the number of branch offices was 379 and the number of employees was 4,804 in the factoring sector.

**Despite reaching the lowest levels in the last decade in 2015 in terms of profitability rates, the banking sector managed to increase the size of its assets in 2015. Total assets of the sector reached 2.357 billion TL in 2015.**

## 2016 EXPECTATIONS

The future progress of oil and commodity prices will be a determinative factor in the following period in terms of global economy. Political and economic crises in nearby countries will continue to be the greatest risk factor for Turkish foreign trade in 2016. The rating of Turkey as being “investable” by international credit institutions and stable preservation of budget discipline give hope for the continuation of foreign capital inflows.

The US dollar is expected to maintain its solid progress and therefore it is estimated that borrowing costs will be high on a global scale in 2016. The TCMB is expected to maintain its firm stance by considering the impacts of the FED decision on global volatility. New arrangements regarding capital adequacy within the context of Basel III will positively affect the performance of the banking sector. The sector managed to maintain its power despite the decrease of profitability in 2015 and will continue to contribute to the financing of the Turkish economy in 2016 as well.

## BASIC HIGHLIGHTS OF THE FACTORING SECTOR

| (MILLION TL)   | DECEMBER<br>2014 | DECEMBER<br>2015 | INCREASE<br>(%) |
|--|------------------|------------------|-----------------|
| INTERNATIONAL TURNOVER   | 6.142            | 5.896            | -4              |
| DOMESTIC TURNOVER  | 28.502           | 28.817           | 1,1             |
| TOTAL TURNOVER   | 34.645           | 34.713           | 0,2             |
| RECEIVABLES IN FOREIGN CURRENCY  | 2.025            | 2.617            | 29,2            |
| RECEIVABLES IN TL  | 22.691           | 22.375           | -1,4            |
| TOTAL RECEIVABLES  | 24.715           | 24.992           | 1,1             |
| LOANS AND BORROWINGS   | 21.373           | 21.285           | -0,4            |
| SHAREHOLDERS' EQUITY   | 4.442            | 4.594            | 3,4             |
| TOTAL ASSETS   | 26.515           | 26.693           | 0,7             |
| PRE-TAX PROFIT   | 772              | 513              | -33,5           |
| NON-PERFORMING FACTORING<br>RECEIVABLES (GROSS)                            | 1.262            | 1.459            | 15,6            |
| SPECIAL PROVISIONS   | 938              | 1.188            | 26,7            |
| NON-PERFORMING FACTORING<br>RECEIVABLES (NET)                              | 324              | 271              | -16,4           |
| NON-PERFORMING FACTORING<br>RECEIVABLES<br>(GROSS/SHAREHOLDERS' EQUITY, %) | 28,4             | 31,8             | 12              |
| NON-PERFORMING FACTORING<br>RECEIVABLES<br>(NET/SHAREHOLDERS' EQUITY, %)   | 7,3              | 5,9              | -19,2           |
| SPECIAL PROVISIONS/ASSETS (%)  | 3,5              | 4,4              | 25,7            |

## INTERNAL AUDIT AND FINANCIAL CONTROL

### INTERNAL AUDIT FOR ACTIVE AND EFFICIENT BUSINESS PROCESSES

Internal audit usually means the entire management and administration policies implemented has to comply with the politics determined by the management, protect the assets, prevent erroneous and fraudulent works, make accounting records complete and valid, and prepare financial information on time in order to carry out the activities of a business in a regular and efficient manner in accordance with the goals.

Internal audit is a system in businesses which aims to provide the efficiency and productivity of operations, the security of the fiscal reporting system and compliance with legal arrangements, and is designed to provide a reasonable guarantee on this matter.

Finance companies that target sustained development and growth in an environment of international competition give priority to audits, financial control and risk management. Sufficient and auditable internal controls are primarily necessary in order to manage risks in accordance with current assets and growth targets, and also to demonstrate a high performance in the long term. The Capital Markets Board (SPK) and the Banking Regulation and Supervision Agency (BDDK) stipulates and encourages audit and risk management activities.

### INTERNAL AUDIT PERSONNEL SINCE 2000

Since its founding in 2000, Ekspo Faktoring has employed Internal Audit personnel and has had international independent auditing companies perform external audits. The Company is one of the pioneers in the sector thanks to its dedication to the principles of transparency and accountability. The Company makes no compromises as to the principles of transparency and accountability, thus securing its financial data and information through internal and external audits.

These audits are performed by experienced specialists. Meanwhile, tax and financial statement audits are performed by two different international independent auditing organizations that are the best in their field. Also, BDDK and the Ministry of Finance are regularly notified as required and two separate Independent Audit Reports are prepared in IFRS and BDDK formats.

**Ekspo Faktoring gives great importance to the principles of transparency and accountability, has had Internal Audit personnel since its foundation, and carries out external audits through international independent auditing companies.**

#### **AUDIT FOCUSED ON OPERATIONAL ACTIVITY**

Internal audits are conducted by the Department of Internal Audit and Financial Control, ensuring regular, efficient and effective functioning of company activities in accordance with the Regulation for Financial Leasing, Factoring and Financing Companies and also with management policies. The integrity and reliability of books and records, and the timeliness of the information in the database fall within the scope of this function. In order to operate flawlessly, within the scope of the management adopted by the Board of Directors and Executive Management, the auditing of the activities that bind each member of the staff on every level is performed by the Internal Audit function. The Department of Internal Audit and Financial Control functions with two key persons, i.e. the Manager of Internal Audit and Financial Control and the Internal Audit and Financial Control Analyst. The result of independent financial, operational and other controls performed by the Department are reported to administrative staff concurrently.

Internal Audit incorporates the supervision and reporting of transactions performed as per the Code of Obligations, the Turkish Commercial Code, the Tax Procedure Code, related statutory decrees, the Banking Regulation and Supervision Agency (BDDK), the Financial Crimes Investigation Board (MASAK), the Prime Ministry Undersecretariat of Treasury, their announcements and related legislation.

On the other hand, Financial Control incorporates the supervision of financial statements prepared in compliance with IFRS (International Financial Reporting Standards) and BDDK, the complete preparation of quarterly Non-Bank Financial Institutions Supervision System reports sent to BDDK, sending these reports and recording them into the database in a timely manner. Other responsibilities of the Department include preparing budget projections through macro- and micro-economic research, reporting these projections and submitting them to the Board of Directors.

Pursuant to the Law Regarding the Prevention of Laundering of Crime Revenues numbered 5549 and the related regulation number 26751, non-bank finance companies are also counted liable as of 09.01.2008. In order to fulfill the requirements of this regulation, the Company management provides guidance to the Internal Audit Department in taking informative and preventive measures in accordance with MASAK notices.

As per the regulation dated 16.09.2008 and numbered 26999, the Manager of Internal Audit and Financial Control was assigned as the Compliance Officer. The Compliance Officer attends the trainings conducted by the Association of Financial Institutions and MASAK, and informs the personnel about their responsibilities and the issues they need to take into consideration.

#### **PROACTIVE APPROACH**

Another duty of the Department of Internal Audit and Financial Control is to supervise the domestic and international transactions of clients and minimize risks and mitigate possible problems. For that purpose, the transactions carried out by the Marketing, Operations, Treasury, Accounting, Risk Assessment and Foreign Transactions departments are audited by the Internal Audit and Financial Control department. The deficiencies identified are eliminated within the day, and weekly and monthly reports are prepared to submit to the Executive Management and the Board of Directors.

The Department of Internal Audit and Financial Control is also responsible for the gathering of the Internal Audit Committee and the implementation of decisions made by the Committee. Additionally, the Department manages the projects demanded by the Executive Management for the purpose of improving the current system and presents them to the staff. The Department also identifies what kind of training is required for the professional and personal development of employees, prepares content for training, selects instructors and conducts training sessions.

Also, the Department performs checks on persons and organizations that exist in the banned and suspected persons and organizations lists published by international authorities (UN, OFAC, EU Black List etc.).

## RISK MANAGEMENT

### EFFICIENT AND SUCCESSFUL RISK MANAGEMENT

One of the key elements in achieving sustainable success is effective risk management. Particularly within the finance sector, the implementation of an efficient risk management policy is vital to the permanence of an institution.

Every finance company that wants to have a healthy risk portfolio and to collect its receivables in full in a timely manner must manage the phases after taking a risk in a systematic way. Strategic goals cannot be accomplished without identifying the risks that the company could face and implementing positive control and management in the face of these risks. International standards and regulations demand that finance companies use scientific, numeric and systematic risk measurement techniques. However, these measurements and techniques usually allow only for the calculation of statutory requirements rather than providing an up-to-date, tangible assessment. Companies need tangible data, sectoral information, personal experience and market intelligence for measuring the risk of working with a certain firm and the possibility of non-payment of the extended loan. In Turkey especially, since informality is very commonplace and accounting entries cannot be relied on, uncertainty is inevitable.

The risk scale of a company cannot be conceived only by regarding technical analyses; likewise, the credit score is not sufficient on its own. For these reasons, risk measurement and evaluation techniques might be used as auxiliary tools; however, the fundamental thing here is to monitor and take measures regarding the Company's portfolio, the changes in the national economy and the world economic conjuncture. To be able to implement such a practice takes the adequate number of employees, organization of risk monitoring as a proper department and assigning enough resources to this end.

### PRUDENTIAL AND ANALYTIC METHODS

Credit risk analyses, which play an important role in the Company's decision making processes, are reported regularly to the management and company policies are formed by taking into account all possible risks. The Department of Risk Assessment monitors the developments in the sector closely via specialists experienced in corporate and commercial banking, financial analysis, loan allocation and intelligence.

### DYNAMIC AND PROACTIVE MANAGEMENT

The company manages its lending policy in a dynamic and proactive manner by monitoring the possible portfolio risks using various parameters and developing scenarios within the framework of different models. Before taking any risks, issues such as the establishment date and history of the company in question, its sector of operation, the experience level of executives and partners, its resource structure and funding potential are taken into account.

Ekspo Faktoring manages all risks within sector and group limitations and takes care that any one Client's risk does not exceed 10% of shareholders' equity. In exceptional cases, the Management can raise this limit to a maximum level of 20%.

Ekspo Faktoring implements an effective risk management style in which it tries to diversify the risk, thus preventing it from being concentrated on a specific sector. Furthermore, sensitive measurements are performed when determining the debtor limits of clients and a decisive approach is implemented against exceeding these limits.

## **Ekspo Faktoring established the first rating system in the sector in 2009 and it implements effective and successful risk management thanks to its marketing data and information network.**

### **EVALUATION AS PER INTERNATIONAL STANDARDS**

Ekspo Faktoring gives immense importance to implementing a healthy risk management process compliant with international standards. The Executive Management worked intensively in recent years in order to boost the efficiency of risk monitoring activities and develop an effective risk assessment system. The new system, developed with the help of consultancy companies that the Company collaborates with, was adapted from an international example, and consequently, complies with international standards. It was completed at the end of 2008 and by the beginning of 2009, all Ekspo Faktoring clients were analyzed through this system.

The company places emphasis on the quality of assigned loans and monitors its receivables consistently, and began to use the check drawing report and risk reports as well as queries and notifications such as sued checks, checks banned for payment, and cross check queries brought into the use of non-bank finance companies by the Credit Bureau towards the end of 2012 and later perpetuated by the Risk Center within the Banking Association, as well as the Bad Credit Personal Loan notices.

Ekspo Faktoring monitors its clients on weekly, bi-weekly and monthly basis, reviewing their collateral portfolio. The Company also uses the combined risk follow up system where combined risks are listed and changes can be reported. This system ensures that current client risks are effectively monitored and the reasons behind any changes are examined. The credibility of the companies that apply for limits or wish to raise their current limits are evaluated objectively. Also, outstanding risks are assessed in terms of balance sheets, current intelligence and collateral in the weekly Asset Quality Committee meetings.

### **A PRUDENT APPROACH**

In order to keep its asset quality above the sector average, Ekspo Faktoring acts in a prudent manner while establishing its credit portfolio. For this process, the Company makes use of the experience of the Risk Assessment team and their financial analysis methods and techniques. As part of the Risk Assessment staff, the financial analysis and intelligence team monitors the latest techniques and regularly attends credit, financial analysis and intelligence trainings provided by professional training institutions in order to keep up-to-date.

The Risk Assessment Committee, one of the most important units of Ekspo Faktoring, evaluates clients that apply for financing in terms of financial status, sector of operation and also operational risks, market intelligence. The Committee gathers two times a week, evaluates and finalizes client demands in two days at most, and organizes interim meetings in critical situations that require immediate attention. In the meetings, the Company Assessment Report, prepared in light of financial analysis and market intelligence, is discussed. This report also incorporates the weaknesses and strengths of the company that are specified by the SWOT analysis. At the end of this process, the limit request submitted to the Risk Commission is either approved or declined.

The broad data bank of the company is being developed constantly. Ekspo Faktoring does not only rely on this extensive data bank for limit allocation decisions, but also for the development and implementation of marketing strategies in a timely manner. The data bank involves detailed and inclusive information such as client information, payment habits and check drawing performance.

Ekspo Faktoring makes use of sector and company data in its data bank while allocating limits. The analyses performed by the Company review the Turkish lira and foreign currency positions of the subject companies, taking into consideration Basel II criteria while evaluating market risks. This intensive effort and concluding reports are submitted to the Executive Management.

Inclusive of the bank affiliated enterprises, the ratio of non-performing loans, which is approximately 10% within the sector in 2015, remained at 1.5% for Ekspo Faktoring.

## CORPORATE MANAGEMENT

**Corporate management, transparency and commitment to the ethical values are the significant factors that will carry the esteemed position of Ekspo Faktoring in the sector to the future. These values make the corporate structure of the company sustainable.**

### **TRANSPARENT CORPORATE MANAGEMENT COMMITTED TO ETHICAL VALUES**

Ekspo Faktoring works hard to keep all business processes within a professional framework. The company considers the principles of transparency, fairness, equity, responsibility and accountability to be part of the company culture. By acting with the consciousness and responsibility of being a corporate company at all phases of its activities, Ekspo Faktoring focuses on creating value for all its stakeholders and clients in particular and on protecting its privileged position in the Turkish finance sector.

Corporate management, transparency and ethical values are among the factors that will bring the Company's reputation forward. These values, on one hand, boost the consistent profitability and on the other hand, renders its corporate structure sustainable. The high international credit rating demonstrates that the Company has come a long way since founding. Ekspo Faktoring, being the first non-bank finance institution to be evaluated by Moody's, is audited by an international independent audit company. In order to maintain the transparency of the evaluation results, the Company switches to a different independent audit organization every seven years.

### **SHARING INFORMATION IN AN OPEN, CLEAR AND ACCURATE MANNER**

The importance of transparency and consistency gradually rises within the finance sector. Parallel to this, BDDK suggests that all finance companies declare their financial statements regularly via the internet. Ekspo Faktoring has assumed the duty of providing open, clear and accurate information to public, knowing that the sector rests on trust. Since the day it was founded, the Company has shared its financial statements annually over its corporate website. Furthermore, since it deals with bond issuance, the Company publishes all financial statements every three months on the Public Disclosure Platform (KAP) in order to inform investors.

The financial statements of Ekspo Faktoring are audited quarterly by an independent external audit company. Tax audits are undertaken by a different institution. The company, though not open to public, has two independent members on the Board of Directors.

The effective organizational structure of Ekspo Faktoring is an important factor that makes it a leading player in the sector. Thanks to this structure, the Company performs its activities in a fast and effective manner and merges its profits with its technology infrastructure, thus maintaining a significant competitive edge.

Ekspo Faktoring is determined to achieve corporate targets together with its employees. Therefore, the Company support its personnel through trainings and by investing in advanced systems.

# INFORMATION TECHNOLOGIES

**Ekspo Faktoring has an up-to-date infrastructure system rich in content and continuously maintains its technological investments, and it comes to the forefront with its speed- and efficiency-oriented customer services approach.**

## **EVER-GROWING, UP-TO-DATE INFORMATION INFRASTRUCTURE**

With its well-equipped, rich and up-to-date system infrastructure, Ekspo Faktoring meets its IT requirements through the use of external resources. In 2006, the Disaster Recovery Center in Ankara was set up and, in 2007, the hardware and software development works of this center were performed. Therefore, the Company has a highly healthy backup system.

In 2012, Ekspo Faktoring switched to using the Society for Worldwide Interbank Financial Telecommunication (SWIFT), an interbank medium of secure information transfer, and was the first one to in its sector to communicate with banks and international finance organizations via this system.

Ekspo Faktoring uses the Facto 2000 software package developed by a specialist company according to relevant requirements of the sector. This package enables the coordination of marketing, client relations and accounting activities. Also, clients can use Ekspo Online in order to place queries and check their accounts.

## **INNOVATION-ORIENTED AND EFFICIENT TECHNOLOGICAL EQUIPMENT**

Ekspo Faktoring will carry out new investments to increase data security upon the request of the Risk Center within the Banking Association in 2016, and it aims to maximize data security via these investments. The data will be kept within the company or in the leading data centers of Turkey. These investments are:

- Servers with maximum security to be kept up-to-date all the time,
- A Disaster Recovery Platform which will work with minimum loss during disasters,
- Applications to run update processes of operating systems first in the test platform,
- Comprehensive back-up procedures,
- Logging and reporting from the basic to the maximum level.

## **EKSPO FAKTORING ON THE WEB**

[www.ekspofactoring.com](http://www.ekspofactoring.com), which is the online face of Ekspo Faktoring, has a significant role in the transparency and consistent communication with clients. The website introduces its stakeholders to the company in an accessible and transparent manner, and is designed to suit the latest technological developments and upon this foundation. Clients can view their checks in collection, abstracts, risk balances and other relevant information at any time they want. The public announcements of the Company are also presented to the stakeholders via [www.ekspofactoring.com](http://www.ekspofactoring.com).

Ekspo Faktoring, first to implement the check viewing system on its corporate website, reinforces the control mechanism on the side of both the client and the Company by doing so. The Company continually updates its online services and develops new projects in order to better help its clients. Within this scope, in order to provide services to clients and investors without any restraints, the corporate website was completely renovated in 2013. In 2014, all system infrastructure was renovated, including the server, boosting operational speed and efficiency even more.

Ekspo Faktoring, aware of the added value that information technologies create, aims to put efforts into reinforcing the system firewall, increasing the internet access speed and amplifying virtual servers.

## HUMAN RESOURCES

**Ekspo Faktoring team members adopt corporate culture, have strategic understanding and are solution- and result-oriented. Additionally the team has achieved successful business processes that make a difference.**

### COMPETENT AND DYNAMIC HUMAN RESOURCE

Ekspo Faktoring's qualified human resource has a professional experience and expertise level well above the sector average. By the end of 2015, Ekspo Faktoring had 35 employees - a team of experienced professionals who tracked current developments step by step and provided "customized" solutions suited for each different need and expectation that clients might have.

Ekspo Faktoring invests in human resources regularly in accordance with sectorial development and healthy growth strategy and prioritizing team spirit, and acts with the understanding that creating a participative culture increases employee satisfaction. The average working period of employees in the Company, which has a high employee loyalty, is 7 years.

Ekspo Faktoring looks for certain criteria during recruitment, such as having graduated from a university, speaking a foreign language, having past experience in the banking sector and being a specialist in their area, so that the quality of employees are maintained above the sector average.

The Human Resources Commission gathers every January and performs a broad measurement/assessment process, taking into account targets and competencies. Performance assessment is undertaken according to several criteria such as occupational know-how, cooperation skill, client/human relations, representation skills, sense of responsibility, problem solving skills, taking initiative and making decisions, quality and quantity of the work. This process, which brings about encouraging outcomes with regard to motivation and work discipline, ensures that employees' contribution to corporate success is evaluated and also forms a basis for promotions, salaries and incentives.

### HR PRACTICES CONSISTENT WITH CORPORATE VALUES

The Department of Human Resources, in parallel with its fundamental goals and strategies, takes responsibility for many processes from the orientation of a new employee to occupational training programs. It is prerequisite for employees to feel more empowered, motivated and to have a broader vision so that the company can provide high-quality service. In other words, Ekspo Faktoring emphasizes the importance of a competent human resource.

### CONTINUOUS EDUCATION

The company has established an educational facility called the Ekspo Faktoring Academy. Within this scope, employees are educated through coordinated training programs extended by the Association of Financial Institutions, the FCI (Factors Chain International) -the largest non-bank financial services network in the world-, private consultancy companies and also the ICC (International Chamber of Commerce).

The company supports employees in attending educational programs and sectoral gatherings that could contribute to their professional and personal development, with the aim of promoting a work environment open to improvement. The training sessions are conducted by either internal or external instructors.

Educational programs are carried out in many fields, increasing the technical and personal capacities of employees. In 2015, "Effective Internal Audit in Financial Institutions," "MASAK Liabilities," "Financial Math," "General Factoring Practices," "International Markets" and "International Factoring Regulations-GRIF" trainings were given in accordance with the needs of the employees. It is planned to provide "Execution and Bankruptcy Law," "Financial Analysis," "UFRS," "International Factoring Regulations-GRIF" and "Time and Stress Management" trainings in 2016.

### HR IMPACT ON SUSTAINABLE SUCCESS

Human resources investments allow Ekspo Faktoring to become a finance institution focused on foreign trade financing and render its corporate structure more sustainable.

The company utilizes well-supported marketing elements such as advertisements and billboards in order to reach the end client directly. Ekspo Faktoring aims to stand out with its quality of human resources and to expand its portfolio through professional trainings provided by experts, thus boosting client satisfaction.

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**EKSPO FAKTORİNG A.Ş.**

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FINANCIAL STATEMENTS FOR

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THE YEAR ENDED 31 DECEMBER 2015

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AND INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Ekspo Faktoring A.Ş.

We have audited the accompanying financial statements of Ekspo Faktoring A.Ş., which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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.

### Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 policies 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 present fairly, in all material respects, the financial position of Ekspo Faktoring A.Ş. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU LIMITED

DRT BAĞIMSIZ DENETİM VE SMMM AŞ

İstanbul, 19 February 2016

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Member of Deloitte Touche Tohmatsu Limited

# EKSPO FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

|   | Notes | 31 December 2015 | 31 December 2014 |
|---|-------|------------------|------------------|
| <b>Assets</b>   |       |                  |                  |
| Cash and cash equivalents   | 10    | 5.735            | 163              |
| Derivative financial assets   | 4,21  | 268              | 604              |
| Factoring receivables   | 11    | 278.900          | 276.087          |
| Other assets  | 12    | 764              | 796              |
| Assets held for sale  | 13    | -                | -                |
| Investment properties   | 14    | 1.118            | 1.141            |
| Tangible assets   | 15    | 1.651            | 1.942            |
| Intangible assets   | 16    | 81               | 47               |
| Deferred tax assets   | 9     | 1.333            | 1.465            |
| <b>Total assets</b>   |       | <b>289.850</b>   | <b>282.245</b>   |
| <b>Liabilities</b>  |       |                  |                  |
| Loans and borrowings  | 17    | 185.874          | 188.216          |
| Derivative financial liabilities  | 4,21  | 139              | 322              |
| Factoring payables  | 19    | 4.022            | 1.249            |
| Other liabilities   | 20    | 818              | 1.548            |
| Income taxes payable  | 9     | 431              | 460              |
| Reserve for employee severance payments and unused vacation pay liability | 22    | 686              | 594              |
| <b>Total liabilities</b>  |       | <b>191.970</b>   | <b>192.389</b>   |
| <b>Equity</b>   |       |                  |                  |
| Share capital   | 23    | 60.000           | 60.000           |
| Adjustment to share capital   | 23    | 279              | 279              |
| Legal reserves  | 23    | 10.878           | 10.361           |
| Retained earnings   |       | 26.723           | 19.216           |
| <b>Total shareholders' equity</b>   |       | <b>97.880</b>    | <b>89.856</b>    |
| <b>Total shareholders' equity and liabilities</b>                         |       | <b>289.850</b>   | <b>282.245</b>   |
| <b>Commitments and contingencies</b>                                      | 25    | -                | -                |

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

## EKSP0 FAKTORİNG ANONİM ŞİRKETİ

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

|  | Notes    | 1 January -<br>31 December 2015 | 1 January - 31<br>December 2014 |
|--|----------|---------------------------------|---------------------------------|
| Factoring interest income                                    |          | 40.307                          | 41.371                          |
| Factoring commission income, net                             |          | 2.028                           | 1.721                           |
| <b>Income from factoring operations</b>                      |          | <b>42.335</b>                   | <b>43.092</b>                   |
| Interest expense on bank borrowings                          |          | (20.141)                        | (17.139)                        |
| Interest expense on debt securities issued                   |          | -                               | (3.994)                         |
| Derivative trading losses, net                               |          | 37                              | 81                              |
| Foreign exchange gains / (losses), net                       | 5        | 3.180                           | 1.316                           |
| Interest income other than on factoring interest income      |          | 223                             | 2                               |
| <b>Interest, commission and foreign exchange income, net</b> |          | <b>25.634</b>                   | <b>23.358</b>                   |
| Personnel expenses   | 7        | (7.655)                         | (7.245)                         |
| Administrative expenses                                      | 8        | (2.194)                         | (2.345)                         |
| Provision for impaired factoring receivables, net            | 11       | (2.407)                         | (1.586)                         |
| Depreciation and amortisation expenses                       | 14,15,16 | (380)                           | (268)                           |
| Other income   | 6        | 52                              | 356                             |
| <b>Profit before income taxes</b>                            |          | <b>13.050</b>                   | <b>12.270</b>                   |
| Income tax expense   | 9        | (2.626)                         | (2.481)                         |
| <b>Profit for the year</b>                                   |          | <b>10.424</b>                   | <b>9.789</b>                    |
| Other comprehensive income for the year, net of income tax   |          | -                               | -                               |
| <b>Total comprehensive income for the year</b>               |          | <b>10.424</b>                   | <b>9.789</b>                    |

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

# EKSP0 FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

|  | Notes     | Share<br>Capital | Adjustment to<br>Share Capital | Legal<br>Reserves | Retained<br>Earnings | Total<br>Equity |
|--|-----------|------------------|--------------------------------|-------------------|----------------------|-----------------|
| <b>Balances at 1 January 2014</b>              |           | <b>50.000</b>    | <b>279</b>                     | <b>9.978</b>      | <b>21.810</b>        | <b>82.067</b>   |
| <b>Total comprehensive income for the year</b> |           |                  |                                |                   |                      |                 |
| Profit for the year                            |           | -                | -                              | -                 | 9.789                | 9.789           |
| <b>Total comprehensive income for the year</b> |           | <b>-</b>         | <b>-</b>                       | <b>-</b>          | <b>9.789</b>         | <b>9.789</b>    |
| Transfer to capital                            |           | 10.000           | -                              | -                 | (10.000)             | -               |
| Transfer to legal reserves                     |           | -                | -                              | 383               | (383)                | -               |
| Dividend paid                                  |           | -                | -                              | -                 | (2.000)              | (2.000)         |
| <b>Total</b>                                   |           | <b>10.000</b>    | <b>-</b>                       | <b>383</b>        | <b>(12.383)</b>      | <b>(2.000)</b>  |
| <b>Balances at 31 December 2014</b>            | <b>23</b> | <b>60.000</b>    | <b>279</b>                     | <b>10.361</b>     | <b>19.216</b>        | <b>89.856</b>   |
| <b>Balances at 1 January 2015</b>              |           | <b>60.000</b>    | <b>279</b>                     | <b>10.361</b>     | <b>19.216</b>        | <b>89.856</b>   |
| <b>Total comprehensive income for the year</b> |           |                  |                                |                   |                      |                 |
| Profit for the year                            |           | -                | -                              | -                 | 10.424               | 10.424          |
| <b>Total comprehensive income for the year</b> |           | <b>-</b>         | <b>-</b>                       | <b>-</b>          | <b>10.424</b>        | <b>10.424</b>   |
| Transfer to capital                            |           | -                | -                              | -                 | -                    | -               |
| Transfer to legal reserves                     |           | -                | -                              | 517               | (517)                | -               |
| Dividend paid                                  |           | -                | -                              | -                 | (2.400)              | (2.400)         |
| <b>Total</b>                                   |           | <b>-</b>         | <b>-</b>                       | <b>517</b>        | <b>(2.917)</b>       | <b>(2.400)</b>  |
| <b>Balances at 31 December 2015</b>            | <b>23</b> | <b>60.000</b>    | <b>279</b>                     | <b>10.878</b>     | <b>26.723</b>        | <b>97.880</b>   |

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

# EKSPO FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

|   | Notes      | 1 January -<br>31 December 2015 | 1 January -<br>31 December 2014 |
|---|------------|---------------------------------|---------------------------------|
| <b>Cash Flows From Operating Activities:</b>                            |            |                                 |                                 |
| Profit for the year   |            | 10.424                          | 9.789                           |
| <b>Adjustments for:</b>   |            |                                 |                                 |
| Depreciation and amortisation expense                                   | 14, 15, 16 | 380                             | 268                             |
| Provision for employee severance payments                               | 22         | 103                             | 186                             |
| Other expense/(income) accruals   |            | (1.324)                         | (2.437)                         |
| Provision for deferred and income taxes                                 | 9          | 2.626                           | 2.481                           |
| Interest income   |            | (40.307)                        | (41.371)                        |
| Interest expenses   |            | 20.141                          | 21.133                          |
| Provision for impaired factoring receivables                            | 11         | 2.407                           | 1.586                           |
| Unrealized foreign currency exchange gain                               |            | (310)                           |                                 |
| Changes in fair value of derivative financial instruments               | 21         | 153                             | (293)                           |
|   |            | <b>(5.707)</b>                  | <b>(8.658)</b>                  |
| Changes in factoring receivables and payables                           |            | (2.882)                         | 12.730                          |
| Changes in other assets   |            | 32                              | 162                             |
| Changes in other liabilities  |            | (631)                           | (1.403)                         |
| Employee severance paid   | 22         | (110)                           | (80)                            |
| Taxes paid  | 9          | (2.523)                         | (3.322)                         |
| Interest paid   |            | (19.489)                        | (23.787)                        |
| Interest received   |            | 40.979                          | 41.371                          |
| Proceeds from recoveries of impaired factoring receivables              | 11         | 435                             | 349                             |
| <b>Net cash provided by / (used in) operating activities</b>            |            | <b>10.104</b>                   | <b>17.362</b>                   |
| <b>Cash Flows From Investing Activities:</b>                            |            |                                 |                                 |
| Acquisition of property and equipment                                   | 15         | (54)                            | (1.013)                         |
| Disposal of property and equipment                                      |            | -                               | 9                               |
| Acquisition of intangible assets  | 16         | (46)                            | (48)                            |
| Disposal of intangible assets   |            | -                               | 1                               |
| <b>Net cash used in investing activities</b>                            |            | <b>(100)</b>                    | <b>(1.051)</b>                  |
| <b>Cash Flows From Financing Activities:</b>                            |            |                                 |                                 |
| Changes in loans and borrowings   |            | (2.342)                         | 35.524                          |
| Debt securities issued paid   |            | -                               | (50.000)                        |
| Dividends paid  |            | (2.400)                         | (2.000)                         |
| <b>Net cash (used in) / provided from financing activities</b>          |            | <b>(4.742)</b>                  | <b>(16.476)</b>                 |
| Effect of changes in foreign exchange rate on cash and cash equivalents |            | 310                             | 1                               |
| <b>Net increase / (decrease) in cash and cash equivalents</b>           |            | <b>5.572</b>                    | <b>(164)</b>                    |
| <b>Cash and cash equivalents at 1 January</b>                           |            | <b>163</b>                      | <b>327</b>                      |
| <b>Cash and cash equivalents at 31 December</b>                         | <b>10</b>  | <b>5.735</b>                    | <b>163</b>                      |

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

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# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### Notes to the financial statements

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# EKSP0 FAKTORİNG ANONİM ŐİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 1. Reporting entity

Ekspo Faktoring Anonim Őirketi ("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 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 also applies the requirements of the Communiqué on the "Principles and Procedures of Receivables Allowances to be Provided by Financial Leasing, Factoring and Financing Companies"; which is prepared based on the Communiqué on "The Application of Uniform Charts of Accounts and its Guides Book in Connection to the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No: 28267 on 24 April 2013; published in the Official Gazette No: 26588 on 20 July 2007.

The Company operates mainly factoring transactions in one geographical area (Turkey).

The Company's head office is located at Maslak Mah. Maslak Meydan Sok. No: 5/B Spring Giz Plaza B Blok Sarıyer-İstanbul/Türkiye'dir.

#### 2. Basis of preparation of financial statements

##### (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.

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.

The statement of balance sheet and comprehensive income of the Company as at and for the year ended 31 December 2015 were authorized for issue by the Board of Directors on 19 February 2016. 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 thousand 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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF 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 14 Investment property
- Note 15 Tangible assets
- Note 16 Intangible assets

## 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 comprehensive 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:

|      | 2015   | 2014   |
|------|--------|--------|
| USD  | 2.9076 | 2.3189 |
| EURO | 3.1776 | 2.8207 |
| GBP  | 4.3007 | 3.5961 |
| CHF  | 2.9278 | 2.3397 |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF 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.

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 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 as 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.

##### (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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 3. Significant accounting policies (Continued)

##### (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.

##### (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.

# EKSP0 FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 3. Significant accounting policies (Continued)

#### (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. Rest of financial assets are evaluated according to same properties of loan risk in group.

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 except deferred tax asset (accounting policy n). 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 statements of profit or loss and other compressive income.

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.

#### (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 in accordance with IAS 39. 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 through statistical methodology.

The assumptions used in the calculation are as follows:

|                                  | 31 December 2015 | 31 December 2014 |
|----------------------------------|------------------|------------------|
| Net discount rate                | 3.74%            | 2.08%            |
| Expected salary / limit increase | 7.00%            | 6.00%            |

##### (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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 3. Significant accounting policies (Continued)

##### (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

The shareholders of the Company and other companies that are controlled by them or related with them and key management personnel of the Company 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 spot factoring transactions.

###### (ii) Factoring commission expense

Factoring commission charges are recognised as expense in profit or loss on accrual basis.

###### (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.

# EKSPo FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 3. Significant accounting policies (Continued)

#### (o) Application of new and revised international financial reporting standards (IFRSs)

##### a) Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

##### b) New and Revised IFRSs applied with no material effect on the consolidated financial statements

|                                   |   |
|-----------------------------------|---|
| Amendments to IFRS 10, 11, IAS 27 | Investment Entities <sup>1</sup>  |
| Amendments to IAS 32              | Offsetting Financial Assets and Financial Liabilities <sup>1</sup>        |
| Amendments to IAS 36              | Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>      |
| Amendments to IAS 39              | Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup> |
| IFRIC 21                          | Levies <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014.

#### **Amendments to IFRS 10, 11, IAS 27 Investment Entities**

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

#### **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

#### **Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**

As a consequence of IFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

#### **Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting**

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

#### **IFRIC 21 Levies**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 3. Significant accounting policies (Continued)

#### (o) Application of new and revised international financial reporting standards (IFRSs) (continued)

##### c) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

|   |  |
|---|--|
| IFRS 9                                    | Financial Instruments <sup>5</sup>   |
| Amendments to IAS 19                      | Defined Benefit Plans: Employee Contributions <sup>1</sup>   |
| Annual Improvements to 2010-2012 Cycle    | IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24 <sup>1</sup>                            |
| Annual Improvements to 2011-2013 Cycle    | IFRS 1, IFRS 3, IFRS 13, IAS 40 <sup>1</sup>   |
| IFRS 14                                   | Regulatory Deferral Accounts <sup>2</sup>  |
| Amendments to IFRS 11                     | Accounting for Acquisition of Interests in Joint operations <sup>2</sup>                           |
| Amendments to IAS 16 and IAS 38           | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>                  |
| Amendments to IAS 16 and IAS 41           | Agriculture: Bearer Plants <sup>2</sup>  |
| IFRS 15                                   | Revenue from Contracts with Customers <sup>4</sup>   |
| Amendments to IAS 27                      | Equity Method in Separate Financial Statements <sup>2</sup>  |
| Amendments to IAS 10 and IAS 28           | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup> |
| Annual Improvements to 2012-2014 Cycle    | IFRS 5, IFRS 7, IAS 9, IAS 34 <sup>3</sup>   |
| Amendments to IAS 1                       | Disclosure Initiative <sup>2</sup>   |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception <sup>2</sup>                             |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2016.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018.

#### IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

#### Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

# EKSP0 FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 3. Significant accounting policies (Continued)

#### (o) Application of new and revised international financial reporting standards (IFRSs) (continued)

##### c) New and revised IFRSs in issue but not yet effective (continued)

#### Annual Improvements to 2010-2012 Cycle

**IFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

**IFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**IFRS 8:** Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**IFRS 13:** Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**IAS 16 and IAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**IAS 24:** Clarify how payments to entities providing management services are to be disclosed.

#### Annual Improvements to 2011-2013 Cycle

**IFRS 1:** Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

**IFRS 3:** Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**IAS 40:** Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

#### **IFRS 14 *Regulatory Deferral Accounts***

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

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# EKSPO FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 3. Significant accounting policies (Continued)

##### (o) Application of new and revised international financial reporting standards (IFRSs) (continued)

###### c) New and revised IFRSs in issue but not yet effective (continued)

###### **Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint operations**

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

###### **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

###### **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants***

This amendment include "bearer plants" within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

###### **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when the entity satisfies a performance obligation.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 3. Significant accounting policies (Continued)

##### (o) Application of new and revised international financial reporting standards (IFRSs) (continued)

c) New and revised IFRSs in issue but not yet effective (continued)

##### **Amendments to IAS 27 *Equity Method in Separate Financial Statements***

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

##### **Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

##### **Annual Improvements 2012-2014 Cycle**

**IFRS 5:** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**IFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

**IAS 9:** Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

**IAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

##### **Amendments to IAS 1 Disclosure Initiative**

This amendment addresses perceived impediments to preparers exercising their judgement in presenting their financial reports.

##### **Amendments to IFRS 10, 11, IAS 28 Investment Entities: Applying the Consolidation Exception**

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Group evaluates the effects of these standards on the consolidated financial statements.

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# EKSP0 FAKTORİNG ANONİM ŐİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF 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. 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.

##### (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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 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).

| <b>31 December 2015</b>          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|----------------------------------|----------------|----------------|----------------|--------------|
| Derivative financial assets      | -              | 268            | -              | 268          |
|                                  | -              | <b>268</b>     | -              | <b>268</b>   |
| Derivative financial liabilities | -              | 139            | -              | 139          |
|                                  | -              | <b>139</b>     | -              | <b>139</b>   |
| <b>31 December 2014</b>          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| Derivative financial assets      | -              | 604            | -              | 604          |
|                                  | -              | <b>604</b>     | -              | <b>604</b>   |
| Derivative financial liabilities | -              | 322            | -              | 322          |
|                                  | -              | <b>322</b>     | -              | <b>322</b>   |

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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 4. Determination of fair values (Continued)

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

|                              | 2015            |            | 2014            |            |
|------------------------------|-----------------|------------|-----------------|------------|
|                              | Carrying amount | Fair Value | Carrying amount | Fair Value |
| <b>Financial assets</b>      |                 |            |                 |            |
| Cash and cash equivalents    | 5,735           | 5,735      | 163             | 163        |
| Factoring receivables        | 278,900         | 278,900    | 276,087         | 276,087    |
| <b>Financial liabilities</b> |                 |            |                 |            |
| Bank borrowings              | 185,874         | 185,874    | 188,216         | 188,216    |
| Factoring payables           | 4,022           | 4,022      | 1,249           | 1,249      |
| Other liabilities            | 818             | 818        | 1,548           | 1,548      |

Fair value is estimated to approximate carrying value.

#### 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:

|                                  | 2015       | 2014     |
|----------------------------------|------------|----------|
| Interest income from securities  | 215        | -        |
| Interest income on bank deposits | 8          | 2        |
|                                  | <b>223</b> | <b>2</b> |

#### 6. Other income

For the year ended 31 December 2015, other income comprised of brokerage income amounting to TL 52 (2014: TL 356).

#### 7. Personnel expenses

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

|   | 2015         | 2014         |
|---|--------------|--------------|
| Salary expenses                           | 6,456        | 5,548        |
| Social security premium employer's share  | 498          | 447          |
| Insurance expenses                        | 216          | 214          |
| Provision for employee severance payments | 103          | 186          |
| Meal expenses                             | 135          | 138          |
| Transportation expenses                   | 179          | 178          |
| Unemployment security employer's share    | 42           | 42           |
| Bonus expenses                            | -            | 477          |
| Others                                    | 26           | 15           |
|   | <b>7,655</b> | <b>7,245</b> |

# EKSPO FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 8. Administrative expenses

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

|                                       | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
| Rent expenses                         | 771          | 619          |
| Audit and consultancy expenses        | 159          | 127          |
| Legal expenses                        | 91           | 170          |
| IT related expenses                   | 210          | 186          |
| Vehicle expenses                      | 127          | 185          |
| Communication expenses                | 92           | 88           |
| Taxes and duties other than on income | 102          | 112          |
| Accommodation expenses                | 30           | 46           |
| Subscription fees                     | 142          | 179          |
| Travel expenses                       | 78           | 111          |
| Other                                 | 392          | 522          |
|                                       | <b>2,194</b> | <b>2,345</b> |

#### 9. Taxation

As at 31 December 2015, corporate income tax is levied at the rate of 20% (2014: 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 fourth 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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 9. Taxation (Continued)

The statement of profit or loss and comprehensive income for the years ended 31 December is different than the amounts computed by applying the statutory tax rate to profits before income taxes.

|   | 2015           |      | 2014           |      |
|---|----------------|------|----------------|------|
|   | Amount         | %    | Amount         | %    |
| Reported profit before income taxes             | 13,050         |      | 12,270         |      |
| Taxes on reported profit per statutory tax rate | (2,610)        | (20) | (2,454)        | (20) |
| <i>Permanent differences:</i>                   |                |      |                |      |
| Non-taxable expenses                            | (16)           |      | (34)           |      |
| <b>Income tax expense</b>                       | <b>(2,626)</b> |      | <b>(2,488)</b> |      |

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

|                           | 2015         | 2014         |
|---------------------------|--------------|--------------|
| Current tax expense       | 2,494        | 3,063        |
| Deferred tax expense      | 132          | (582)        |
| <b>Income tax expense</b> | <b>2,626</b> | <b>2,481</b> |

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.

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

|   | 2015       | 2014       |
|---|------------|------------|
| Taxes on income                         | 2,494      | 3,063      |
| Less: Corporation taxes paid in advance | (2,063)    | (2,603)    |
| <b>Income taxes payable</b>             | <b>431</b> | <b>460</b> |

For the years ended 31 December 2015 and 2014, movement of the Company's net deferred tax assets and liabilities is as follows:

|  | 2015         | 2014         |
|--|--------------|--------------|
| Opening balance                                  | 1,465        | 883          |
| Deferred tax income recognized in profit or loss | (132)        | 582          |
| <b>Closing balance</b>                           | <b>1,333</b> | <b>1,465</b> |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 9. Taxation (Continued)

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, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

As at 31 December, details of deferred tax assets and deferred tax liabilities calculated by the prevailing tax rate are as follows:

|   | Temporary differences |                     | Deferred tax assets/(liabilities) |                     |
|---|-----------------------|---------------------|-----------------------------------|---------------------|
|   | 31 December<br>2015   | 31 December<br>2014 | 31 December<br>2015               | 31 December<br>2014 |
| Unearned interest income                        | 6,235                 | 7,009               | 1,247                             | 1,401               |
| Reserve for employee severance payments         | 487                   | 494                 | 97                                | 99                  |
| Reserve for employee permission payments        | 199                   | 100                 | 40                                | 20                  |
| Allowance for impaired factoring receivables    | 122                   | 74                  | 24                                | 15                  |
| <b>Deferred tax assets</b>                      |                       |                     | <b>1.408</b>                      | <b>1.535</b>        |
| Derivative financial instruments                | 358                   | 261                 | 71                                | 52                  |
| Tangible assets, and intangible assets          | 19                    | 91                  | 4                                 | 18                  |
| <b>Deferred tax liabilities</b>                 |                       |                     | <b>75</b>                         | <b>70</b>           |
| <b>Deferred tax assets / (liabilities), net</b> |                       |                     | <b>1,333</b>                      | <b>1,465</b>        |

For the years ended 31 December 2015 and 2014, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2015 and 2014, 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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 10. Cash and cash equivalents

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

|  | 2015         | 2014       |
|--|--------------|------------|
| Demand deposits at banks               | 5,735        | 163        |
| <b>Total cash and cash equivalents</b> | <b>5,735</b> | <b>163</b> |

As at 31 December 2015, there is not any blockage on bank deposits (31 December 2014: None).

#### 11. Factoring receivables

At 31 December, factoring receivables comprised the following:

|  | 2015           | 2014           |
|--|----------------|----------------|
| Domestic factoring receivables               | 244,815        | 263,122        |
| Export and import factoring receivables      | 40,320         | 19,873         |
| Impaired factoring receivables               | 4,401          | 6,024          |
| Factoring receivables, gross                 | 289,536        | 289,019        |
| Unearned factoring interest income           | (6,235)        | (7,009)        |
| Allowance for impaired factoring receivables | (4,401)        | (5,923)        |
| <b>Factoring receivables</b>                 | <b>278,900</b> | <b>276,087</b> |

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

|                            | 2015             | 2014           |
|----------------------------|------------------|----------------|
| Customer notes and cheques | 158,704          | 125,991        |
| Letters of guarantee       | 373              | 320            |
| Suretyship                 | 1,927,514        | 342,250        |
| <b>Total</b>               | <b>2,086,591</b> | <b>468,561</b> |

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

|                                       | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
| Balance at the beginning of the year  | 5,923        | 9,168        |
| Sold loans                            | (3,929)      | (4,831)      |
| Provision for the year                | 2,842        | 1,935        |
| Recoveries during the year            | (435)        | (349)        |
| <b>Balance at the end of the year</b> | <b>4,401</b> | <b>5,923</b> |

(\*) The Company has sold non-performing loans amount to 3.929 TL with %100 provision having the value of 0,5 TRY (31 December 2014: 4.831 TL-0,5 TL)

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

|                        | 2015         | 2014         |
|------------------------|--------------|--------------|
| Overdue 1 to 3 months  | 1,727        | 56           |
| Overdue 3 to 6 months  | 50           | 1,744        |
| Overdue 6 to 12 months | 577          | 106          |
| Overdue over 1 year    | 2,047        | 4,118        |
|                        | <b>4,401</b> | <b>6,024</b> |

## EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 12. Other assets

As at 31 December, other assets are as follows:

|                  | 2015       | 2014       |
|------------------|------------|------------|
| Prepaid expenses | 341        | 372        |
| Others           | 423        | 424        |
|                  | <b>764</b> | <b>796</b> |

#### 13. Assets held for sale

As at 31 December 2015, there is no assets classified as held for sale. (2014: None).

#### 14. Investment properties

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2015 is as follows:

|                                       | 1 January 2015 | Additions   | Disposals | 31 December 2015 |
|---------------------------------------|----------------|-------------|-----------|------------------|
| <b>Cost</b>                           |                |             |           |                  |
| Buildings                             | 1,344          | -           | -         | 1,344            |
|                                       | 1 January 2015 | Year Charge | Disposals | 31 December 2015 |
| <b>Less: Accumulated Depreciation</b> |                |             |           |                  |
| Buildings                             | 203            | 23          | -         | 226              |
| <b>Net carrying value</b>             | <b>1,141</b>   |             |           | <b>1,118</b>     |

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2014 is as follows:

|                                       | 1 January 2014 | Additions   | Disposals | 31 December 2014 |
|---------------------------------------|----------------|-------------|-----------|------------------|
| <b>Cost</b>                           |                |             |           |                  |
| Buildings                             | 1,344          | -           | -         | 1,344            |
|                                       | 1 January 2014 | Year Charge | Disposals | 31 December 2014 |
| <b>Less: Accumulated Depreciation</b> |                |             |           |                  |
| Buildings                             | 178            | 25          | -         | 203              |
| <b>Net carrying value</b>             | <b>1,166</b>   |             |           | <b>1,141</b>     |

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

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 14. Investment properties (Continued)

##### Fair value measurement of the Company's investment properties

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2015 and 2014. 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.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December are as follows:

|                     | Carrying value | Fair value as at 31 December 2015 |         |         |
|---------------------|----------------|-----------------------------------|---------|---------|
|                     | 31 December    | Level 1                           | Level 3 | Level 3 |
|                     | 2015           | TL                                | TL      | TL      |
| Commercial property | 1,118          | -                                 | -       | 3,800   |

|                     | Carrying value | Fair value as at 31 December 2014 |         |         |
|---------------------|----------------|-----------------------------------|---------|---------|
|                     | 31 December    | Level 1                           | Level 3 | Level 3 |
|                     | 2014           | TL                                | TL      | TL      |
| Commercial property | 1,141          | -                                 | -       | 3,500   |

#### 15. Tangible Assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2015 is as follows:

|                        | 1 January 2015 | Additions | Disposals    | 31 December 2015 |
|------------------------|----------------|-----------|--------------|------------------|
| <b>Cost</b>            |                |           |              |                  |
| Motor vehicles         | 1,998          | -         | (165)        | 1,833            |
| Furniture and fixtures | 532            | 54        | -            | 586              |
| Leasehold improvements | 345            | -         | -            | 345              |
| Others (*)             | 831            | -         | -            | 831              |
| <b>Total cost</b>      | <b>3,706</b>   | <b>54</b> | <b>(165)</b> | <b>3,595</b>     |

|                                       | 1 January 2015 | Year charge | Disposals    | 31 December 2015 |
|---------------------------------------|----------------|-------------|--------------|------------------|
| <b>Less: Accumulated depreciation</b> |                |             |              |                  |
| Motor vehicles                        | 1,074          | 292         | (165)        | 1,201            |
| Furniture and fixtures                | 358            | 48          | -            | 406              |
| Leasehold improvements                | 332            | 5           | -            | 337              |
| <b>Total accumulated depreciation</b> | <b>1,764</b>   | <b>345</b>  | <b>(165)</b> | <b>1,944</b>     |
| <b>Net carrying value</b>             | <b>1,942</b>   |             |              | <b>1,651</b>     |

## EKSPO FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 15. Tangible assets (Continued)

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2014 is as follows:

|                        | 1 January 2014 | Additions    | Disposals    | 31 December 2014 |
|------------------------|----------------|--------------|--------------|------------------|
| <b>Cost</b>            |                |              |              |                  |
| Motor vehicles         | 1,248          | 860          | (110)        | 1,998            |
| Furniture and fixtures | 597            | 153          | (218)        | 532              |
| Leasehold improvements | 345            | -            | -            | 345              |
| Others (*)             | 831            | -            | -            | 831              |
| <b>Total cost</b>      | <b>3,021</b>   | <b>1,013</b> | <b>(328)</b> | <b>3,706</b>     |

|                                       | 1 January 2014 | Year charge | Disposals    | 31 December 2014 |
|---------------------------------------|----------------|-------------|--------------|------------------|
| <b>Less: Accumulated depreciation</b> |                |             |              |                  |
| Motor vehicles                        | 987            | 196         | (109)        | 1,074            |
| Furniture and fixtures                | 540            | 28          | (210)        | 358              |
| Leasehold improvements                | 327            | 5           | -            | 332              |
| <b>Total accumulated depreciation</b> | <b>1,854</b>   | <b>229</b>  | <b>(319)</b> | <b>1,764</b>     |
| <b>Net carrying value</b>             | <b>1,167</b>   |             |              | <b>1,942</b>     |

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

As at 31 December 2015, total amount of insurance on tangible assets is TL 2,988 (31 December 2014: TL 2,860) and total amount of insurance premium on tangible assets is TL 24 (31 December 2014: TL 25). As at 31 December 2015 and 2014, there is no pledge on tangible assets.

#### 16. Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2015 is as follows:

|             | 1 January 2015 | Additions | Disposals | 31 December 2015 |
|-------------|----------------|-----------|-----------|------------------|
| <b>Cost</b> |                |           |           |                  |
| Rights      | 193            | 46        | -         | 239              |

|                                       | 1 January 2015 | Current year charge | Disposals | 31 December 2015 |
|---------------------------------------|----------------|---------------------|-----------|------------------|
| <b>Less: Accumulated amortisation</b> |                |                     |           |                  |
| Rights                                | 146            | 12                  | -         | 158              |
| <b>Net carrying value</b>             | <b>47</b>      |                     |           | <b>81</b>        |

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2014 is as follows:

|             | 1 January 2014 | Additions | Disposals | 31 December 2014 |
|-------------|----------------|-----------|-----------|------------------|
| <b>Cost</b> |                |           |           |                  |
| Rights      | 150            | 48        | (5)       | 193              |

|                                       | 1 January 2014 | Current year charge | Disposals | 31 December 2014 |
|---------------------------------------|----------------|---------------------|-----------|------------------|
| <b>Less: Accumulated amortisation</b> |                |                     |           |                  |
| Rights                                | 136            | 14                  | (4)       | 146              |
| <b>Net carrying value</b>             | <b>14</b>      |                     |           | <b>47</b>        |

As at 31 December 2015 and 2014, the Company does not have any internally generated intangible assets.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

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#### 17. Loans and borrowings

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

| 2015         |                 |                               |                |                 |
|--------------|-----------------|-------------------------------|----------------|-----------------|
| TL amount    |                 |                               |                |                 |
|              | Original Amount | Nominal Interest Rate (%) (*) | Up to 1 year   | 1 year and over |
| TL           | 111,656         | 11.95-14.50                   | 111,656        | -               |
| TL (**)      | 17,965          | 3.25-4.00                     | 17,965         | -               |
| USD          | 1,524           | 0.5-2.95                      | 4,850          | -               |
| EUR          | 16,464          | 0.91-3.67                     | 48,374         | -               |
| GBP          | 703             | 3.34                          | 3,029          | -               |
| <b>Total</b> |                 |                               | <b>185,874</b> | <b>-</b>        |

| 2014         |                 |                               |                |                 |
|--------------|-----------------|-------------------------------|----------------|-----------------|
| TL amount    |                 |                               |                |                 |
|              | Original Amount | Nominal Interest Rate (%) (*) | Up to 1 year   | 1 year and over |
| TL           | 166,820         | 10.00-11.80                   | 166,820        | -               |
| TL (**)      | 1,733           | 3.9                           | 1,733          | -               |
| USD          | 7,505           | 3.78-3.88                     | 16,243         | 1,161           |
| EUR          | 801             | 3.86                          | 2,259          | -               |
| <b>Total</b> |                 |                               | <b>187,055</b> | <b>1,161</b>    |

(\*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2015 and 2014.

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

As at 31 December 2015, the Company has cheques and promissory notes amounting to TL 216.636 (31 December 2014: TL 270.810) given as collateral against its outstanding bank borrowings.

## EKSPo FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 18. Debt securities issued

None (31 December 2014: None)

#### 19. Factoring payables

As at 31 December, factoring payables comprised the following:

|                             | 2015         | 2014         |
|-----------------------------|--------------|--------------|
| Domestic factoring payables | 4,022        | 1,249        |
| <b>Total</b>                | <b>4,022</b> | <b>1,249</b> |

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:

|   | 2015       | 2014         |
|---|------------|--------------|
| Taxes and duties other than on income tax | 364        | 345          |
| Trade payables to vendors                 | 259        | 1,058        |
| Unearned income                           | 122        | 74           |
| Social security payables                  | 73         | 71           |
| <b>Total</b>                              | <b>818</b> | <b>1,548</b> |

#### 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:

|                                   | 2015       |             | 2014       |             |
|-----------------------------------|------------|-------------|------------|-------------|
|                                   | Assets     | Liabilities | Assets     | Liabilities |
| Currency swap purchases and sales | 268        | 139         | 604        | 322         |
|                                   | <b>268</b> | <b>139</b>  | <b>604</b> | <b>322</b>  |

As at 31 December 2015 and 2014, the details of derivative transactions is presented in Note 25.

# EKSPO FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

## 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 4,092.53 at 31 December 2015 (2014: TL 3,541.37) 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:

|                                       | 2015       | 2014       |
|---------------------------------------|------------|------------|
| Balance at the beginning of the year  | 494        | 388        |
| Interest cost                         | 10         | 40         |
| Service cost                          | 74         | 73         |
| Paid during the year                  | (110)      | (80)       |
| Actuarial difference                  | 19         | 73         |
| <b>Balance at the end of the year</b> | <b>487</b> | <b>494</b> |

|  | 2015        | 2014        |
|--|-------------|-------------|
| <b>Provision for employee benefits</b> | <b>2015</b> | <b>2014</b> |
| Unused vacation liability              | 199         | 100         |
|  | <b>199</b>  | <b>100</b>  |

## 23. Capital and reserves

### 23.1. Paid-in capital

At 31 December 2015, the Company's nominal value of authorized and paid-in share capital amounts to TL 60,000,000 (2014: TL 60,000,000) comprising 60,000,000 (2014: 60,000,000 ) 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:

|                             | 2015      |               | 2014      |               |
|-----------------------------|-----------|---------------|-----------|---------------|
|                             | Share (%) | TL            | Share (%) | TL            |
| M. Semra Tümay              | 49.00     | 29,400        | 49.00     | 29,400        |
| Murat Tümay                 | 25.50     | 15,300        | 25.50     | 15,300        |
| Zeynep Ş. Akçakayalıoğlu    | 25.50     | 15,300        | 25.50     | 15,300        |
| Others                      | -         | -             | -         | -             |
| Share capital               | 100%      | 60,000        | 100%      | 60,000        |
| Adjustment to share capital |           | 279           |           | 279           |
| <b>Total share capital</b>  |           | <b>60,279</b> |           | <b>60,279</b> |

### 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 10,878 (historical) at 31 December 2015 (2014: TL 10,361 (historical)).

According to the decisions based on the General Assembly Meeting held on 15 January 2015 and 22 July 2015, the Company has decided to distribute dividend. The Company has distributed amounting TL 2,400 based on Board of Decisions.

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# EKSP0 FAKTORİNG ANONİM ŐİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 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 2015, 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.

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 24. Risk management disclosures (Continued)

##### Credit risk (Continued)

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

|  | 2015           | %          | 2014           | %          |
|--|----------------|------------|----------------|------------|
| Textiles                                     | 54,974         | 19.71      | 61,767         | 22.38      |
| Financial Services                           | 25,039         | 8.98       | 40,720         | 14.75      |
| Construction                                 | 12,974         | 4.65       | 26,418         | 9.57       |
| Non-metal industry                           | 5,415          | 1.94       | 25,271         | 9.16       |
| Automotive                                   | 2,657          | 0.95       | 17,766         | 6.44       |
| Transportation, storage and communication    | 15,516         | 5.56       | 16,393         | 5.94       |
| Researching, consulting and advertising      | 905            | 0.32       | 14,338         | 5.20       |
| Retail and wholesale trade                   | 36,217         | 12.99      | 12,801         | 4.64       |
| Leather industry                             | 22,705         | 8.14       | 8,857          | 3.21       |
| Iron, steel, coal, petroleum, other mines    | 17,528         | 6.28       | 8,808          | 3.19       |
| Wood and Wooden Products                     | 18,313         | 6.57       | 7,759          | 2.81       |
| Agriculture and ranching                     | 12,139         | 4.35       | 7,232          | 2.62       |
| Chemicals and pharmaceuticals                | 6,380          | 2.29       | 6,888          | 2.50       |
| Food, beverages and tobacco                  | 14,972         | 5.37       | 6,718          | 2.43       |
| Tourism                                      | 14,315         | 5.13       | 6,482          | 2.35       |
| Computer and computer equipment              | 3,189          | 1.14       | 2,556          | 0.93       |
| Rubber and plastic goods                     | 7,498          | 2.69       | 1,885          | 0.68       |
| Machinery and equipment                      | 8,028          | 2.88       | 1,491          | 0.54       |
| Cultural, recreational and sports activities | 136            | 0.06       | 486            | 0.17       |
| Electrical equipment                         | -              | -          | 18             | 0.01       |
| Others                                       | -              | -          | 1,433          | 0.48       |
|  | <b>278,900</b> | <b>100</b> | <b>276,087</b> | <b>100</b> |

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 2015 and 2014, details of the financial assets exposed to credit risk are as follows:

|                             | 2015    | 2014    |
|-----------------------------|---------|---------|
| Cash at banks               | 5,735   | 163     |
| Factoring receivables, net  | 278,900 | 276,087 |
| Derivative financial assets | 268     | 604     |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 24. Risk management disclosures (Continued)

#### 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:

|                       | 2015    |         |        | 2014    |         |        |
|-----------------------|---------|---------|--------|---------|---------|--------|
|                       | USD (%) | EUR (%) | TL (%) | USD (%) | EUR (%) | TL (%) |
| <b>Assets</b>         |         |         |        |         |         |        |
| Factoring receivables | 5.99    | 2.43    | 15.60  | 7.14    | 5.78    | 14.44  |
| <b>Liabilities</b>    |         |         |        |         |         |        |
| Loans and borrowings  | 3.54    | 2.21    | 13,01  | 3.81    | 3.86    | 11.00  |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 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 |         |
|----------------------------------|-----------------|---------|
|                                  | 2015            | 2014    |
| <b>Fixed rate instruments</b>    |                 |         |
| Factoring receivables            | 156,839         | 205,736 |
| Loans and borrowings             | 111,654         | 166,831 |
| <b>Floating rate instruments</b> |                 |         |
| Factoring receivables            | 122,061         | 70,250  |
| Loans and borrowings             | 74,220          | 21,385  |

###### 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 |
| <b>2015</b>               |                  |                 |
| Floating rate instruments | 106              | (106)           |
| <b>2014</b>               |                  |                 |
| Floating rate instruments | 350              | (350)           |

###### 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):

|  | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| A. Foreign currency monetary assets          | 80,251           | 23,834           |
| B. Foreign currency monetary liabilities     | (77,762)         | (22,286)         |
| C. Derivative financial instruments          | 110              | 94               |
| <b>Net foreign currency position (A+B+C)</b> | <b>2,599</b>     | <b>1,642</b>     |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 24. Risk management disclosures (Continued)

#### Market risk (Continued)

##### Foreign currency risk (Continued)

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

| 31 December 2015                                   | USD           | Euro          | GBP          | Total         |
|--|---------------|---------------|--------------|---------------|
| <b>Foreign currency monetary assets</b>            |               |               |              |               |
| Cash and cash equivalents                          | 2,682         | 2,945         | 14           | 5,641         |
| Factoring receivables                              | 64,335        | 7,208         | 3,064        | 74,607        |
| Other assets                                       | 3             | -             | -            | 3             |
| <b>Total foreign currency monetary assets</b>      | <b>67,020</b> | <b>10,153</b> | <b>3,078</b> | <b>80,251</b> |
| <b>Foreign currency monetary liabilities</b>       |               |               |              |               |
| Loans and borrowings                               | 65,534        | 5,655         | 3,030        | 74,219        |
| Factoring payables                                 | 1,394         | 2,121         | -            | 3,515         |
| Other payables                                     | -             | 22            | 5            | 27            |
| <b>Total foreign currency monetary liabilities</b> | <b>66,928</b> | <b>7,798</b>  | <b>3,035</b> | <b>77,762</b> |
| <b>Net on balance sheet position</b>               | <b>92</b>     | <b>2,355</b>  | <b>43</b>    | <b>2,489</b>  |
| Off balance sheet net notional position            | 110           | -             | -            | 110           |
| <b>Net position</b>                                | <b>202</b>    | <b>2,355</b>  | <b>43</b>    | <b>2,599</b>  |

| 31 December 2014                                   | USD           | Euro         | Total         |
|--|---------------|--------------|---------------|
| <b>Foreign currency monetary assets</b>            |               |              |               |
| Cash and cash equivalents                          | 107           | -            | 107           |
| Factoring receivables                              | 21,433        | 2,292        | 23,725        |
| Other assets                                       | 2             | -            | 2             |
| <b>Total foreign currency monetary assets</b>      | <b>21,542</b> | <b>2,292</b> | <b>23,834</b> |
| <b>Foreign currency monetary liabilities</b>       |               |              |               |
| Loans and borrowings                               | 18,945        | 2,451        | 21,396        |
| Factoring payables                                 | 46            | -            | 46            |
| Other payables                                     | 841           | 3            | 844           |
| <b>Total foreign currency monetary liabilities</b> | <b>19,832</b> | <b>2,454</b> | <b>22,286</b> |
| <b>Net on balance sheet position</b>               | <b>1,710</b>  | <b>(162)</b> | <b>1,548</b>  |
| Off balance sheet net notional position            | -             | 94           | 94            |
| <b>Net position</b>                                | <b>1,710</b>  | <b>(68)</b>  | <b>1,642</b>  |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

#### 24. Risk management disclosures (Continued)

##### Market risk (Continued)

##### Foreign currency sensitivity analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2015 and 2014 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2015 and 2014 remain constant.

|              | Profit/(Loss) | Profit/(Loss) |
|--------------|---------------|---------------|
| TL           | 2015          | 2014          |
| USD          | 20            | 171           |
| EUR          | 236           | (7)           |
| GBP          | 4             | -             |
| <b>Total</b> | <b>260</b>    | <b>164</b>    |

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

##### 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 2015 |                        |                  |               |           |                   |
|---|------------------|------------------------|------------------|---------------|-----------|-------------------|
|   | Carrying Amount  | Contractual cash flows | 3 months or less | 3-12 months   | 1-5 years | More than 5 years |
| <b>Non-derivative financial liabilities</b> | <b>190,714</b>   | <b>191,697</b>         | <b>127,785</b>   | <b>63,912</b> | -         | -                 |
| Loans and borrowings                        | 185,874          | 186,857                | 122,945          | 63,912        | -         | -                 |
| Factoring payables                          | 4,022            | 4,022                  | 4,022            | -             | -         | -                 |
| Other liabilities                           | 818              | 818                    | 818              | -             | -         | -                 |
| <b>Derivative financial liabilities</b>     | <b>129</b>       | <b>177</b>             | <b>(165)</b>     | <b>311</b>    | <b>31</b> | -                 |
| Inflow                                      | 268              | 390                    | 48               | 311           | 31        | -                 |
| Outflow                                     | (139)            | (213)                  | (213)            | -             | -         | -                 |

# EKSPO FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

### 24. Risk management disclosures (Continued)

#### Liquidity risk (Continued)

|   | 31 December 2014 |                        |                  |               |              |                   |
|---|------------------|------------------------|------------------|---------------|--------------|-------------------|
|   | Carrying amount  | Contractual cash flows | 3 months or less | 3-12 months   | 1-5 years    | More than 5 years |
| <b>Non-derivative financial liabilities</b> | <b>191,013</b>   | <b>194,999</b>         | <b>144,908</b>   | <b>48,886</b> | <b>1,205</b> | <b>-</b>          |
| Loans and borrowings                        | 188,216          | 192,202                | 142,111          | 48,886        | 1,205        | -                 |
| Debt securities                             | 1,249            | 1,249                  | 1,249            | -             | -            | -                 |
| Factoring payables                          | 1,548            | 1,548                  | 1,548            | -             | -            | -                 |
| Other liabilities                           | 282              | 600                    | 447              | 153           | -            | -                 |
| <b>Derivative financial liabilities</b>     | <b>604</b>       | <b>1,073</b>           | <b>711</b>       | <b>362</b>    |              |                   |
| Inflow                                      | (322)            | (473)                  | (264)            | (209)         | -            | -                 |
| Outflow                                     | <b>191,013</b>   | <b>194,999</b>         | <b>144,908</b>   | <b>48,886</b> | <b>1,205</b> | <b>-</b>          |

#### 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. The management has evaluated the risk of relatable capital associated with capital cost during these review. 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                         | 2015         | 2014         |
|--|--------------|--------------|
| Given Guarantees for the benefit of customer | 1,800        | 1,095        |
| <b>Total</b>                                 | <b>1,800</b> | <b>1,095</b> |

As at 31 December 2015, the Company has given cheques and notes amounting to TL 216.636 (2014: TL 270.810) as collateral against its outstanding bank borrowings.

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

|                   | 31 December 2015 |               | 31 December 2014 |               |
|-------------------|------------------|---------------|------------------|---------------|
|                   | TP               | YP            | TP               | YP            |
| Forward purchases | 8,646            | 8,434         | 19,779           | 19,575        |
| Forward sales     | 8,438            | 8,435         | 19,255           | 19,541        |
|                   | <b>17,084</b>    | <b>16,869</b> | <b>39,034</b>    | <b>39,116</b> |

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

|                    | 2015           | 2014           |
|--------------------|----------------|----------------|
| Customers' Cheques | 231,590        | 251,182        |
| Customers' Notes   | 47,359         | 44,325         |
| Mortgages          | 3,557          | 3,892          |
|                    | <b>282,506</b> | <b>299,399</b> |

# EKSPÖ FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

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#### 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.

#### Balances with related parties

|                              | 31 December 2015 | 31 December 2014 |
|------------------------------|------------------|------------------|
| <b>Factoring Receivables</b> |                  |                  |
| EF Emtia                     | 1,331            | -                |
|                              | <b>1,331</b>     | <b>-</b>         |

#### Transaction with related parties

|  | 2015       | 2014       |
|--|------------|------------|
| <b>General administrative expenses</b> |            |            |
| M. Semra Tümay - rental expense        | 742        | 592        |
|  | <b>742</b> | <b>592</b> |

|                          | 2015     | 2014     |
|--------------------------|----------|----------|
| <b>Commission income</b> |          |          |
| EF Emtia                 | 6        | -        |
|                          | <b>6</b> | <b>-</b> |

|                        | 2015      | 2014     |
|------------------------|-----------|----------|
| <b>Interest income</b> |           |          |
| EF Emtia               | 68        | -        |
|                        | <b>68</b> | <b>-</b> |

Total benefit of key management for the years ended 31 December 2015 and 2014 amounted to TL 4,429 and TL 3,918, respectively.

#### 27. Events after the reporting period

None.

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**MANAGEMENT****MURAT TMAY**

GENERAL MANAGER

**DUYGU BUNJAKU**

ASSISTANT GENERAL MANAGER,  
MARKETING

**ERHAN MERAL**

ASSISTANT GENERAL MANAGER,  
FINANCIAL AND ADMINISTRATIVE AFFAIRS



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