2023

ANNUAL REPORT

EKSPO

Faktoring A.Ş.

CONTENTS

AS WE CONTINUE TO MAKE STRIDES, BUILDING ON OUR SOLID FOUNDATION, WE COMBINE OUR EXTENSIVE BANKING EXPERIENCE WITH AN INNOVATIVE VISION. WITH A ROBUST FINANCIAL INFRASTRUCTURE AND A HIGHLY QUALIFIED TEAM, WE ARE SETTING THE PACE FOR THE INDUSTRY. OUR INNOVATIVE PROJECTS AND STRATEGIC APPROACH NOT ONLY DRIVE OUR SUCCESS BUT ALSO ENHANCE OUR INFLUENCE ON THE INTERNATIONAL STAGE.

OUR FUTURE VISION EMBRACES CONTINUOUS DEVELOPMENT AND INNOVATION, AS WE STRIVE FOR EXCELLENCE IN ALL RESULTS. GUIDED BY THIS PHILOSOPHY, WE CONSTANTLY RENEW AND IMPROVE OURSELVES TO DELIVER THE BEST POSSIBLE SERVICE TO OUR CLIENTS. OUR CORPORATE STRUCTURE, REINFORCED BY THE DEDICATED CONTRIBUTIONS OF OUR EMPLOYEES, MOTIVATES US FOR EVEN GREATER ACHIEVEMENTS.

AS WE LEAVE BEHIND ANOTHER SUCCESSFUL YEAR, WE LOOK TO THE FUTURE WITH OPTIMISM AND DETERMINATION. WE ARE COMMITTED TO CONTINUOUS IMPROVEMENT AND TAKING FIRM STEPS TOWARD OUR GOALS. WITH STRONG ROOTS AND A VISIONARY PERSPECTIVE, WE ARE DEDICATED TO MAINTAINING OUR SUCCESS IN THE SECTOR AND ADVANCING WITH GREATER STRIDES.

GÜRBÜZ TÜMAY

HONORARY CHAIRMAN

MESSAGE FROM THE CHAIRMAN

WE VIEW OUR PROFESSION AS A MISSION. SINCE OUR INCEPTION, WE HAVE ACTED WITH A DEEP DEDICATION TO OUR COUNTRY, FACILITATING ACCESS TO FINANCING THROUGH INNOVATIVE MODELS AND SOLUTIONS. WE SUPPORT FARMERS, MANUFACTURERS, TOURISM PROFESSIONALS AND ALL NICHE SECTORS, ENSURING THEY CONTINUE TO CONTRIBUTE TO THE ECONOMY.

Esteemed Clients and Partners,
The year 2023 began with the earthquake of February 6, with the epicenter in Kahramanmaraş, destroying a vast region and deeply affecting us as a nation. I respectfully honor the memory of those who lost their lives in this disaster. From the first moments after the earthquake, the swift actions of our state and the strong solidarity shown by our people helped alleviate the profound impact of this immense destruction. At Ekspo Faktoring, we aimed to lend a helping hand to the recovery efforts by restructuring the receivables from our customers in the affected region with suitable maturities.

Globally, 2023 was marked by persistent inflation and tight monetary policies, coupled with the effects of geopolitical developments on economic growth. In Türkiye, the expansionary economic policies focused on export and production continued from 2022 until the second quarter of 2023. However, rising inflation and a growing current account deficit necessitated a policy shift. In June, the Central Bank resumed interest rate hikes after a prolonged stall, and we are now seeing ongoing steps toward tightening monetary policy and simplifying macroprudential regulations.

During this period, Ekspo Faktoring maintained cautious growth, remaining financially active through the funds we utilized and the guarantees we extended. Our assets reached TL 1,131 million in 2023. The funds used to support exports and the guarantees for raw material financing abroad reflect the trust placed in us. Additionally, the increasing share of agricultural financing in our portfolio informs our forward-looking strategy.

In 2023, we continued to channel our shareholders' equity and bank-secured funds into the economy, increasing our cash loan volume to TL 1,030 million and our consolidated cash and non-cash loan volume to TL 1,130 million. Our net profit for the year was TL 176 million, and shareholders' equity grew to TL 470 million, driven by our operational performance.

The year 2023 was particularly significant as we celebrated the centennial of our Republic. As a financial institution deeply committed to the Republic's achievements, we believe our true legacy to future generations is the high sense of responsibility we uphold for the future of our country and the world. We view our profession as a mission. Since our inception, we have acted with a deep dedication to our country, facilitating access to financing through innovative models and solutions. We support farmers, manufacturers, tourism professionals and all niche sectors, ensuring they continue to contribute to the economy. Moreover, we are dedicated to enriching the entrepreneurial ecosystem and will continue to do so in all our efforts.

I extend my heartfelt thanks to our stakeholders and clients who share our vision and stand with us.

MURAT TÜMAY
CHAIRMAN & GENERAL MANAGER

BOARD OF DIRECTORS

MURAT TÜMAY
CHAIRMAN & GENERAL MANAGER

Murat Tümay (born 1974, Istanbul) holds a bachelor's degree in Economics from Clark University in Massachusetts, US. He started his professional career in 1997 at The Park Avenue Bank N.A. as an analyst, and held the roles of Assistant Manager and Manager in the following years. After working in executive positions at Turkcell İletişim Hizmetleri and İş-Tim Telekomünikasyon Hizmetleri A.Ş. (2000-2002), he started Ekspo Faktoring A.Ş. where he has served as General Manager and Chairman since 2002.

ZEYNEP Ş. AKÇAKAYALIOĞLU
DEPUTY CHAIR

Zeynep Şükriye Akçakayalıoğlu (born 1969, Istanbul) holds a bachelor's degree in Business Administration Systems from the University of West Georgia, Georgia, US. She worked as a Director at Arthur Andersen Human Resources Consultancy from 1991 to 1999. She has been a founding partner and a board member at Royal Yönetim Danışmanlığı A.Ş. since 1999 and a founding partner and deputy chair at Ekspo Faktoring A.Ş. since the firm's establishment.

HASAN AKÇAKAYALIOĞLU
BOARD MEMBER

Hasan Akçakayalıoğlu (born 1963, Ankara), holds bachelor's and master's degrees in Computer Engineering from Middle East Technical University, Ankara and an MBA from Yeditepe University, Istanbul, respectively. Mr. Akçakayalıoğlu worked at the London and Istanbul offices of Arthur Andersen & Andersen Consulting, and served in executive positions and as general manager at a number of banks. In addition to board memberships at various banks in the Netherlands, Romania, Bulgaria and Kazakhstan, he also served as a board member at the Turkish Industry & Business Association (TÜSİAD) and as the Chairman of the Turkish - Israeli Business Council of Foreign Economic Relations Board. Mr. Akçakayalıoğlu is currently the Chairman of Demir Kyrgyz International Bank and also an independent board member in TFI TAB Gıda Yatırımları and Abdi İbrahim İlaç Sanayi ve Tic A.Ş. He has served on the Board of Ekspo Faktoring A.Ş. since October 2018.

ŞERİF ORHAN ÇOLAK
BOARD MEMBER

Şerif Orhan Çolak (born 1945, Istanbul) studied Economics at Université de Neuchâtel, Switzerland. His professional career began as a manager at Altın Mekik Tic. ve San. A.Ş. in 1971. Over the years, he worked as a director in various financial institutions, including Uluslararası Endüstri ve Ticaret Bankası A.Ş., Factofinans A.Ş., Banque Internationale de Commerce, İktisat Bankası T.A.Ş., Crédit Lyonnais Suisse and Crédit Agricole Suisse. Mr. Çolak has served on the Board of Ekspo Faktoring A.Ş. since 2011.

ABOUT

EKSPO FAKTORİNG MAINTAINING A SUSTAINABLE GROWTH TRAJECTORY WITH ITS SERVICE APPROACH FOCUSED ON QUALITY AND EFFICIENCY, AIMS TO REACH AN ASSET SIZE OF TL 1.7 BILLION IN 2024 THROUGH CONTINUED GROWTH.

MISSION

Leading the way for the non-banking financial sector in increasing its share in domestic and foreign trade by enriching its corporate product portfolio with the latest and highly demanded global financing models and by leveraging cutting-edge technological advancements, which the digital age requires.

Offering advantageous financial solutions to companies operating in diverse industries by gaining a competitive edge in the sector with its corporate governance approach, innovative products and competent human resources.

Operating with a focus on quality and efficiency by understanding customer needs and expectations accurately and offering the most suitable solutions, while upholding ethical values and assuming social responsibility.

Becoming a regional leader in international trade by developing new products.

Introducing industry-first products and services with a visionary perspective and innovative applications.

VISION

Operating as a reputable institution that constantly creates difference and value in line with its deep-rooted history by embracing its clients and human resource as its most valuable assets.

Meeting the highest ethical, transparency and professionalism standards when delivering the products, services and experience to enable every company in every industry to grow.

Reaching an asset size of TL 1.7 billion in 2024 by maintaining consistent growth.

STRATEGIC TARGETS

Responding to the evolving needs of the real sector with innovative products and services.

Capturing a sustainable growth trend with a quality- and efficiency-focused service approach.

Standing out as a company with a highly qualified human resource by offering professional and personal development opportunities to its employees.

Maintaining competitive strength by developing tailored financing models for companies operating in diverse industries.

Contributing to foreign trade by providing financing support for Turkish companies in their international operations.

Identifying the environmental and social risks accurately and integrating them into the business model.

EKSPO FAKTORİNG AT A GLANCE

Establishment

2000

Ekspo Faktoring, founded in 2000 with a capital of TL 1 million and backed with nearly half a century of banking experience and know-how, moves forward with confident steps, following its mission of reshaping the sector with a new perspective.

Foreign Trade Volume

~778

MILLION TL

By offering Türkiye's first structured financing products for various industries, Ekspo Faktoring has acted as an intermediary in foreign trade transactions amounting to a total of nearly USD 778 million in the last 13 years, including letter of credit transactions worth nearly USD 133 million.

Shareholders' Equity

~470

MILLION TL

Boasting a robust capital structure, the company has consistently navigated through crises, always looking to the future with confidence thanks to a strong shareholders' equity, sustainable growth targets, innovative vision and a qualified human resource.

Trust-based approach

Ekspo Faktoring enjoys a reputable position in the financial sector with its quality service standards, innovative practices, transparency and trust-based approach.

Pioneer of many firsts

Marking many firsts in the sector with innovative solutions, services and products, Ekspo Faktoring remains focused on sustainable growth target, leveraging a strong capital structure, innovative management ethos, a highly skilled human resource, quality and efficient service and customer satisfaction.

High standards

As the first company in the Turkish factoring sector to publish its annual report, Ekspo Faktoring discloses its financial statements regularly, is audited by independent audit firms, and uses SWIFT (The Society for Worldwide Interbank Financial Telecommunication System), setting the bar higher in the industry.

Tradition meets innovation

With the second generation at the helm, Ekspo Faktoring has integrated its innovative perspective into all business processes across the organization without compromising conventional values. Capturing a perfect balance between innovation and tradition in today's rapidly evolving and transforming world gives the company superiority and a competitive edge.

Proactive approach
Ekspo Faktoring recognizes the importance of adapting to the rapid changes in the world and anticipating future dynamics as key priorities.

Wide array of services
Offering a wide array of services, Ekspo Faktoring meets the financing needs of companies operating in a diverse spectrum of industries that form the backbone of the Turkish economy.

Tailored solutions
One aspect that sets Ekspo Faktoring apart is its ability to develop creative products and services, tailored to clients by analyzing their requirements and expectations, and to offer timely and optimal financing, guarantees and cash management solutions for their potential future needs.

Long-lasting partnerships
Ekspo Faktoring strives to maintain long-lasting client relationships built on mutual trust. Focusing on portfolio efficiency and adopting a proactive approach, Ekspo Faktoring maintains a client retention rate above the sector average. The company follows its clients' activities and the developments in their respective industries closely, and pays them regular visits to keep the relations alive and well.

Exclusive services
Ekspo Faktoring works with some of the most prominent Turkish companies, aiming to provide exclusive services by focusing both on the clients' transactions in the domestic markets and also on exports.

Robust and transparent structure
In addition to eliciting confidence with its strong financial structure, Ekspo Faktoring also stands apart with its management approach shaped around transparency and accountability, enjoying a reputable position as a trusted, effective and consistent company in the global financial markets.

Competitive advantage
With its financial superiority and strength confirmed by international rating agencies, and strong international correspondent relations thanks to a wide correspondent network from the USA and Germany to China and Korea, Ekspo Faktoring boasts a significant competitive advantage.

Long-term resources
The company continues to build on these strengths by partnering with local and international banks and financial institutions. Such collaborations also enable Ekspo Faktoring to support its clients' competitiveness by providing medium- and long-term import financing and guarantees.

Qualified human resource
The human resource of the company, which ranks among the strongest Turkish financial institutions in terms of intellectual capital, works with high ethical standards and a sense of responsibility, and forms the basis of the corporate culture that drives Ekspo Faktoring to the future. Aiming to constantly enhance its service infrastructure and elevate the competence of its human resource, already equipped with the skills to develop creative solutions, Ekspo Faktoring supports the continuous development of its employees with training programs.

Secure information exchange environment
Ekspo Faktoring marked a new first in the sector by implementing the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system in 2012 to carry out transactions with banks and international financial institutions in a secure environment of correspondence and information exchange. The company, which started to communicate with banks and international financial institutions through this system, renewed its system infrastructure in 2014. In 2016 new system investments were made to to meet the requirements of the Risk Center under the Banks Association of Türkiye. With these investments, the virtual platform capacity of the company was doubled and steps were taken to create logging and testing environments, shift to centralized management of the technological infrastructure, and enhance data security.

Sustainable risk management
In addition to monitoring the financial risks emerging in the current economic landscape, Ekspo Faktoring also remains alert to potential natural disasters and environmental risks, aiming to build a diverse and sustainable portfolio with risk management through customer analyses and visits, while ensuring that they are not concentrated in certain regions of the country. Therefore, the company seeks and seizes opportunities to work with large enterprises operating in different geographical locations and diverse industries.

MANAGEMENT APPROACH

EMPOWERED BY THE VAST EXPERIENCE AND KNOW-HOW OF ITS FOUNDERS AND DRIVEN BY THE SYNERGY CREATED BY THE SECOND GENERATION AT THE HELM, EKSPO FAKTORİNG IMPLEMENTS THE NEXT-GENERATION OF TRADITIONAL BANKING APPROACH WITH GREAT SUCCESS.

NEXT-GENERATION OF TRADITIONAL BANKING WITH

50

YEARS OF BANKING EXPERIENCE

Raising the bar in the sector

Ekspo Faktoring conducts its business in alignment with ethical values, international criteria and applicable legislation, regulations and standards . As the first company to disclose its financial statements, to publish its annual report, to appoint independent board members and to work with international independent audit firms for audits, Ekspo Faktoring builds its corporate governance approach on the foundation of transparent management, effective risk management and internal control mechanisms, contributing significantly to raising the standards in the sector.

Sustainable corporate development

Ekspo Faktoring continues to improve its corporate governance structure further to ensure that this approach is adopted by each department in the organization, internal communication is enhanced, and company culture is strengthened. The company aims to achieve sustainable corporate development through a number of committees, which have actively worked since the very beginning to contribute to sound and efficient business processes.

EKSPO FAKTORİNG IS COMMITTED TO ENSURING THAT THE CORPORATE MANAGEMENT APPROACH IS ADOPTED IN THE SAME STANDARDS ACROSS THE ORGANIZATION, INTERNAL COMMUNICATION IS ENHANCED AND THE CORPORATE CULTURE IS FURTHER STRENGTHENED.

COMMITTEES

Asset-Liability Committee (ALCO): ALCO, headed by the General Manager, convenes weekly with the group managers, who engage in activities that might affect the balance sheet. The meeting agenda includes evaluation of the balance sheet, departmental activities, credit risks of clients, general economic data, current political and economic developments, current legislation and prospective placements as well as determination of the weekly strategy.

Risk Assessment Committee: Convening weekly and more frequently when needed for addressing the economic and client-related risks, the Risk Assessment Committee considers the proposals regarding corporate clients' utilization requests and evaluates the suggestions of the Marketing Department to approve or reject them within the limits of its authority. Proposals exceeding these limits are submitted to the Board of Directors for approval.

Liquidity Committee: The Liquidity Committee, chaired by the General Manager, convenes weekly with senior executives. Current interest rates in the financial markets, weekly positions to be taken with the banks and interest rates offered by banks are discussed, considering daily, weekly, quarterly, semi-annual, and if possible, annual outlooks. Assessing available bank limits and collateral maintained with banks, determining the financial institutions to work with, obtaining information about their financial structures, and researching alternative financial resources also fall within the responsibilities of the committee.

Human Resources Committee: The Human Resources Committee, headed by the Board Member in charge of human resources, convenes every December. The Committee evaluates the vertical (advancement in title as well as duties and responsibilities) and horizontal (a change in duties and responsibilities under the same title) mobility of all employees and reaches its final decisions. The committee also determines the actions - from orientation processes for new employees to training programs - to build a highly qualified, motivated and dedicated human resource.

Information Technologies Committee: The Information Technologies Committee, headed by the General Manager, convenes annually and is responsible for researching the latest information technologies in which the company might need to invest. Ekspo Faktoring is audited by an international independent audit firm to prevent the internal and external risks associated with information technologies. Taking action based on audit results is among the primary duties of this committee.

PRODUCTS AND SERVICES

OFFERING TAILORED SOLUTIONS TO MEET THE FINANCING REQUIREMENTS OF ITS CLIENTS IN DIVERSE INDUSTRIES, EKSPO FAKTORİNG ALWAYS FOCUSES ON ENRICHING AND IMPROVING ITS PRODUCT RANGE, IMPLEMENTING MORE EFFECTIVE MARKETING STRATEGIES AND ENSURING ULTIMATE CUSTOMER SATISFACTION.

Structured Finance

Importing raw materials for export-aimed production needs as well as generating energy and mining natural resources play a critical role in the exports and national welfare of Türkiye and many other emerging economies. With commodity prices trending high in recent years and causing an unprecedented rise in demand, businesses are forced to seek additional credit lines. Structured finance, which has so far been effective in meeting these demands, functions as a way of creating funds by pledging future cash flows and current receivables as collateral. Ekspo Faktoring has been providing structured pre- export financing options since 2012. With more than USD 150 million in structured finance secured through international finance institutions to date, Ekspo Faktoring has supported industrial companies in sourcing raw materials.

Pre-shipment Financing

Since 2008, the company has provided pre-shipment financing services that enable the clients to receive an advance payment up 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 by considering several parameters, such as the continuity and reliability of the relations between the client and the buyer, shipping time and the client's credibility since the amount would be claimed from the client in the event that the export receivable cannot be collected. This type of financing allows the clients to gain a price advantage in procuring the goods in cash or to perform debt servicing.

Import Financing

With its international reputation and correspondent network, Ekspo Faktoring is able to meet its clients' import finance needs swiftly. The guarantee given by Ekspo Faktoring to the foreign parties against the risk of non-payment by the importing clients is accepted by international banks. The guarantee that Ekspo Faktoring extends is recognized by some of the largest banks in the Far East, Asia, the US and Europe. A discount may be applied if needed, and the seller may be paid in advance.

Export Financing

Cash flow is a common problem that many exporters face. With long years of experience in this field, Ekspo Faktoring has been offering export finance since 2002. In export finance, Ekspo Faktoring extends funds at attractive prices for exporters against their current or future receivables. Furthermore, comprehensive insurance agreements with export development agencies or

21+
MILLION USD
Import Financing

14+
MILLION USD
Export Financing

35+
MILLION USD
Foreign Trade Finance

private insurance companies provide long-term funding for machinery exports or large-scale commodity exports to emerging countries with a certain level of risk or countries that experience domestic turbulence, thus preventing potential political or credit risks. Ekspo Faktoring, which became one of the first factoring companies to be allocated a credit line by the Turkish Eximbank in 2015, offers post-shipment export rediscount loans. Aiming to boost the competitive strength of its exporter clients in global markets, Ekspo Faktoring joins forces with Turkish Eximbank to provide export finance options in Türkiye.

Supplier Finance

Supplier finance is adopted by many companies as an important leverage for operating capital and financing. Large-scale buyers that utilize supplier financing are able to create an alternative financing option at a lower cost for suppliers of goods and services in all sizes to help them with their cash flows.

Trade Finance Solutions

With a team of experienced specialists, Ekspo Faktoring offers unique financing schemes to help its clients achieve liquidity. Trade finance solutions involve a structure in which several products that Ekspo Faktoring offers can be combined to meet client needs; these include purchasing current or future receivables, guarantees, purchasing trade receivables irrevocably, supply chain financing, discounting confirmed letters of credit, post-financing, assignment of receivables, giving payment guarantees and inventory financing. To date, the company has met its clients' financing needs with several structuring deals and continues to pursue new and innovative solutions.

Ekspo Faktoring;

- Extends guarantee and collection services in addition to financing domestic and international transactions. Thanks to its ability to anticipate clients' future needs and offer the optimal financing, guarantee and cash management options, the company supports its customers in undertaking and delivering successful projects and business processes.

- Closely monitors conditions in markets that engage in economic and commercial relations with Türkiye and leverages financing opportunities to support clients toward creating maximum added value.

- Aims to provide accessible financing to companies engaging in foreign trade in 2024 by ensuring transparency and due diligence to assist its clients navigate through potential volatilities in the financial and real sectors.

FINANCIAL ADVANTAGES

AS A STRONG FINANCIAL PARTNER FOR EXPORT- AND IMPORT-FOCUSED BUSINESSES, EKSPO FAKTORİNG CONTRIBUTES SIGNIFICANTLY TO THE DEVELOPMENT AND DEEPENING OF RELATIONS BETWEEN GLOBAL AND TURKISH COMPANIES, AIMING TO REACH TL 1.7 BILLION IN PLACEMENTS BY 2024.

World-class results

Positioned as the right place to go when it comes to innovative products and services in the non-bank financial sector, the company is empowered by the principles of mutual trust and transparency, and adopts a global perspective to offer its clients opportunities for achieving world-class results. Ekspo Faktoring has continued to elevate its position through successful strategic partnerships, further strengthening its correspondent relationships with local and international banks and financial institutions in 2023. Ekspo Faktoring has expanded its product portfolio and developed effective solutions for foreign trade financing to become one of the strongest financial partners of its clients, mainly engaged in exports and imports, moving toward its long-term strategic targets with confident steps.

A broad range of products and services

The products and services that Ekspo Faktoring offers include a variety of international transactions such as Irrevocable Export Financing, Revocable Export Financing, Assignment of Export Letters of Credit, Opening Import Letters of Credit, Assignment of Export Receivables with Acceptance Credit, Import Financing and Direct Factoring. The company's product and service offering for the domestic market also include Assignment of Receivables with or without Notice, and Assignment of Receivables via Checks and Bonds. Providing products and services aimed at financing deferred trade transactions, the company has gained a significant competitive edge since 2011 by focusing on supplier finance.

Customized financial solutions

Ekspo Faktoring provides market consultancy services, industry analyses and project finance among other areas with its expertise in domestic and international transactions, which enable the company to develop financial solutions tailored to client needs and expectations. The company adopts a proactive approach to meeting the strategic and financial needs of its clients, catering to them as "business partners."

Growing asset size

With industry expertise, a qualified human resource and a strong funding structure, Ekspo Faktoring generates fast and effective solutions to meet client expectations and requirements and embraces this approach in serving numerous local and international businesses operating in diverse industries. Ekspo Faktoring regards its clients as long-lasting, loyal business partners, and structures the funds secured from domestic and foreign banks with attractive terms and conditions to offer financing solutions tailored to their expectations. As a result of these practices, Ekspo Faktoring's asset size amounted to TL 1,132 million as of year-end 2023. The

EKSPO FAKTORİNG, FOUNDED IN 2000 WITH A CAPITAL OF TL 1 MILLION, CONTINUES TO GROW CONSISTENTLY WITH A FOCUS ON SUSTAINABLE SUCCESS.

company's 2024 target is to reach TL 1.7 billion in placements. With its financial advantages confirmed by international rating agencies, Ekspo Faktoring aims to maintain its profitability in 2024 as well as its strong support for the real sector by developing fast and cost-effective solutions for its clients.

Steady growth

Ekspo Faktoring, founded in 2000 with TL 1 million capital, maintains a consistent growth trend by focusing firmly on continued success. As of year-end 2023, the shareholders' equity of the company reached TL 469.9 million and a transaction volume of TL 3.3 billion, with its main operations resulting in TL 218.8 million in profit before tax. Domestic transactions accounted for 73.3% of Ekspo Faktoring's revenues in 2022 and international transactions for 26.7%. Ekspo Faktoring carries manageable levels of maturity, liquidity, and currency risks, and traditionally does not pay out dividends, regularly retaining the profits in shareholders' equity.

Sustainable profitability

Ekspo Faktoring carries out its activities by relying mainly on its shareholders' equity, and delivers high profitability thanks to its effective business processes. Pursuant to Banking Regulation and Supervision Agency's (BRSA) regulation of 24.04.2013, non-bank finance companies are required to continuously maintain a shareholders' equity/total assets ratio of minimum 3%. Despite, the volatilities in the markets in 2023, Ekspo Faktoring has captured a remarkable ratio of 42%.

Competitive advantage

Ekspo Faktoring operates with a low leverage ratio as a key competitive advantage that enables the company to develop strong relationships with local and international correspondents and financial institutions. Currently, Ekspo Faktoring's receivables are 98% revocable. Furthermore, the company works with due diligence to ensure that a single party's debt does not exceed 10% of the related client's total outstanding risk. This is a clear indication of the company's high asset quality and the reliability of its rating system. Ekspo Faktoring continuously improves its risk assessment system using methods applied by leading international rating agencies to assess its financial receivables in a sound and consistent manner, which enables the company to add low-risk clients to its portfolio and maintain the asset quality above sector average.

TOTAL ASSETS
(THOUSAND TL)

1,131,901	2023
798,315	2022
457,220	2021

TOTAL SHAREHOLDERS' EQUITY
(THOUSAND TL)

469,940	2023
305,766	2022
236,779	2021

98%

Ratio of the Company's Revocable Receivables

42%

Shareholders' Equity/ Total Asset Ratio

TRANSACTIONS FINANCED IN 2023

EKSPO FAKTORİNG ADOPTS A TARGETED MARKETING APPROACH AND SERVES AS A STRONG BRIDGE BETWEEN THE TURKISH PRIVATE SECTOR AND THE LOCAL AND INTERNATIONAL FINANCING INSTITUTIONS. FOR THE LAST 13 YEARS, EKSPO FAKTORİNG HAS SUPPORTED ITS CLIENTS ACROSS VARIOUS INDUSTRIES BY FINANCING FOREIGN TRADE TRANSACTIONS OF NEARLY USD 778 MILLION.

3.3

billion TL total revenues

TRANSACTIONS FINANCED IN 2023 BY INDUSTRY (%)

TEXTILES AND TEXTILE PRODUCTS	24.62
MAIN METAL INDUSTRY AND FINISHED GOODS MANUFACTURING	20.43
WHOLESALE AND RETAIL TRADE MOTOR VEHICLE AFTERSALES SERVICES	12.26
CHEMICALS AND SYNTHETIC FIBERS INDUSTRIES	11.54
LEATHER AND LEATHER GOODS INDUSTRY	5.67
HOTELS AND RESTAURANTS (HOSPITALITY)	4.17
CONSTRUCTION	3.70
PAPER PULP AND PAPER PRODUCT PRINTING INDUSTRY	3.20
OTHER NON-METAL MINING INDUSTR	2.12
TRANSPORTATION VEHICLES INDUSTRY	1.82
TRANSPORTATION, WAREHOUSING AND COMMUNICATION	1.66
REAL ESTATE AGENCY, PROPERTY RENTAL AND OPERATION ACTIVITIES	1.54
WOOD AND WOOD PRODUCTS INDUSTRY	1.41
FINANCIAL BROKERAGE	1.38
OTHER CIVIC, SOCIAL, AND PERSONAL SERVICES	1.29
RUBBER AND PLASTICS INDUSTRY	1.28
MACHINERY AND EQUIPMENT INDUSTRY	1.27
FOOD, BEVERAGE AND TOBACCO INDUSTRIES	0.37
AGRICULTURE, ANIMAL HUSBANDRY, FORESTRY	0.24
UNCATEGORIZED MANUFACTURING INDUSTRY	0.04

FOREIGN TRADE TRANSACTIONS FINANCED IN 2023

THE EXPORT FINANCING THAT EKSPO FAKTORİNG EXTENDED TO ITS CLIENTS OPERATING ACROSS A DIVERSE SPECTRUM OF INDUSTRIES AMOUNTED TO USD 14.1 MILLION IN 2023, WHILE IMPORT FINANCING REACHED A TOTAL OF USD 21.2 MILLION.

FOREIGN TRADE TRANSACTIONS FINANCED IN 2023 BY INDUSTRY (%)

IMPORTS

METAL INDUSTRY AND FINISHED GOODS MANUFACTURING	75.37%
WHOLESALE AND RETAIL TRADE MOTOR VEHICLE AFTERSALES SERVICES	21.76%
TEXTILES	2.87%

EXPORTS

TEXTILES	78.52%
RETAIL	20.47%
PLASTICS PRODUCTION	1.01%

TOTAL IMPORT FINANCING	**21.16** MILLION USD (59.98%)
TOTAL EXPORT FINANCING	**14.12** MILLION USD (40.02%)
TOTAL	**35.28** MILLION USD

16.6

MILLION USD
Import Financing for the Textile and Textile Products Industry

10.6

MILLION USD
Export Financing for the Main Metal Industry and Finished Goods Manufacturing

4.3

MILLION USD
Import Financing for the Wholesale and Retail Trade Motor Vehicle Aftersales Services

Main Metal Industry and Finished Goods Manufacturing

Türkiye holds a significant position in the main metal industry and finished goods manufacturing, producing a variety of metals such as steel, aluminum, copper, and iron through diverse metallurgical processes. This sector is crucial to Türkiye's industrial production and foreign trade. The demand for metals and finished goods is particularly high in the automotive, white goods, construction and defense industries. Türkiye boasts a large production capacity to meet this demand. Additionally, R&D activities and technological innovations in this field contribute to the sector's growth. Türkiye's main metal industry and finished goods manufacturing are competitive both domestically and internationally. Factors such as the country's geostrategic location, logistical advantages and skilled workforce support its success in this sector.

Wholesale and Retail Trade Motor Vehicle Aftersales Services

Wholesale and retail trade in Türkiye, particularly in the motor vehicle and aftersales services sector, holds a key position. Motor vehicles fulfill a significant portion of the transportation needs in Türkiye, making them central to wholesale and retail trade. Retail trade involves the direct sale of motor vehicles such as automobiles, vans, trucks and motorcycles to end users. Several national and international brands operate through dealers and sales points in Türkiye. The second-hand motor vehicle trade is also highly prevalent, with many auto dealers and resellers catering to this demand. Wholesale trade typically encompasses the sale of motor vehicles to dealers, resellers and distributors. Large automotive companies sell parts and accessories wholesale, supplying products to retailers and aftersales service centers. The servicing, maintenance and repair of motor vehicles is another crucial segment in Türkiye. Auto service centers provide regular maintenance and repair services while also supplying and selling spare parts. These services are essential for ensuring the safety of vehicle owners and extending the lifespan of vehicles. The wholesale and retail trade, motor vehicle, and aftersales service sectors in Türkiye contribute significantly to the national economy, creating a large industry that generates employment.

Textiles and Textile Products Industry

Türkiye is a global leader in the production and export of textiles and textile products, making this industry a cornerstone of the national economy. The Turkish textile industry encompasses the production of textiles from various raw materials, including cotton, silk, wool and synthetic fibers. Known for its high-quality products and competitive prices, Türkiye is a major player in the global textile and apparel market. The industry is composed of several sub-sectors, such as apparel home textiles, and technical textiles. In recent years, R&D activities and innovative designs have significantly boosted the industry's competitive edge, driving higher demand in international markets. The Turkish textile industry operates with an extensive supply chain, covering all stages from cotton production to the manufacturing of fibers, fabrics, apparel and home textiles. These efforts enhance the industry's sustainability and production flexibility. However, the textile industry occasionally faces challenges due to fluctuations in international demand. The competitive landscape requires the Turkish textile industry to continuously improve quality, optimize costs and develop innovative products.

Rubber and Plastics Industry

Türkiye holds a key position in the rubber and plastics industries, which play a major role in the national economy and offer a wide range of products. Rubber and plastics are essential materials for various industrial uses, and manufacturers in Türkiye provide competitive products for both local and international markets. The plastics industry produces a variety of products used in sectors such as packaging, automotive, construction, electronics and health. Türkiye is a leading manufacturer and exporter of plastics, with significant efforts directed toward sustainability by promoting the use of recycled plastics and environmentally friendly production methods. The rubber industry in Türkiye is also highly advanced, producing materials widely used in tires, shoe soles, hoses and gaskets, among others. Türkiye offers competitive rubber products in both domestic and international markets. The rubber and plastics industries in Türkiye operate with an extensive supply chain, spanning from sourcing raw materials to manufacturing and distributing finished goods. These factors enhance the industries' importance for the economy and their potential for job creation. However, these sectors face fierce competition, necessitating continuous quality improvements, cost optimizations and technological innovations. Adopting environmentally friendly production methods and sustainability principles will enable the Turkish rubber and plastics industries to successfully compete in the international market and continue to grow.

3.1

MILLION USD
Export Financing for the Wholesale and Retail Trade Motor Vehicles Aftersales Services

400

THOUSAND USD
Export Financing for the Textiles and Textile Products Industry

200

THOUSAND USD
Import Financing for the Rubber and Plastics Industry

2023 PERFORMANCE

EKSPO FAKTORİNG, DRAWING FROM ITS TRANSPARENT MANAGEMENT APPROACH, STRONG INTERNATIONAL PARTNERSHIPS AND HIGHLY QUALIFIED HUMAN RESOURCE, FOCUSES ON ENSURING ULTIMATE CUSTOMER SATISFACTION. AIMING TO DEVELOP UNIQUE FINANCING PRODUCTS THAT ADDRESS THE NEEDS OF ITS CLIENTS, WHICH THE COMPANY SEES AS BUSINESS PARTNERS, AND OFFERING PIONEERING SOLUTIONS THAT GUIDE THE SECTOR, EKSPO FAKTORİNG WAS INVOLVED IN MAJOR PROJECTS AND BUSINESS PROCESSES IN 2023.

AA (tr)

Long-term National Credit Rating

CORRESPONDENT NETWORK

- Canada
- USA
- Germany
- China
- Korea
- Taiwan

Growing asset size

As of year-end 2023, Ekspo Faktoring reached TL 1,132 million in total assets and TL 3.3 billion in revenues, recording TL 218.8 million in profit before tax and increasing its shareholders' equity to TL 469.9 million with a growth of 53.6%. The company's export revenues amounted to USD 14.12 million and import revenues to USD 21.16 million, with domestic transactions accounting for 73.3% and international transactions for 26.7% of total revenues.

Effective solutions

Ekspo Faktoring maintained its pioneering position in the sector with export and import financing in 2023, while expanding its product and service diversity thanks to its team of experienced and expert professionals. The company continued to introduce effective solutions by focusing on domestic and international trade financing and extending financial support to importers and exporters. Even though the year 2023 saw economic challenges in terms of access to resources, Ekspo Faktoring maintained its strategic perspective to provide the necessary financing and services to help its clients achieve their goals. As a result, the company contributed nearly USD 35.28 million toward financing foreign trade in 2023.

Financing advantage

The funds that the company secures through its international correspondent network and the assurances it provides

DESPITE THE ECONOMIC RESOURCE CONSTRAINTS OBSERVED IN 2023, EKSPO FAKTORİNG OFFERED SERVICES WITH A STRATEGIC APPROACH AND PROVIDED FUNDING TO ITS CLIENTS TO HELP THEM ACHIEVE THEIR GOALS, EXTENDING NEARLY USD 35.28 MILLION IN FOREIGN TRADE FINANCING IN 2023.

3.3
TL BILLION
Revenues

1,132
TL MILLION
Asset Size

218.8
TL MILLION
Profit Before Tax

result in financing advantages for its clients. The financial products and services that Ekspo Faktoring offers create a competitive edge for Turkish companies striving to sell to foreign markets in today's challenging circumstances and limited resources. Always exploring new markets for export products and aiming to offer exporters a competitive edge in international markets, Ekspo Faktoring extended USD 14.12 million in export financing to several industries, including main metal industry and finished goods manufacturing, wholesale and retail trade motor vehicles aftersales services, and textile and textile products in 2023.

Contribution to international trade

Pursuing its vision of becoming an international player, Ekspo Faktoring joined Factors Chain International (FCI), the world's largest non-bank financial services network, in 2004. FCI was set up in 1968 as an umbrella organization to support the development of global trade volume and promote best practices in international standards. Transactions carried out by FCI members, consisting of nearly 400 companies in 90 countries, account for approximately 80% of global factoring volume. As Ekspo Faktoring continued to expand its correspondent network and financial resources in 2023, the company's senior management, which maintains strong relationships with other members of FCI, had meetings with several finance institutions to explore partnership opportunities.

International rating

Ekspo Faktoring, enjoying a privileged position in the sector with a strong shareholders' equity and healthy asset quality, has been evaluated by international rating agencies Fitch, Moody's, and JCR Eurasia Rating since 2006. The company changes the rating agencies and audit firms at certain intervals as specified by the European Union Audit Reform for the assurance of audit results and ratings. Most recently, JCR Eurasia Rating increased the Long-term National Rating of Ekspo Faktoring from AA-(TR) to AA(TR) and determined its outlook as Stable. Long-term revenue generation capability, asset quality, a capital adequacy ratio above the factoring sector average and lower leverage ratios as well as high level of risk management skills, experience and effective management capabilities were instrumental in Ekspo Faktoring receiving this rating.

FINANCIAL INDICATORS

IN 2023, EKSPO FAKTORİNG REACHED TL 1,132 MILLION IN ASSET SIZE, TL 3.3 BILLION IN REVENUES AND TL 218.8 MILLION IN TAX BEFORE PROFIT, INCREASING SHAREHOLDERS' EQUITY TO TL 469.9 MILLION.

FINANCIAL INDICATORS	DECEMBER 2021 (TL THOUSAND)	DECEMBER 2022 (TL THOUSAND)	DECEMBER 2023 (TL THOUSAND)
TURNOVER	1.792.200	**2.503.789**	**3.275.435**
TOTAL ASSETS	457.220	**798.315**	**1.131.901**
TOTAL SHAREHOLDERS' EQUITY	236.779	**305.766**	**469.940**
PAID-IN CAPITAL	60.000	**60.000**	**60.000**
NET WORKING CAPITAL	237.956	**274.145**	**440.270**
FACTORING RECEIVABLES	431.613	**701.928**	**1.030.819**
FACTORING PAYABLES	7.702	**10.852**	**37.812**
NET ADVANCES TO CLIENTS	423.911	**691.076**	**993.007**
BANK LOANS, BOND LOANS	202.702	**466.465**	**5.834.963**
TOTAL INCOME	111.933	**226.237**	**430.651**
FACTORING INCOME	87.602	**190.908**	**349.071**
GROSS PROFIT	60.777	**100.636**	**218.750**
NET PROFIT	45.511	**74.987**	**174.174**

FINANCIAL DATA (%)	DECEMBER 2021	DECEMBER 2022	DECEMBER 2023
CURRENT RATIO (TIMES)	2,07	**1,56**	**1,67**
LIQUIDITY RATIO (TIMES)	2,05	**1,54**	**1,61**
NET WORKING CAPITAL/TOTAL ASSETS RATIO	51	**34**	**39**
LIQUID ASSETS/TOTAL ASSETS RATIO	98	**95**	**94**
DEBTS/ASSETS (INDEBTEDNESS RATIO)	48	**62**	**58**
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	0,86	**1,53**	**1,24**
FINANCIAL LIABILITIES/TOTAL ASSETS RATIO	48	**62**	**58**
INTEREST COVERAGE RATIO (TIMES)	3,17	**2,04**	**2,55**
GROSS PROFIT MARGIN	20	**27**	**34**
NET PROFIT MARGIN (SALES PROFITABILITY)	17	**18**	**33**
RETURN ON EQUITY (EQUITY PROFITABILITY)	28	**37**	**56**

TOTAL TURNOVER	(TL THOUSAND)
2023	3.275.435
2022	2.503.789
2021	1.792.200

TOTAL INCOME	(TL THOUSAND)
2023	430.651
2022	226.237
2021	111.933

GROSS PROFIT	(TL THOUSAND)
2023	218.750
2022	100.636
2021	60.777

TOTAL ASSETS	(TL THOUSAND)
2023	1.131.901
2022	798.315
2021	457.220

TOTAL SHAREHOLDERS' EQUITY	(TL THOUSAND)
2023	469.940
2022	305.766
2021	236.779

FACTORING RECEIVABLES	(TL THOUSAND)
2023	1.030.819
2022	701.928
2021	431.613

GLOBAL ECONOMY

LAST YEAR, DESPITE PERSISTENT HIGH INFLATION WORLDWIDE, NATIONAL ECONOMIES CONTINUED TO GROW, DEMONSTRATING RESILIENCE. THE GLOBAL ECONOMY DID NOT EXPERIENCE STAGFLATION-INDUCING DEVELOPMENTS SUCH AS RUNAWAY INFLATION OR SUDDEN SHOCKS. THE GLOBAL ECONOMY IS PROJECTED TO GROW BY AN ESTIMATED 3.2% IN 2023, MAINTAINING A TREND SIMILAR TO THE 3.4% GROWTH IN 2022.

Sources
World Economic Outlook Update, April 2024, IMF

Economic Outlook, May 2024, OECD

Efforts to curb inflation prompted monetary tightening.
In 2023, the global economy lost momentum due to central banks' monetary tightening measures aimed at curbing inflation worldwide. Major central banks, which had been raising policy interest rates throughout the year, chose to keep rates unchanged in the last quarter to closely monitor the effects of these measures. Despite the impact of monetary tightening, the ongoing war in Ukraine and negative developments in the Middle East, global growth continued at a rate slightly above 3% annually.

By year-end 2023, annual inflation rates were 3.4% in the USA, 4% in the UK, 3.7% in Germany, 4.9% in France and 5.7% in Italy, marking significant decreases compared to the previous year. The decline in energy price shocks from 2022, improvements in supply chains and lower prices for China's export products contributed to reduced inflation rates.

Benchmark interest rates continued to rise throughout the year.
Central banks raised benchmark interest rates throughout the year to combat inflation. The Federal Reserve (Fed) increased the interest rate by 25 percentage points to 4.75%-5% in March 2023, followed by another 25 percentage point hike in July to 5%-5.25%. The Fed made no further rate changes for the remainder of the year, focusing on controlling inflation through careful monitoring of economic data. The main motivation of the interest rate decisions was to strike a balance between tightening monetary policy to manage inflation and achieving financial stability. The Bank of England raised its benchmark rate to 4.25% in March 2023, 4.5% in May, and 5.25% in August, maintaining this level through the end of the year. The European Central

THE GLOBAL ECONOMY CONTINUED TO LOSE MOMENTUM IN 2023 DUE TO MANY CENTRAL BANKS' MONETARY TIGHTENING MEASURES AIMED AT CURBING INFLATION WORLDWIDE.

Bank raised its benchmark rate by 50 percentage points to 3% on March 16, 2023, and implemented four additional 25 percentage point increases during the year, ending with a 4% benchmark rate.

China's future remains uncertain in some respects.

The Chinese economy is still impacted by its ongoing real estate crisis. Without structural reforms and strong measures to address the crisis, the issues in the real estate sector are likely to persist, keeping domestic demand weak. There is also a risk that the real estate crisis could escalate into a public debt crisis. China's growing foreign trade surplus might lead to intensified trade tensions with Western countries. The IMF projects that China's economy, which grew by 5.2% in 2023, will grow by 4.6% in 2024.

Geopolitical developments may disrupt balances in 2024.

The effects of the Israel-Palestine conflict in the Middle East and its potential spread to other countries could add a new dimension to existing tensions between the US and its allies, as well as Russia and China. According to OECD projections, the global economy is expected to grow by 3.1% in 2024 and 3.2% in 2025. Intensified conflicts in the Middle East could negatively impact energy and financial markets, leading to adverse effects on the global economy. Approximately 30% of global oil trade and 20% of liquefied natural gas trade pass through the Strait of Hormuz, with no alternative routes for such volumes. While a complete halt in energy flow is unlikely, short-term disruptions could have significant economic impacts.

On the other hand, the delayed effects of monetary policy actions from 2023 on growth and employment might be greater than expected. This scenario could lead to an economic downturn and increased financial vulnerabilities. The impact of past rate hikes on bank loan rates appears largely complete, but in some countries, the full effects have yet to materialize. Consequently, 2024 might see suppressed growth and increased economic stagnation, particularly in some emerging markets. Overall, 2024 is likely to be a year of controlled inflation and modest, but risk-prone, growth, with potential disruptions due to geopolitical risks, including the ongoing Middle East turmoil, the Ukraine-Russia conflict and additional risks related to the US presidential elections on November 5.

TURKISH ECONOMY

THE TURKISH ECONOMY, WHICH EXPERIENCED HIGH CONSUMPTION TRENDS, GREW BY 5.6% IN 2022 AND 4.5% IN 2023. WITH THE TURKISH LIRA DEVALUING BY 57% AGAINST THE USD, INFLATION BEGAN TO RISE AGAIN DUE TO WAGE INCREASES AND TAX REGULATIONS, REACHING 64.77% BY THE END OF DECEMBER.

Impact of earthquake and high inflation on budget deficit

The earthquake and existing economic policies were significant factors influencing the direction of the Turkish economy in 2023. While the decline in commodity prices limited the growth of the foreign trade deficit, the expansion of the current account deficit slowed in the second half of the year. Consumer inflation, initially reduced by the base effect, increased again due to the lira's devaluation and higher tax rates. The budget deficit widened due to the earthquake's impact and high inflation. In response, policies focusing on curbing inflation and simplifying macroprudential measures were implemented in the second half of the year.

The economy, which grew by 4% in the first quarter, showed stability in the second quarter with a growth rate of 3.8%. The third and fourth quarter growth rates were 5.9% and 4%, respectively. Annual growth was 4.6%, close to the 5% target outlined in the 2021-2023 Medium Term Program.

Despite these efforts, the Turkish economy continued to experience significant lira devaluation and high inflation in 2023, mirroring the past two years. The minimum wage was increased by 34% in June 2023 to a gross amount of 13,414 TL, with no further increases for the rest of the year. The consumer confidence index decreased slightly from 79.1 points in January to 77.4 points by year-end. Amidst fluctuations, the economic confidence index closed the year at 96.4 points, down from its peak of 103.7 points during the year.

All major credit rating agencies kept Turkey's credit rating unchanged in 2023. Moody's maintained Turkey's rating at B3 and revised the outlook from stable to positive in January. Fitch also kept the rating at B but revised the outlook from negative to stable in September. S&P left Turkey's rating at B and changed the outlook from stable to positive in November. The current account deficit decreased from USD 49.1 billion in 2022 to USD 45.2 billion by the end of 2023. The foreign trade deficit decreased by 3.2%, from USD 109.5 billion to USD 106 billion in 2023.

Current account deficit decreased

The current account deficit dropped from USD 48.8 billion in 2022 to USD 45.2 billion in 2023. Budget revenues rose to TL 5.21 trillion with an annual increase of 86.1%, while spending increased by 123.8% to TL 6.59 trillion. This resulted in a central government budget deficit of TL 1.37 trillion with an increase of 863%. Tax revenue collection rose by 91.2% to TL 4.5 trillion. The central government's gross debt stock was TL 6.72 trillion as of December 31, 2023, comprising TL 2.41 trillion in Turkish lira and TL 4.31 trillion in foreign currency debt.

Sources | Turkish Statistical Institute, The Central Bank of the Republic of Türkiye, Repubic of Türkiye Ministry of Treasury and Finance, OECD

Foreign trade deficit increased

The foreign trade deficit decreased by 3% from USD 109.51 billion in 2022 to USD 106.34 billion in 2023. According to the general trade system, exports increased by 0.5% in the January-December 2023 period, reaching USD 255.42 billion, while imports decreased by 0.5% to USD 361.76 billion. The export-import coverage ratio improved from 69.9% in 2022 to 70.6% in 2023.

Germany led in exports, with exports amounting to USD 21.79 billion, followed by the USA at USD 14.83 billion, Iraq at USD 12.76 billion, the UK at USD 12.46 billion and Italy at USD 12.37 billion. These top five countries accounted for 28.8% of total exports. Russia led in imports, totaling USD 45.6 billion, followed by China at USD 44.98 billion, Germany at USD 28.68 billion, Switzerland at USD 19.90 billion, and the USA at USD 15.78 billion. Imports from these top five countries accounted for 42.8% of total imports.

Lower labor force participation rate

The seasonally adjusted unemployment rate was 8.8% in 2023. The labor force participation rate fell from 53.7% in December 2022 to 53.3% in December 2023.

High FX rates and inflation prevailed

The Turkish lira's devaluation and high inflation continued to impact the economy negatively, while the CPI rose from 64.27% in December 2022 to 64.77% by December 2023. OECD countries reported an inflation rate of 7.1% in 2023. Thus, a lasting downward movement began from the 9.6% levels in 2022, highest since 1988.

In June, the Central Bank increased interest rates for the first time in 27 months, raising the rate by 650 percentage points from 8.5% to 15%. In July, the Central Bank raised the policy rate by 250 basis points to 17.5%. Subsequent increases brought the policy rate to 25% in August, 30% in September and ultimately to 42.5% by December, after 500 percentage point raises each in October and November. As a result, the Turkish lira depreciated by 57.2% against the USD, ending the year at an exchange rate of 29.4 TL/USD. As of April 2024, the CBRT's net foreign exchange reserves were USD 11.2 billion, with net reserves excluding swaps at minus USD 52.3 billion.

2024 outlook

The main opposition party's significant win in the local elections on March 31, 2024, was seen as a strong warning by the voters of the AKP. Adopting globally accepted economic management methods and ensuring a rational approach could help Türkiye recover from the severe fluctuations of 2022 and 2023.

While high inflation remains a major issue, other critical problems such as social impoverishment, income inequality, the current account deficit, high foreign debt risk premiums and lack of structural reforms suggest that the economy will remain fragile in 2024 and 2025. The Turkish economy, which grew by 5.7% in the first quarter of 2024, is expected to close the year with a growth of 3.4%. The OECD forecasts a 3.2% growth in 2025. Inflation is anticipated to start declining steadily from mid-2024.

Along with the anticipated contraction in domestic demand due to continued monetary tightening, a decline in international demand is also expected following the tightening cycle in global economies. The budget balance will be crucial in macroeconomic terms in 2024, with significant investments in construction in the aftermath of the February 2023 earthquake expected impact the central government budget. Investments expected to exceed TL 1 trillion will bring an increase in the share of the budget deficit in national income. Further economic downturn due to monetary tightening may also lead to a potential slowdown in tax revenues. Key factors influencing 2024 will include downward inflation trends, new tax regulations, geopolitical developments, external borrowing activities and both domestic and external demand.

EVOLUTION OF THE BANKING SECTOR

FACTORING, PRESENTING A SIGNIFICANT OPPORTUNITY FOR THE DIVERSIFICATION AND DEVELOPMENT OF FINANCIAL SERVICES, STARTED IN 1988 WITH TRANSACTIONS INITIALLY PERFORMED BY BANKS, AND GAINED MOMENTUM AFTER 2005.

Banking tradition born in the 19th century

The Turkish banking system started to develop in the 19th century, quite later than Europe. At the time, mostly minority populations and foreigners were engaged in banking activities. Since the bankers were active in the Galata district of Istanbul, they were called Galata Bankers in the early 1850s. The first important legal document in the history of Turkish banking was the Usury Regulation (Murabaha Nizamnamesi), which was issued in 1852 to prevent usury by limiting interest rates. After Izmir Bank, opened in 1842 in Izmir by some foreigners without seeking the permission of the Ottoman government, there was no attempt to establish any bank for a very long time. Bank-ı Dersaadet was established in 1847, and operated from 1849 to 1852 as a stabilization fund, meaning its losses were covered by the state, to ensure the stability of foreign exchange. Then, Ottoman Bank (Bank-ı Osmanî-i Şahane) was established in 1863 in Istanbul as a partnership of the British-owned Bank-ı Osmani (Ottoman Bank), founded in 1856, and the French financial group Banque de Paris et des Pays-Bas, which undertook the loan in 1862. The Ottoman government, unable to establish its own bank at the time, granted the minting privileges and monopoly to Bank-ı Osmanî Şahane for 30 years. Deutsche Bank of Germany was another banking institution that operated in the Ottoman era as an investment bank. Following the declaration of the Second Constitutionalist Monarchy Period, national banks that relied on domestic capital grew in number. This period, which ended with the War of Independence, is significant in Turkish history as a time of gaining experience in banking. At the Turkish Economy Congress, which convened four months before the signing of the Treaty of Lausanne, the economic targets of the Republic were determined, and several privileges previously granted to foreign banks were retracted by the Treaty. The resolutions reached during the Congress about the national character of economic development constituted the first steps of the statist approach that would make its mark on the Turkish economy until the 1950s. The "golden principle" was adopted for public finance with a balanced budget approach that aimed to avoid deficits in the state budget.

Advancements in national banking

Following the proclamation of the Republic, several banks were established with government incentives to promote national banking and the Central Bank of the Republic of Türkiye (CBRT) was founded in 1931. After the Great Depression that led to economic collapse worldwide, government interventions were seen in banking. Starting with this period, the weight of public banks increased in Türkiye. After World War II, state control over the economy began to loosen as a new development policy led by the private sector started to prevail. Private sector banking flourished in this period and with the transition to multiparty

Sources | tbb.org.tr

democracy, the economy began to expand beyond borders. However, from 1953 onward, the economic balances were upset as inflation rates and foreign trade deficit rose rapidly.

State-controlled banking

In the early 1960s, 15 banks terminated their operations and were dissolved as the banking system was once again under state control. Until the 1980s, the Turkish economy maintained an isolated look with the governments adjusting interest rates and exchange rates without much consideration for international markets. From 1980 onward, liberalization was introduced in the financial system and the economy reopened to international markets. As the financial system expanded with rapid economic growth, the banking sector began integrating with international banking and financial systems. Several international banking institutions including commercial, investment and retail banks started operations in Türkiye and established partnerships with Turkish banks, while major Turkish banks opened branches and established new banks abroad.

Establishing FX markets

With CBRT lacking sufficient reserves to intervene in a timely and efficient manner, the banking and financial crisis of 1994 spread and became a threat for the entire banking sector and the economy. The main reason for the banking sector to be so seriously affected by the 1994 crisis was the drop in profitability due to the low exchange rate-high interest rate policies of 1989-1993 no longer being in place. With the regulations introduced in 1989, money markets and foreign currency markets were established, as investors began to turn to foreign currency. However, the Treasury and CBRT fell short in introducing regulations to balance this new trend. In this competitive environment where the number of banks multiplied and the market itself determined the interest rates, the banking system faced a crisis that was exacerbated with the influence of globalization.

First factoring transactions

The first factoring activities in Türkiye began in 1988 with transactions performed by the banks. In 1990, the first approved factoring company was founded. Factoring, the leading sector in the non-bank financial segment with an important role in diversifying and developing financial services, began to develop rapidly from the second half of the 2000s onward. Türkiye entered the new millennium in an environment of major economic decisions. In February 2001, another economic crisis unfolded with the decline of confidence in financial markets. Consequently, the money and foreign currency policies projected in the Disinflation Program of 2000 were abandoned and a flexible exchange rate system was adopted on February 22, 2001, effectively bringing the disinflation program to an end.

The effects of financial crises on banking

The 2000-2001 crisis caused significant damage to the financial system, and particularly to the Turkish banking sector. The Restructuring Program for the Banking System, introduced in the aftermath of the crisis under the supervision of the IMF, marked the start of reforms in the financial system. Within the scope of the program, the capital structures of the state-owned banks were reinforced, their duty loss receivables were paid, the regulations allowing new duty losses to occur were repealed and their short-term liabilities were dissolved. The fundamental reforms introduced after 2001 enabled the banking sector to gain a strong financial and operational structure through effective regulations, inspections and strict risk management. The sector, with a strong capital structure, more resilience against crises and better international competitiveness, stands apart from the struggling banking sectors in other emerging and developed countries. As a matter of fact, Türkiye happened to be the only OECD member state not to extend any type of open or discreet public support to the banking sector after the 2008- 2009 crisis.

A new era with the advent of digitalization

The world's first ATM was installed in New York City in 1961, but removed six months later due to lack of customer interest. The first Electronic Funds Transfer Act of the USA was drafted in 1978. The first EFT transaction in Türkiye took place on April 1, 1992, and internet banking started in 1997. Digitalization in the banking sector gained significant momentum starting in the 2000s, and was elevated to the next level during the COVID-19 pandemic. As the banks worldwide began to work shorter hours, they continued to introduce new digital features: 34% offered the option to open accounts online, 23% remote identification and verification and 18% contactless payment. Chatbots, enabled with AI technologies and advanced data analytics, became a feature used to improve customer satisfaction. On the other hand, as threats to the privacy and security of personal and financial data rose to the level of major concern, cybersecurity opened a new investment area for the banking sector.

Latest data on the Turkish banking sector

As of year-end 2023, there are 62 banks, including 34 deposit banks along with 9 participation and 19 development & investment banks in the banking sector, operating with 10,949 branches and 208,623 employees in Türkiye.

OVERVIEW OF THE BANKING SECTOR IN 2023

DESPITE THE HIGH INFLATIONARY ENVIRONMENT AND THE EFFECTS OF THE EARTHQUAKE, THE BANKING SECTOR MAINTAINED ITS STRONG OUTLOOK IN 2023, CONTINUING TO SUPPORT ECONOMIC ACTIVITY.

The Turkish banking sector has proven its resilience once again, despite the challenging domestic and global economic conditions witnessed in 2023, thanks to its solid balance sheet structure and successful asset-liability management. While loan growth lagged behind inflation due to legal restrictions and rising interest rates, steps to exit the FX-Protected Deposit (KKM) product were at the forefront on the deposit side in the second half of the year. KKM volume decreased from USD 128 billion to below USD 80 billion. In a year when profitability was challenged due to rising funding costs, the capital adequacy ratio, which was above the legal requirement, confirmed its resilience against shocks.

54% growth in loan volume

An overview of the Turkish banking sector demonstrates that the total loan volume increased by 54.1% compared to year-end 2022 and reached TL 11.672 billion according to the December 2023 data of the Banking Regulation and Supervision Agency (BRSA). Foreign currency (FX) loan volume within the total loan amount decreased from 32.6% to 32.4% year on year. In terms of total loan volume, the top three sectors utilizing loans were credit cards (5%), other personal loans (5%) and wholesale and brokerage (3.9%). On the other hand, the NPL ratio of loans decreased from 2.01% in 2022 to 1.6% by December 2023.

Increase in deposits close to inflation rates

In the reporting period, total volume of deposits increased by 67.6% year on year to reach TL 14,852 billion, comprising TL 8,897 billion in Turkish Lira deposit accounts/ participation funds and TL 5,995 billion in FX deposit accounts/participation funds. Turkish Lira deposit accounts increased by 86.2% year on year and FX deposit accounts by 45.9%. The share of FX deposit accounts/ participation funds in total volume of deposit accounts decreased by 6% compared to 2022, dropping to 40.1%.

Banking sector's profitability increase below inflation rates

The total asset size of the banking sector was up 64.1% from the previous year, reaching TL 23,550 billion by December 2023. The Turkish banking sector posted a total net profit of TL 620.5 billion, marking a year on year increase of 43.8% as of December 2023. Net period profits of state-owned banks increased by 58.4% to TL 165.2 billion, private local banks by 22.4% to TL 244.4 billion, and private international banks by 65.2% to TL 210.7 billion. Return on equity rose dropped from 49.92% in 2022 to 42.65% and return on assets from 3.66% to 3.28% in the same period. On the other hand, the capital adequacy ratio of the sector was 19.06% with a slight decrease compared to the previous year.

Factoring sector's asset and receivable growth rate halved

The Turkish factoring sector recorded TL 820 billion in transaction volume and TL 14.2 billion in net profits as of December 2023. The total asset size grew by 57.6% to TL 213.6 billion, and the factoring receivables by 54.7% to TL 196.9 billion year on year. These growth rates correspond to approximately half of the previous year's figures. In 2023, the loans extended to factoring companies by the banks increased by 42.4%, debt instruments by 114.5% and shareholders' equity by 102.8% compared to the previous year. As of December 2023, factoring receivables amounted to TL 196.9 billion, total assets to TL 213.6 billion and net profit of the sector to TL 14.2 billion. As of year-end 2023, there are 49 companies registered with the Association of Financial Institutions (FKB), operating with 365 branches and providing jobs for 4,000 employees.

2024 outlook

In 2024, several key issues will dominate the global agenda, including the Israeli-Palestinian and Ukrainian-Russian conflicts, numerous upcoming elections across the world, the efforts to curb high inflation and volatility in commodity prices. The banking sector currently maintains a balanced and healthy balance sheet with high-quality loans. However, the return on equity in banking is expected to remain below inflation. Effective management of operating expenses will be crucial for increasing profitability. As the conversion from foreign exchange to the Turkish lira accelerates in 2024, the KKM scheme is anticipated to end, alleviating the pressure on banks. The Turkish lira's devaluation is expected to continue, though nominally below inflation, and loan growth in Turkish lira is also projected to remain below inflation, influenced by monetary tightening and a balanced growth strategy. The sector's primary challenge will likely be maintaining margins and profitability. Achieving concrete results in the fight against inflation, sustaining rational monetary policy and restoring foreign investor confidence will be vital. Success in these areas will facilitate access to cost-effective and timely external debt resources for both the banking sector and the state, thereby strengthening the economy's resilience against future risks.

KEY INDICATORS OF THE FACTORING SECTOR

(TL MILLION)	DECEMBER 2022	DECEMBER 2023	INCREASE (%)
INTERNATIONAL TURNOVER	62,381	68,645	10.04%
DOMESTIC TURNOVER	354,679	751,273	111.82%
TOTAL TURNOVER	417,060	819,918	109.02%
TOTAL RECEIVABLES	127,276	196,874	54.68%
LOANS AND BORROWINGS AGAINST ISSUED INSTRUMENTS	113,765	169,056	48.60%
SHAREHOLDERS' EQUITY	16,526	33,511	102.77%
TOTAL ASSETS	135,626	213,646	57.53%
NET PROFIT	5,201	14,235	173.68%
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	2,099	2,576	22.72%
SPECIAL PROVISIONS	1,491	2,813	88.69%
NON-PERFORMING FACTORING RECEIVABLES (NET)	608	(238)	-139.08%
NON-PERFORMING FACTORING RECEIVABLES (NET/SHAREHOLDERS' EQUITY, %)	4.5	(0.9)	-120.11%

Sources
All data related to the banking sector was derived from the Monthly Banking Sector Data on the BRSA's website (www. bddk. org.tr).

All data related to the factoring sector was curated from the Factoring Sector Reports on Association of Financial Institutions' website (www. fkb. org.tr).

ECONOMIC DATA

THE ASSET SIZE OF THE TURKISH BANKING SECTOR IS TL 23,550 BILLION. THE NET PROFIT OF THE TURKISH FACTORING SECTOR IS TL 14.2 BILLION.

BANKING INDUSTRY TOTAL ASSETS	(TL BILLION)
2023	23,550
2022	14,347
2021	9,213

GROSS DOMESTIC PRODUCT (WITH CURRENT PRICES)	(TL BILLION)
2023	26,276
2022	15,012
2021	7,256

BANKING SECTOR NET PROFIT	(TL BILLION)
2023	620.5
2022	431.6
2021	92.0

CONSUMER CONFIDENCE INDEX	(POINTS)
2023	77.40
2022	75.60
2021	68.90

Source: Banking Regulation and Supervision Agency (BDDK) and Turkish Statistical Institute (TÜİK)

IMPORTS	(USD BILLION)
2023	361.8
2022	363.7
2021	271.4

EXPORTS	(USD BILLION)
2023	255.4
2022	254.2
2021	225.3

CONSUMER PRICE INDEX	(%)
2023	64.77
2022	64.27
2021	36.08

GROWTH RATE OF THE TURKISH ECONOMY	(%)
2023	4.50
2022	5.60
2021	11.00

UNEMPLOYMENT RATE	(%)
2023	8.80
2022	10.20
2021	11.00

GDP PER CAPITA	(USD)
2023	13,110
2022	10,659
2021	9,601

Source: Banking Regulation and Supervision Agency (BDDK) and Turkish Statistical Institute (TÜİK)

CORPORATE GOVERNANCE

EKSPO FAKTORİNG HAS REMAINED COMMITTED TO MANAGING ALL ITS BUSINESS PROCESSES WITH A PROFESSIONAL CORPORATE GOVERNANCE APPROACH AND BUILT ITS SYSTEM ON THE PRINCIPLES OF TRANSPARENCY, FAIRNESS, COMMITMENT TO ETHICAL VALUES AND ACCOUNTABILITY.

Equal standards in corporate governance

Ekspo Faktoring strives to ensure that the corporate governance approach is adopted in the same standards across the organization, enhance internal communication and further strengthen the corporate culture. The committees, actively functioning since the very beginning, aim to ensure continued organizational development. The Asset-Liability Committee (ALCO), Risk Assessment Committee, Liquidity Committee, Information Technologies Committee and Human Resources Committee all contribute to the effectiveness and efficiency of business processes.

Transparent structure

Ekspo Faktoring is audited by an international independent audit firm twice a year, with the first audit conducted at the end of the sixth month in limited scope. To ensure that the audit results are continuously transparent, the company switches to a different independent audit firm every seven years. The financial statements of Ekspo Faktoring are also reviewed quarterly by an independent audit firm. Meanwhile, tax audits are conducted by a different firm. Even though the company is not listed publicly, one independent director serves on the Board of Directors.

Disclosure responsibility

The BRSA promotes the importance of transparency and consistency in the financial sector and therefore recommends that all finance companies disclose their financial statements periodically online. Recognizing that the financial sector is built on trust, Ekspo Faktoring considers it a duty and responsibility to disclose open, clear and accurate information to the public. Accordingly, the company discloses its annual financial statements on its corporate website. The company also informs the investors by publishing quarterly earnings statements on the Public Disclosure Platform (KAP). An effective organizational structure allows Ekspo Faktoring to work quickly and effectively while the company's technological infrastructure lends to an important competitive edge. The company also invests in the development and training of its employees to achieve corporate targets.

EQUAL STANDARDS IN CORPORATE GOVERNANCE

EKSPO FAKTORİNG STRIVES TO ENSURE THAT THE CORPORATE GOVERNANCE APPROACH IS ADOPTED IN THE SAME STANDARDS ACROSS THE ORGANIZATION, ENHANCE INTERNAL COMMUNICATION AND FURTHER STRENGTHEN THE CORPORATE CULTURE..

TRANSPARENT STRUCTURE

EKSPO FAKTORİNG IS AUDITED BY AN INTERNATIONAL INDEPENDENT AUDIT FIRM TWICE A YEAR. TO ENSURE CONTINUOUSLY TRANSPARENT RESULTS, THE COMPANY SWITCHES TO A DIFFERENT INDEPENDENT AUDIT FIRM EVERY SEVEN YEARS.

DISCLOSURE RESPONSIBILITY

RECOGNIZING THAT THE FINANCIAL SECTOR IS BUILT ON TRUST, EKSPO FAKTORİNG CONSIDERS IT A DUTY AND RESPONSIBILITY TO DISCLOSE OPEN, CLEAR AND ACCURATE INFORMATION TO THE PUBLIC.

INTERNAL CONTROL SYSTEM

THE ADEQUACY AND AUDITABILITY OF INTERNAL CONTROLS IS THE MOST EFFECTIVE GUARANTEE AGAINST RISKS RELATED TO THE PROTECTION AND DEVELOPMENT OF EXISTING ASSETS.

Effective controls

For financial companies that operate in the international arena and aim for sustainable development and growth, audits and risk management are key priorities. The internal control activities carried out to embody these priorities include protecting the company assets with organization plans, investigating the accuracy and reliability of accounting information, improving operational efficiency and promoting commitment to the management policies.

The Capital Markets Board (CMB), the Banking Regulation and Supervision Agency (BRSA) and Risk Center of the Banks Association of Türkiye (TBB) require businesses to conduct regular audits and engage in risk management activities.

Ekspo Faktoring has an effective internal control system in place to reach its targets and demonstrate the reliability of its financial statements in compliance with predefined policies and applicable legislation and administrative regulations.

Independent audits

Since its establishment, Ekspo Faktoring has always worked with teams of experts in their respective fields to carry out its internal audit activities. Furthermore, external audits are conducted by international independent audit firms to assure the company's financial data and information in compliance with transparency and accountability principles. In addition to the internal and external audits at Ekspo Faktoring, two separate independent audit firms, among the leading international companies, conduct tax and financial statement audits. Material disclosures are regularly submitted to the BRSA and the Ministry of Treasury and Finance, and the Independent Auditor's Report is prepared in BRSA standards.

Governance in compliance with company policies

The Internal Control Department at Ekspo Faktoring is responsible for ensuring that all operations are effectively managed in accordance with the Regulation on Financial Leasing, Factoring and Financing Companies as well as the company's management policies. The department also works to make sure that the information in the books, records and data systems are readily available. The Internal Control Department's other responsibilities include auditing the activities, which employees on all levels are required to perform for the company to function seamlessly within the governance and organizational structure defined by the Board of Directors and senior management. Led by the Internal Control Manager, the department reports the results of these independent operational, financial and other controls to the senior management and the Board of Directors concurrently.

Regular reporting

Internal control activities include inspecting the transactions performed by relevant departments and reporting the results thereof pursuant to the Code of Obligations (TBK), Turkish Commercial Code (TTK), Tax Procedure Code (VUK), applicable statutory decrees, as well as regulations and communiqués issued by Personal Data Protection Authority (KVKK), Banking Regulation and Supervision Agency (BRSA), Financial Crimes Investigation Board (MASAK) and the Ministry of Treasury and Finance, and other related legislation. The department is also tasked with monitoring the processes that involve preparing the monthly Non-Bank Finance Institutions Supervision System reports fully and accurately and submitting them to BRSA, and confirming that these reports are uploaded to the database on time.

Regulatory compliance

Since January 9, 2008, non-bank finance companies have been included as obligated parties within the scope of Law No. 5549 on Prevention of Laundering Proceeds of Crime and the related Regulation No. 26751. Accordingly, the company management assigns tasks to the Internal Audit Department to take advisory and preventive measures in compliance with MASAK notices and provisions of the regulation. Pursuant to Regulation No. 26999 of September 16, 2008, the Board of Directors has assigned the duties of the deputy compliance officer to the internal control manager. The deputy compliance officer attends the training provided by the Association of Financial Institutions and MASAK and informs the employees about all pertinent seminar notes.

Additionally, Law No. 6698 on Protection of Personal Data (KVKK) was published in the Official Gazette No. 29677 of April 7, 2016. Ekspo Faktoring has fulfilled its obligations under this law and uploaded its data inventory to the Data Controllers Registry Information System (VERBIS) on November 11, 2019. The internal control manager has been designated as the company's contact for KVKK. The manager is responsible for attending the KVKK meetings and seminars, managing the KVKK Working Group and updating the data inventory. The manager's responsibilities also include searching the sanctions lists (UN, OFAC, EU Blacklists) issued by international organizations for background checks of people and companies in relation to foreign transactions. Pursuant to the BRSA Communiqué on the Management and Supervision of Information Systems that entered into force on April 6, 2019, Ekspo Faktoring has prepared the policies and procedures, and undergone the relevant audits.

Minimum risk

Other duties of the Internal Control Department include monitoring the domestic and international transactions of clients, minimizing the risks of potential errors, and anticipating and mitigating possible issues. The Internal Control Department also monitors the activities of the Marketing, Operations, Treasury, Accounting, Risk Assessment and Foreign Transactions Departments in terms of compliance with defined workflows and resolving the detected issues. The department submits weekly and monthly reports to the senior management and the Board of Directors.

Supporting professional and personal development

The Internal Control Department also manages the projects requested by senior management to improve the existing system and presents them to the employees. The department identifies the types of training the employees would need for their professional and personal development, ensuring that Ekspo Faktoring manages the training process, which includes content creation, selection of the trainers and delivery of training.

RISK MANAGEMENT

EKSPO FAKTORİNG FOLLOWS A DYNAMIC AND PROACTIVE PLACEMENT POLICY, MONITORING THE RISKS IN ITS PORTFOLIO BY LEVERAGING VARIOUS METRICS AND DEVELOPING MULTI-DIMENSIONAL SCENARIOS.

Risk-taking based on assessments

International standards and regulations require finance companies to use scientific, numerical and systematic risk measurement techniques for legal compliance purposes. However, companies need more tangible data, industry expertise, personal experience and market intelligence when assessing the risk of working with a specific firm and the possibility of non-performing loans. The widespread informal economic practices, particularly in Türkiye, and accountability issues in bookkeeping call for diligent risk assessments. Understanding the risk weight of a company based solely on technical analyses is not possible just as assessing a business on its own is not sufficient. Therefore, following the changes in national economy and the global conjuncture to evaluate a company's credit portfolio and taking necessary measures are essential to understand the risk weight. For this purpose, risk measurement and assessment techniques could be used as tools. Implementing these practices requires employing sufficient number of experts, organizing the risk monitoring function as a department and allocating adequate resource and time for this purpose. Before taking any risks, Ekspo Faktoring assesses a subject company based on several criteria, including the establishment date and history of a company, its field of operation, industry experience of executives and partners, equity structure and funding potential.

Dynamic placement approach

At Ekspo Faktoring, company policies are defined by considering all possible risks. Credit risk analyses, which play a major role in the decision-making processes, are regularly reported to the senior management. The Risk Assessment Department monitors the developments in the sector closely with a team of experts, specialized in corporate and commercial banking, financial analysis, loan allocation and intelligence. Ekspo Faktoring manages its lending policy with a dynamic and proactive approach by monitoring the possible portfolio risks using various parameters and developing scenarios according to different models.

Determined stance

As part of its effective risk management policies, Ekspo Faktoring strives to diversify its risks and avoids concentrating on a specific industry. The company manages all risks within sector and group limitations, making sure that a client's risk never exceeds 25% of its equity. In specifying buyer limits for clients, Ekspo Faktoring remains committed to its decision not to exceed 10% of equity, a ratio determined through careful calculations. For Ekspo Faktoring, conducting healthy risk assessments in international standards is crucial. Accordingly, the senior management has worked extensively to boost the efficiency of risk monitoring activities and to develop an effective risk assessment system. The new system, developed with guidance from consulting firms, was adapted to a rating application in international standards in late 2008. Since 2009, all Ekspo Faktoring clients are reviewed using the new rating system.

Risk monitoring

Ekspo Faktoring works diligently to ensure the quality of the assigned loans and constantly monitors its receivables. The company effectively uses the check drawing report and risk reports, which were initially offered to the use of non-bank finance companies by the Turkish Credit Bureau (Kredi Kayıt Bürosu - KKB) in late 2012 and later continued by the Risk Center of the Banks Association of Türkiye. The functions utilized also include inquiries and notifications, such as paid bond statements, bounced checks in litigation, cross checks and blacklisted companies, etc. Ekspo Faktoring reviews its clients as well as its collateral portfolio weekly, bimonthly and monthly as part of its risk monitoring activities and also uses the combined risk tracking system where combined risks are listed and changes can be reported. The credibility of companies applying for credit line allocation or increase is reviewed based on objective criteria. Outstanding risks are also assessed in terms of balance sheets, intelligence and collateral in the weekly Asset Quality Committee meetings.

Financial analyses

Ekspo Faktoring acts prudently and with due diligence in forming its credit portfolio to maintain its asset quality above sector average. For this purpose, the company leverages the experience of the Risk Assessment Department, specialized in financial analysis methods and techniques. The Financial Analysis and Intelligence Team within the Risk Assessment Department follows the latest techniques and regularly attends credit, financial analysis and intelligence training programs provided by professional training institutions to stay up-to-date. The Risk Assessment Committee evaluates clients that apply for financing according to various criteria, including financial position, industry, operational risks and market intelligence. The committee convenes weekly, or more frequently when needed, to evaluate and finalize client requests within maximum two days and holds interim meetings in critical situations that require immediate attention. In the meetings, Company Assessment Reports, prepared as a result of financial analyses and market intelligence for individual companies, are discussed. At the end of this process, the credit line allocation request presented to the Risk Assessment Committee is either approved or declined.

Extensive analyses

Ekspo Faktoring has built an extensive data bank, used in making credit line allocation decisions as well as developing and implementing marketing strategies. The data bank contains detailed and complementary information such as client data, payment habits and check drawing performance, and is constantly enhanced in terms of content and quality. Ekspo Faktoring utilizes the sector and company information in its data bank when allocating credit lines. The analyses involve reviewing the Turkish Lira and foreign currency positions of the subject companies, and Ekspo Faktoring takes Basel II criteria as basis for evaluating market risks. The reports generated as a result of these intensive and diligent efforts are presented to the senior management.

HUMAN RESOURCES

EKSPO FAKTORİNG BELIEVES THAT ENSURING THE CONTINUITY OF ITS CORPORATE STRUCTURE AND ACHIEVEMENTS CAN ONLY BE POSSIBLE WITH A COMPETENT AND VISIONARY TEAM AND THEREFORE INVESTS REGULARLY IN ITS HUMAN RESOURCE AND AN ENVIRONMENT CONDUCIVE TO DEVELOPMENT.

EKSPO FAKTORİNG PROMOTES TEAM SPIRIT BY BUILDING AN INCLUSIVE CORPORATE CULTURE TO BOOST EMPLOYEE SATISFACTION AND AIMS TO ENSURE ITS CONTINUITY.

Higher employee satisfaction

Ekspo Faktoring believes that ensuring the continuity of its corporate structure and achievements can only be possible with a competent and visionary team and therefore invests regularly in its human resource and an environment conducive to development. Ekspo Faktoring promotes team spirit by building an inclusive corporate culture to boost employee satisfaction and aims to ensure its continuity.

Professional development responsibility

As of year-end 2023, the qualified human resource at Ekspo Faktoring consists of 31 employees, each with professional experience and expertise above the sector average. In the recruitment process, Ekspo Faktoring considers criteria such as holding a university degree in a relevant area of education, speaking a foreign language, having experience in the banking sector, specializing in one's specific field and demonstrating the ability to represent the company to maintain the high quality of its human resources. In line with the company's goals and strategies, the Human Resources Department assumes responsibility in many areas from the orientation of new employees to assigning them professional training programs.

Encouraging training

Ekspo Faktoring encourages its employees to attend training programs and sectoral events that would

THE APPRAISAL PROCESS, WHICH DELIVERS ENCOURAGING OUTCOMES IN TERMS OF MOTIVATION AND WORK DISCIPLINE, ENSURES THAT THE EMPLOYEES' CONTRIBUTION TO CORPORATE SUCCESS IS RECOGNIZED AND ALSO FORMS AN ANALYTICAL BASIS FOR PROMOTIONS, REMUNERATION AND INCENTIVES.

contribute to their professional and personal development and promotes a work environment conducive to progress. The regular training programs coordinated by Ekspo Faktoring Academy in partnership with the Association of Financial Institutions, the FCI (Factors Chain International – the largest nonbank financial services network in the world), private consultancy companies and also the ICC (International Chamber of Commerce) in Türkiye, offer the employees continued development opportunities. Due to the restrictions imposed during the pandemic in 2021 and 2022, classroom trainings were put on hold and instead, online training programs and seminars on new regulations and practices were provided.

Contributing to corporate success

The Human Resources Committee convenes every December to conduct performance reviews, which involve measuring and assessing the competencies and performance of the employees in meeting their targets. Several criteria such as professional knowledge level, collaborative abilities, client relations/people skills, representation skills, sense of responsibility, personal development, problem solving skills, taking initiative and making decisions, and quality and quantity of the work are considered in performance assessments. This process, which delivers encouraging outcomes in terms of motivation and work discipline, ensures that the employees' contribution to corporate success is recognized and also forms an analytical basis for promotions, remuneration and incentives.

Employee health

Protecting the health and ensuring the safety of its employees is an integral and key part of the human resources practices at Ekspo Faktoring. Accordingly, the company implements all necessary measures to create a safe work environment throughout.

31
employees

INFORMATION TECHNOLOGIES

EKSPO FAKTORİNG OUTSOURCES ITS INFORMATION TECHNOLOGY REQUIREMENTS TO EXPERIENCED AND RELIABLE THIRD-PARTY PROVIDERS THAT DELIVER QUALITY SERVICE AND ALWAYS MAINTAINS ITS INFRASTRUCTURE UP-TO-DATE.

CLIENTS MAY ACCESS EKSPO ONLINE, A SYSTEM UPGRADED IN 2020 AS A MORE USER-FRIENDLY APPLICATION, VIA THE CORPORATE WEBSITE TO SUBMIT QUERIES ABOUT VARIOUS TRANSACTIONS AND CHECK THE STATUS OF THEIR ACCOUNTS.

Fully backed up technological infrastructure

Ekspo Faktoring always maintains its infrastructure up-to-date to keep up with the latest technological developments to maximize operational speed and efficiency. The investments that Ekspo Faktoring makes by considering the latest technological innovations include maximum-security servers maintained up-to-date at all times, a Disaster Recovery Platform for uninterrupted uptime with minimum loss during disasters, applications to run upgrades of operating systems first on the test platform, comprehensive backup procedures and logging, and reporting on all levels from basic to highest. Faithfully following the principle of backing up everything on the technological infrastructure, Ekspo Faktoring closed 2023 with 100% uptime.

Reliable system

Ekspo Faktoring launched its Disaster Recovery Center in 2026 in Ankara and completed the hardware and software development for this center in 2007. The company, which has a healthy and reliable backup system as a result of these efforts, started to procure services from Superonline Data Center, also based in Ankara, in 2016, and upgraded to the newest version of disaster recovery software. Ekspo Faktoring uses Facto 2000, a software suite developed by a company specialized in financial software according to the latest requirements of the sector. This suite enables running marketing, client relations and accounting activities in coordination. Clients may also access Ekspo Online, upgraded in 2020 as a more user-friendly application, via the corporate

EKSPO FAKTORİNG MARKED A FIRST IN THE SECTOR BY IMPLEMENTING SWIFT, AN INTERBANK MEDIUM OF SECURE INFORMATION TRANSFER IN 2012 AND STARTED TO COMMUNICATE WITH BANKS AND INTERNATIONAL FINANCE INSTITUTIONS VIA THIS SYSTEM.

100%

UPTIME LEVEL

website to submit queries about various transactions and check the status of their accounts.

Centralized management

Ekspo Faktoring marked a first in the sector by implementing SWIFT, an interbank medium of secure information transfer in 2012 and started to communicate with banks and international finance institutions via this system. The company renewed its entire system infrastructure including the servers in 2014 to enhance operational speed and efficiency and also made new investments in 2016 to further strengthen data security as required by the Risk Center of the Banks Association of Türkiye. With these investments, Ekspo Faktoring took steps to double its virtual platform capacity for logging, creating test environments and centralized management of technological infrastructure. Additionally, the firewall product was renewed and a device that prioritizes security protocols was preferred.

Transparent communication

Ekspo Faktoring recognizes that its corporate website and online services play a key role in transparent and consistent communication with clients. Therefore, the company continuously updates its online services, while seamlessly developing new projects to further elevate its service quality. With its corporate website built on a state-of-the-art infrastructure, Ekspo Faktoring became the first factoring company to implement the check viewing system. This system offers clients the opportunity to instantly view their checks in collection, account statements, risk balances and other relevant information. The website also serves as an accessible and transparent platform where public disclosures are published and stakeholders are informed.

EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the General Board of Ekspo Faktoring Anonim Şirketi

A. Audit of the Financial Statements

1. Opinion

We have audited statement of financial position of Ekspo Faktoring A.Ş. ("the Company") as at December 31, 2023 and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the "Communique on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated BRSA Accounting and Financial Reporting Legislation.

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matter	***How our audit addressed the key audit matter***
Impairment of factoring receivables	
Determining the adequacy of impairment allowance on factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment . The risk is that factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the BRSA Accounting and Reporting Legislation. The impairment of factoring receivables are further explained in Note 5 and Note 6 to the financial statements.	Our audit procedures included assessing applied procedures by the Company over the booking, monitoring and settlement, and identification the impaired factoring receivables and the required provisions against them. In addition, we selected samples of factoring receivables based on our judgement and considered whether there was objective evidence that impairment exists on these factoring receivables and advances. We also assessed whether impairment losses for factoring receivables and advances were reasonably determined in accordance with the requirements of BRSA have been evaluated.

4) Responsibilities of Management and Directors for the Financial Statements

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

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

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

5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and

INDEPENDENT AUDITOR'S REPORT

significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

B. Other liabilities arising from legislation

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2023 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

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

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

Fatih Polat, SMMM
Partner

February 28, 2024
Istanbul, Türkiye

CONTENTS

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Financial position (balance sheet) as of December 31, 2023

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

	ASSETS	Notes	Audited current period December 31, 2023			Audited previous period December 31, 2022		
			TL	FC	Total	TL	FC	Total
I.	**CASH, CASH EQUIVALENTS AND THE CENTRAL BANK**	3	9.657	12.728	22.385	25.931	25.182	51.113
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)**		-	-	-			
III.	**DERİVATİVE FINANCIAL ASSETS**	2.5	-	-	-	-	-	-
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**	4	-	-	-	-	-	-
V.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		863.426	167.392	1.030.818	592.153	109.775	701.928
5.1	**Factoring Receivables**	5	863.426	167.392	1.030.818	592.153	109.775	701.928
5.1.1	Discounted Factoring Receivables (Net)		360.104	-	360.104	363.960	-	363.960
5.1.2	Other Factoring Receivables		503.322	167.392	670.714	228.193	109.775	337.968
5.2	**Financing Loans**		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	**Lease Receivables (Net)**		-	-	-	-	-	-
5.3.1	Finance Lease Receivables		-	-	-	-	-	-
5.3.2	Operational Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	**Other Financial Assets Measured at Amortized Cost**		-	-	-	-	-	-
5.5	**Non-Performing Receivables**	6	23.143	-	23.143	21.953	-	21.953
5.6	**Expected Loss Provisions/Specific Provisions (-)**	6	(23.143)	-	(23.143)	(21.953)	-	(21.953)
VI.	**EQUITY INVESTMENTS**		-	-	-	-	-	-
6.1	Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (Net)**	7	1.485	-	1.485	1.837	-	1.837
VIII.	**INTANGIBLE ASSETS (Net)**	8	241	-	241	286	-	286
IX.	**INVESTMENT PROPERTIES (Net)**	9	32.360	-	32.360	32.469	-	32.469
X.	**CURRENT PERIOD TAX ASSETS**		-	-	-	-	-	-
XI.	**DEFERRED TAX ASSETS**	10	37.751	-	37.751	7.695	-	7.695
XII.	**OTHER ASSETS**	12	6.861	-	6.861	2.968	19	2.987
	SUBTOTAL		951.781	180.120	1.131.901	663.339	134.976	798.315
XIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	11	-	-	-	-	-	-
13.1	Assets Held For Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		951.781	180.120	1.131.901	663.339	134.976	798.315

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Financial position (balance sheet) as of December 31, 2023

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

	LIABILITIES		Audited current period December 31, 2023			Audited previous period December 31, 2022		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FUNDS BORROWED**	13	583.463	-	583.463	466.435	30	466.465
II.	**FACTORING LIABILITIES**	15	32.314	5.498	37.812	2.186	8.666	10.852
III.	**LEASE LIABILITIES (NET)**	16	-	-	-	-	-	-
IV.	**DEBT SECURITIES ISSUED (Net)**	14	-	-	-	-	-	-
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS LOSS (NET)**		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
VII.	**PROVISIONS**	18	4.415	-	4.415	2.971	-	2.971
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Reserves for Employee Benefits		4.415	-	4.415	2.971	-	2.971
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	**CURRENT PERIOD TAX LIABILITY**	31	29.234	-	29.234	10.598	-	10.598
IX.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
X.	**SUBORDINATED DEBT INSTRUMENTS**		-	-	-	-	-	-
XI.	**OTHER LIABILITIES**	17	7.029	8	7.037	1.652	11	1.663
	SUBTOTAL		656.455	5.506	661.961	483.842	8.707	492.549
XII.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**		469.940	-	469.940	305.766	-	305.766
13.1	**Paid in Capital**	20	60.000	-	60.000	60.000	-	60.000
13.2	**Capital Reserves**		-	-	-	-	-	-
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	**Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss**		-	-	-	-	-	-
13.4	**Reclassified subsequently to Profit or Loss**		-	-	-	-	-	-
13.5	**Profit Reserves**	21	16.846	-	16.846	16.846	-	16.846
13.5.1	Legal Reserves		16.846	-	16.846	16.846	-	16.846
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	**Other Profit Reserves**		-	-	-	-	-	-
13.6	Profit or Loss		393.094	-	393.094	228.920	-	228.920
13.6.1	Prior Periods Profit/Loss	22	218.920	-	218.920	153.933	-	153.933
13.6.2	Current Period Profit/Loss		174.174	-	174.174	74.987	-	74.987
	TOTAL LIABILITIES AND EQUITY		1.126.395	5.506	1.131.901	789.608	8.707	798.315

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

	OFF-BALANCE SHEET ITEMS	Notes	Audited current period December 31, 2023			Audited previous period December 31, 2022		
			TL	FC	Total	TL	FC	Total
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**74.050**	**129.778**	**203.828**	**30.860**	**56.325**	**87.185**
II.	**REVOCABLE FACTORING TRANSACTIONS**	**5**	**406.486**	**10.206**	**416.692**	**243.294**	**7.243**	**250.537**
III.	**COLLATERALS RECEIVED**	**5-23**	**9.559.464**	**4.537.728**	**14.097.192**	**7.518.013**	**2.969.978**	**10.487.991**
IV.	**COLLATERALS GIVEN**	**23**	**252.794**	**-**	**252.794**	**110.596**	**-**	**110.596**
V.	**COMMITMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Derivative Financial Instruments for Risk		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		-	-	-	-	-	-
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**1.090.923**	**694.365**	**1.785.288**	**806.219**	**532.840**	**1.339.059**
	TOTAL OFF-BALANCE SHEET ITEMS		**11.383.717**	**5.372.077**	**16.755.794**	**8.708.982**	**3.566.386**	**12.275.368**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of profit or loss and other comprehensive income for the period ended December 31, 2023

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

	STATEMENT OF PROFIT OR LOSS	Notes	Current Period Audited January-1, December 31, 2023	Previous Period Audited January 1, - December 31, 2022
I.	**OPERATING INCOME**	**24**	**349.071**	**190.908**
	FACTORING INCOME		**349.071**	**190.908**
1.1	Interest Received from Factoring Receivables		299.388	183.794
1.1.1	Discounted		136.963	99.810
1.1.2	Other		162.425	83.984
1.2	Fees and Commissions Received from Factoring Receivables		49.683	7.114
1.2.1	Discounted		38.068	3.986
1.2.2	Other		11.615	3.128
	INCOME FROM FINANCING LOANS		**-**	**-**
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		**-**	**-**
1.5	Financial Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from Lease Income		-	-
II.	**FINANCIAL EXPENSES (-)**	**27**	**(128.432)**	**(77.575)**
2.1	Interest Expenses on Funds Borrowed		(112.681)	(71.841)
2.2	Interest Expenses on Factoring Payables		-	-
2.3	Financial Lease Expenses		-	-
2.4	Interest Expenses on Securities Issues		-	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Given		(15.751)	(5.734)
III.	**GROSS PROFIT/LOSS (I+II)**		**220.639**	**113.333**
IV.	**OPERATING EXPENSE (-)**	**25**	**(71.380)**	**(44.068)**
4.1	Personnel Expenses		(51.559)	(32.104)
4.2	Provision Expense for Employment Termination Benefits		(1.183)	(583)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(18.208)	(11.165)
4.5	Other		(430)	(216)
V.	**OPERATING GROSS PROFIT/LOSS (III+IV)**		**149.259**	**69.265**
VI.	**OTHER OPERATING INCOME**	**26**	**81.580**	**35.329**
6.1	Interest Received from Banks		3.915	12
6.2	Trading Gains on Securities		-	-
6.3	Dividend Income		-	-
6.4	Interest Received from Marketable Received Portfolio		-	-
6.5	Derivative Financial Transactions Profit		-	-
6.6	Foreign Exchange Gains		77.199	35.252
6.7	Other		466	65
VII.	**PROVISIONS FOR DOUBTFUL RECEIVABLES (-)**	**28**	**(1.584)**	**(1.984)**
7.1	Specific Provisions		(1.584)	(1.984)
7.2	Expected Loss Provisions		-	-
7.3	**General Provisions**		**-**	**-**
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**29**	**(10.505)**	**(1.974)**
8.1	Impairment Losses on Securities Portfolio		-	-
8.2	Impairment of Fixed Assets		-	-
8.3	Loss of Capital Market Transactions		-	-
8.4	Loss from Derivative Financial Transaction		-	-
8.5	Foreign Exchange Loss		(10.505)	(1.974)
8.6	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+...+VIII)**		**218.750**	**100.636**
X.	**INCOME RESULTED FROM MERGER**		**-**	**-**
XI.	**SHARES FROM PROFITS AND LOSSES OF INVESTMENT VALUED BY EQUITY METHOD**		**-**	**-**
XII	**NET MONETARY POSITION GAIN/LOSS**		**-**	**-**
XIII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**218.750**	**100.636**
XIV.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)**	**31**	**(44.576)**	**(25.649)**
13.1	Current Tax Provision		(74.632)	(30.438)
13.2	Deferred Tax Expense Effect (+)		-	-
13.3	Deferred Tax Income Effect (-)		30.056	4.789
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**174.174**	**74.987**
XVI.	**INCOME FROM DISCONTINUING OPERATİONS**		**-**	**-**
15.1	Income of Non-Current Assets Held for Sale		-	-
15.2	Sale Profits from Associates, Subsidiaries and Joint Ventures		-	-
15.3	Income from Other Discontinuing Operations		-	-
XVII.	**EXPENSES FROM DISCONTINUING OPERATİONS (-)**		**-**	**-**
16.1	Expenses of Non-Current Assets Held for Sale		-	-
16.2	Expenses Profits from Associates, Subsidiaries and Joint Ventures		-	-
16.3	Expense from Other Discontinuing Operations		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XVI-XVII)**		**-**	**-**
XIX.	**TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)**		**-**	**-**
18.1	Current Tax Provision		-	-
18.2	Deferred Tax Expense Effect (+)		-	-
18.3	Deferred Tax Income Effect (-)		-	-
XX.	**NET PROFIT/LOSS FROM DISCOUNTED OPERATIONS (XVIII±XIX)**		**-**	**-**
XXI.	**NET PROFIT/LOSSES (XV+XX)**		**174.174**	**74.987**

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

	INCOME OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	NOTES	Audited Current Period January 1- December 31, 2023	Audited Previous Period January 1- December 31, 2022
I.	**PERIOD INCOME/LOSS**		**174.174**	**74.987**
II.	**OTHER COMPREHENSIVE INCOME**		**-**	**-**
2.1	**Other comprehensive income or expense that will not be reclassified**		**-**	**-**
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans		-	-
2.1.4	Other items that will not be reclassified to profit or loss		-	-
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		-	-
2.2	**Other comprehensive income or expense that will be reclassified**		**-**	**-**
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Valuation/ or and classification revenues/ expenses of financial assets at fair value through other comprehensive income		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**174.174**	**74.987**

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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of changes in shareholders' equity as of December 31, 2023

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

	CHANGES IN EQUITY	NOTES	Paid-in Capital	Share Premium	Share Cancellation	Other Capital Reserves	Other comprehensive income or expense that will not be reclassified subsequently to profit or loss: 1	2	3	Other comprehensive income or expense that will be reclassified subsequently to profit or loss: 4	5	6	Profit Reserves	Prior Period Profit/ Losses	Net Profit/ Losses	Total Equity
	PREVIOUS PERIOD															
	(31/12/2022)															
I.	**Balances at the beginning of the period**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.512**	**114.756**	**45.511**	**236.779**
II.	**Corrections made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances (I+II)**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.512**	**114.756**	**45.511**	**236.779**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**Capital increase**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital increase through internal resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation adjustments to paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated loans**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/decrease due to other changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74.987**	**74.987**
XI.	**Profit distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**334**	**39.177**	**(45.511)**	**(6.000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(6.000)	-	(6.000)
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	334	45.177	(45.511)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.846**	**153.933**	**74.987**	**305.766**
	CURRENT PERIOD															
	(31/12/2023)															
I.	**Balances at the beginning of the period**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.846**	**153.933**	**74.987**	**305.766**
II.	**Corrections made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances (I+II)**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.846**	**153.933**	**74.987**	**305.766**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**Capital increase**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital increase through internal resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation adjustments to paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated loans**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/decrease due to other changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**174.174**	**174.174**
XI1.	**Profit distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64.987**	**(74.987)**	**(10.000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(10.000)	-	(10.000)
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	74.987	(74.987)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.846**	**218.920**	**174.174**	**469.940**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

(1) Accumulated revaluation surplus / impairment of fixed assets,
(2) Accumulated repeat measurement gains / losses of defined benefit plans,
(3) Other (Accumulated amounts of investments accounted for by the equity method that are not reclassified from income to profit or loss to others, and other items that are not reclassified to impair others or others)
(4) Foreign currency translation differences,
(5) Accumulated revaluation and / or classification gains / losses on available for sale financial assets,
(6) Other (Cash flow hedging gains / investments accounted for by the equity method cumulative gains / (losses) to be classified as profit / loss to others and accumulated amounts of other comprehensive income to be reclassified to others or others).

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

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

	CASH FLOW STATEMENT	Notes	Audited Current Period January 1-December 31, 2023	Audited Previous Period January 1-December 31, 2022
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**197.095**	**65.150**
1.1.1	Interests Received/ Leasing Income		327.406	201.687
1.1.2	Interests Paid / Leasing Expenses		(112.681)	(71.841)
1.1.3	Leasing Expenses		(2.183)	(2.183)
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		49.683	7.114
1.1.6	Other Income		-	-
1.1.7	Collections from Previously Written-off Doubtful Receivables	6	(133)	(9)
1.1.8	Payments to Personnel and Service Suppliers		(51.559)	(32.104)
1.1.9	Taxes Paid	31	(44.576)	(27.615)
1.1.10	Other		31.138	(9.899)
1.2	**Changes in Operating Assets and Liabilities**		**(220.225)**	**(19.733)**
1.2.1	Net (Increase)/Decrease in Factoring Receivables		(354.568)	(290.170)
1.2.2	Net (Increase)/Decrease in Finance Loans		-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables		-	-
1.2.4	Net (Increase)/Decrease in Other Assets		(3.830)	(1.088)
1.2.5	Net Increase/(Decrease) in Factoring Payables		26.960	3.150
1.2.6	Net Increase/(Decrease) in Lease Payables		-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		116.998	263.763
1.2.8	Net Increase/(Decrease) in Due Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		(5.785)	4.612
I.	**Net Cash Used in Operating Activities**		**(23.130)**	**45.417**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		**-**	**-**
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	7,8,9	(498)	(30.231)
2.4	Disposals of Property and Equipment		-	28
2.5	Purchase of Investments Designated at Fair Value Through Other Comprehensive Income		-	-
2.6	Sale of Investments Designated at Fair Value Through Other Comprehensive Income		-	-
2.7	Purchase of Investment Securities Designated at Fair Value Through Profit/Loss		-	-
2.8	Sale of Investment Securities Designated at Fair Value Through Profit/Loss		-	-
2.9	Other		796	(334)
II.	**Net Cash (Used in)/Provided from Investing Activities**		**298**	**(30.537)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		**-**	**-**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	-
3.4	Dividend Paid	20	(10.000)	(6.000)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
III.	**Net Cash (Used in)/Provided from Financing Activities**		**(10.000)**	**(6.000)**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**4.103**	**4.056**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**(28.729)**	**12.936**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**3**	**51.114**	**16.747**
VII.	**Cash and Cash Equivalents at End of the Period**	**3**	**22.385**	**29.683**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Profit distribution table as of December 31, 2023

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

		Current Period- December 31, 2023(*) (**)	Previous Period December 31, 2022
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT (*)**		
		218.750	**100.636**
1.1	CURRENT PERIOD PROFIT	(44.576)	(25.649)
1.2	TAXES AND DUES PAYABLE (-)	(74.632)	(30.438)
1.2.1	Corporate Tax (Income Tax)	-	-
1.2.2	Withholding Tax	30.056	4.789
1.2.3	Other taxes and dues (**)		
A.	**NET PERIOD PROFIT (1.1-1.2)**	**174.174**	**74.987**
1.3	PRIOR YEARS LOSSES (-)	218.920	153.933
1.4	FIRST LEGAL RESERVE (-) (-)	8.709	3.749
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**165.465**	**71.238**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	(10.000)
1.6.1	To Owners of Ordinary Shares	-	(10.000)
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Profit Sharing Bonds	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDENS TO PERSONNEL (-)	-	-
1.8	DIVIDENS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDENS TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS		
		-	-
II.	**DISTRIBUTION FROM RESERVES**		
		-	**-**
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)		
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF STOCKS	3,65	1,68
3.2	TO OWNERS OF STOCKS (%)	364,58	167,73
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
		-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF STOCKS	-	0,17
4.2	TO OWNERS OF STOCKS (%)	-	17
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) The General Assembly is the authorized body of the Company regarding the distribution of the current period profit. As of the date these financial statements were prepared, the Company's annual Ordinary General Assembly meeting has not been held yet.

(**) Per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company's deferred tax income, resulting from deferred tax assets, of TL 30.056 (2022: TL 4.789 deferred tax income) was not taken into account in the calculation of distributable profit.

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

1. Organization and Operations of the Company

Ekspo Faktoring Anonim Şirketi ("the Company") was incorporated in Türkiye to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry on June 2, 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 Türkiye.

As of December 31, 2023, the number of employees of the Company is 32 (December 31, 2022: 32). The Company's trade registry address, Maslak Maslak Mah. Meydan Sokak No: 5 / B Spring Giz Plaza Sarıyer-Istanbul / Türkiye. The company mainly continues its factoring operations in a single geographical region (Türkiye).

The Company operates based on Capital Market Boards Law and Financial Leasing, Factoring and Financing Companies Law published in the Official Gazette No: 28496 on December 13, 2012 and the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No: 28267 on April 24, 2013.

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

	31 December 2023	Share (%)	31 December 2022	Share (%)
M. Semra Tümay	29.400	49,00	29.400	49,00
Murat Tümay	15.300	25,50	15.300	25,50
Zeynep Ş. Akçakayalıoğlu	15.300	25,50	15.300	25,50
Capital	**60.000**	**100,00**	**60.000**	**100,00**

Authorization of Financial Statements

The Board of Directors has approved the publication of financial statements of the Company on February 28, 2024. The General Assembly has the authority to modify the financial statements.

2. Basis of presentation of the financial statements

2.1. Basis of presentation

2.1.1 Application of Accounting Policy Standards

The Company maintains its books of account and prepares its financial statements in thousands of Turkish Lira ("TL") in accordance with the communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated December 24, 2013, numbered 28861; and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and their additions and comments issued by the Public Oversight Accounting and Auditing Standards' Authority ("POA") with the Communiqué: "The Procedures Regarding the Provisions to be Provided for the Receivables of Leasing, Factoring and Consumer Finance Companies" ("Communiqué of Provisions") issued by the BRSA. Leasing, factoring and consumer finance companies prepares and declares their financial statements in accordance with regulations issued by BRSA.

The financial statements have been prepared on historical cost basis except for the derivative financial instruments which are measured at fair market value.

The Company prepared the financial statements in compliance with the Turkish Accounting Standards ("TAS") which was communicated by Public Oversight Accounting and Auditing Standards Agency ("POA"). TAS, Turkish Accounting Standards, comprises Turkish Financial Reporting Standards (TFRS)' and its supplements and interpretations.

2. Basis of presentation of the financial statements (cont'd)

2.1. Basis of presentation (cont'd)

2.1.1 Application of Accounting Policy Standards (cont'd)

Financial statements are prepared on a historical cost basis, except for the revaluation of certain financial instruments. In determining the historical cost, generally, the fair value of the amount paid for the assets is taken as a basis.

Provision for total factoring receivables determined upon the evaluation of factoring receivables comprises the impaired factoring receivables in the factoring receivables portfolio of the Company. The Company books this provision "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" published in the Official Gazette dated December 24, 2013 and numbered 28861. In accordance with the mentioned communiqué, special provision is booked after taking into consideration their pledges at a rate of at least 20% for factoring receivables whose maturity is 90-180 days overdue, at a rate of at least 50% for factoring receivables whose maturity is 180-360 days overdue, and at a rate of 100% for factoring receivables whose maturity is one year overdue.

2.1.2 Functional and Presentation Currency

The Company's financial statements are presented in the currency of the primary economic environment in which it operates (functional currency). The Company's financial position and results of operations are expressed in TL, which is the presentation currency for the financial statements.

2.1.3 Financial Reporting in Hyperinflationary Economies

The financial statements of the Company for the periods before December 31, 2004 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on TAS 29 Financial Reporting in Hyperinflationary Economies. Turkish Economy is accepted to come off its highly inflationary status as of January 1, 2005. Based on this consideration, TAS 29 has not been applied in the preparation of the financial statements since January 1, 2006.

Entities whose functional currency is the currency of a hyperinflationary economy present their financial statements in terms of the measuring unit current at the end of the reporting period according to "TAS 29 Financial Reporting in Hyperinflation Economies". Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority (POA) on November 23, 2023, entities applying Turkish Financial Reporting Standards (TFRSs) are required to present their financial statements by adjusting for the impact of inflation for the annual reporting period ending on or after December 31, 2023, in accordance with the accounting principles specified in TAS 29. In the same announcement, it was stated that institutions or organizations authorized to regulate and supervise in their respective scope might determine different transition dates for the implementation of inflation accounting, and in this context, Banking Regulation and Supervision Agency (BRSA) announced that financial statements of banks, financial leasing, factoring, financing, savings financing and asset management companies as of December 31, 2023 would not be subject to the inflation adjustment in accordance with BRSA Board decision on December 12, 2023.

2. Basis of presentation of the financial statements (cont'd)

2.1. Basis of presentation (cont'd)

2.1.4 Offsetting

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

2.2 Changes in accounting policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

2.3 Change in accounting estimates and errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2023 are as follows:

Amendments to TMS 8 – Definition of Accounting Estimates

In August 2021, POA issued amendments to IAS 8 that introduce a new definition for "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and corrections of errors. In addition, the amended standard clarifies that the effects of a change in an input or a change in a measurement technique on an accounting estimate are changes in accounting estimates unless they result from corrections of prior period errors. The previous definition of a change in accounting estimate stated that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not considered corrections of errors. This aspect of the definition has been retained by POA. The amendments are to be applied to changes in accounting estimates or changes in accounting policies that occur on or after the effective date.

The amendments did not have a significant impact on the financial position or performance of the Company.

2. Basis of presentation of the financial statements (cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

Amendments to TMS 1 – Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1 that provide guidance and examples to help entities apply materiality estimates to accounting policy disclosures. As there is no definition of the term 'significant' in IFRSs, the POA decided to replace it with the term 'important' in the context of disclosing accounting policy information. 'Significant' is a defined term in TFRS and, according to POA, is substantially understood by users of financial statements. When assessing the materiality of accounting policy information, entities should consider both the size of the transactions, other events or circumstances, and their nature. The amendments also add examples of circumstances in which an entity may consider accounting policy information to be material.

The amendments did not have a significant impact on the financial position or performance of the Company

Amendments to TMS 12 – Deferred tax on assets and liabilities arising from a single transaction

In August 2021, POA issued amendments to TAS 12 that narrow the scope of the initial recognition exception so that the exception does not apply to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments made in respect of a liability are deductible for tax purposes, it is a matter of judgment (taking into account applicable tax law) whether such deductions are attributable for tax purposes to the liability (and interest expense) or the related asset component (and interest expense) recognized in the financial statements. This judgment is important in determining whether any temporary difference exists on initial recognition of the asset and liability. The amendments are applied to transactions occurring on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, deferred tax assets (provided there is sufficient taxable income) and deferred tax liabilities are recognized for all deductible and taxable temporary differences related to leases and decommissioning, restoration and similar obligations.

The amendment did not have a significant impact on the financial position or performance of the Company.

Amendments to TMS 12 – International Tax Reform – Second Pillar Model Rules

In September 2023, POA issued amendments to TAS 12 that introduce a mandatory exception to the recognition and disclosure of deferred tax assets and liabilities related to Second Pillar income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws that have been enacted, or are substantively enacted, for the purpose of applying the Second Pillar Model Rules issued by the Organization for Economic Cooperation and Development (OECD). These amendments also introduce certain disclosure requirements for entities affected by such tax laws. The exemption from recognizing and disclosing information about deferred income taxes and the disclosure requirement that the exemption has been applied are applied when the amendment is issued. However, certain disclosure requirements of the amendment are not mandatory for interim periods ending before December 31, 2023.

The amendment did not have a significant impact on the financial position or performance of the Company.

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

The new standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of authorization of the financial statements and have not been early adopted by the Company are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and Footnotes, after the new standards and interpretations become effective.

2. Basis of presentation of the financial statements (cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets by an Investor to an Associate or Joint Venture In December

2017, POA postponed the effective date of the amendments to TFRS 10 and TAS 28 indefinitely, subject to the outcome of the ongoing research project on the equity method. However, early adoption is still permitted.

The Company will assess the impact of these amendments when the standards are finalized.

TFRS 17 – New Insurance Contracts Standard

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA.

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

TMS 1 Amendments - Classification of liabilities as short and long term

In January 2021 and January 2023, the POA made changes to TMS 1 to determine the principles for short- and long-term classification of liabilities. According to the amendments made in January 2023, if the entity's right to defer payment of an obligation depends on its compliance with the terms of the loan agreement at a date after the reporting period, it has the right to defer the obligation in question as of the end of the reporting period (even if it does not comply with the relevant conditions at the end of the reporting period). When a loan contractual obligation is classified as long-term and the business's right to defer payment is conditioned on compliance with the terms of the loan contract within 12 months, the January 2023 amendments require businesses to make various disclosures. These disclosures should include information about the loan contract terms and related obligations. In addition, these amendments clarify that the right to defer payment for long-term classification must exist as of the end of the reporting period, regardless of whether compliance with the terms of the contract will be tested at the reporting date or at a later date. In the amendments, it is clearly stated that the possibility of the entity not exercising its right to postpone the payment for at least twelve months after the reporting period will not affect the classification of the liability. The changes are effective for annual accounting periods beginning on or after January 1, 2024. The changes made are applied retroactively according to TAS 8. Early application is allowed. However, the business that implements any of the changes early is obliged to implement the other change early as well.

The change in question does not apply to the Company and has no impact on its financial position or performance.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

2. Basis of presentation of the financial statements (cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

TFRS 16 Amendments – Lease obligations in sale and leaseback transactions

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

Overall, the Company expects no significant impact on its balance sheet and equity.

TMS 7 and TFRS 7 Amendments – Explanations: Supplier Financing Agreements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

Overall, the Company expects no significant impact on its balance sheet and equity.

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

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Overall, the Company expects no significant impact on its balance sheet and equity.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies

(a) 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) Other income and other expense

Other income and expenses are recognized on an accrual basis.

(iii) Financial income / expense

Financial income includes interest income and exchange rate differences. Financial expenses include interest expense on loans, foreign exchange losses and other financial expenses.

(b) Financial instruments

Financial assets and liabilities are recognized in balance sheet as long as the company is legally involved in particular financial instruments.

Financial Assets

Financial assets are accounted for at fair value less transaction costs except for the financial assets classified as of fair value through profit or loss, which are initially measured at fair value. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated as at fair value through profit or loss.

Factoring Receivables and Other Receivables

Factoring receivables originated by the Company by providing money directly to the borrower are considered as factoring receivables and are carried at amortized cost.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

(b) Financial Instruments: (cont'd)

Financial Assets (cont'd)

Provision for total factoring receivables determined upon the evaluation of factoring receivables comprises the impaired factoring receivables in the factoring receivables portfolio of the Company. The Company books this provision "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" published in the Official Gazette dated December 24, 2013 and numbered 28861. In accordance with the mentioned communiqué, special provision is booked after taking into consideration their pledges at a rate of at least 20% for factoring receivables whose maturity is 90-180 days overdue, at a rate of at least 50% for factoring receivables whose maturity is 180-360 days overdue, and at a rate of 100% for factoring receivables whose maturity is one year overdue.

According to the Official Gazette n. 30409 in May 2, 2018; the regulation about the " financial leasing, factoring, the accounting applications of finance companies and financial statements; making provision in the scope of TFRS 9 has been set optional. Accordingly, the company does not make provision in the scope of TFRS 9 as of December 31, 2023

By taking into account all data concerning the credibility level of debtors and the principles of reliability and prudence, the Company also creates specific provisions for receivables without including collaterals, even if they are collected when due or are not overdue beyond the time limits given.

The Communiqué on Provisions states, but not requires, that a general provision, not directly related to any specific transaction, may be created for potential, unmeasured losses associated with any principal or interest or both that are not overdue or are overdue for less than ninety days. The Company creates general provisions for its factoring receivables that have not yet become doubtful.

Receivables that cannot be collected, whether in whole or in part, are written off only after the relevant debtor is ruled insolvent by a court of competent jurisdiction. Once a receivable is written off, the provision created for the receivable is reversed and the receivable is removed from assets. Any account receivable written off in any previous year but later collected is recognized as income.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

(b) Financial Instruments: (cont'd)

.
Financial Assets (cont'd)

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met: (a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

The Company does not have financial assets held to maturity as of December 31, 2023 (December 31, 2022: None).

Financial Assets Measured at Fair Value through Other Comprehensive Income

A financial asset is measured if both of the following conditions are met: (a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

(b) Financial Instruments: (cont'd)

.

Financial Assets (cont'd)

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

The Company does not have financial assets whose fair value changes are reflected in other comprehensive income as of December 31, 2023 (financial assets available for sale on December 31, 2022: None).

Factoring receivables and other receivables

Factoring receivables are measured at amortised cost less expected credit loss and unearned interest income. The Company measures the loss allowance for factoring receivables at an amount equal to lifetime ECL. The expected credit losses on factoring receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

(b) Financial Instruments: (cont'd)

Financial Assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; demand deposits and other short-term highly liquid investments which their original maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of these assets approximates their fair value.

Derivative Financial Instruments and Hedge Accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements: Hedge accounting is not applied at December 31, 2023 and December 31, 2022.

Financial Liabilities

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at their fair value and are revaluated at their fair value at each reporting period.

Changes in their fair values are accounted for in the income statement. Net gains or losses accounted for in the income statement also include the interest paid for the financial liability.

Other Financial Liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method and the interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of financial liability, or, where appropriate, a shorter period.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

(c) Property, Plant and Equipments

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated useful lives of property, plant and equipment are as follows:

Description	*Years*
Furniture and fixtures	5 years
Vehicles	5 years
Buildings	50 years

Special costs are depreciated by direct depreciation method over the shorter of the useful life of the private cost or lease terms.

d) Intangible Assets

Purchased Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

e) Impairment of Non-Financial Assets

At each balance sheet date, the Company reviews all of its non-financial assets to look for any indication that any non-financial asset may be impaired. If there is an indication that any non-financial asset may be impaired, then the Company calculates that asset's recoverable amount.

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

Impairment losses are assessed at each balance sheet date whether there is an indication that an impairment loss has decreased or no longer exists. Impairment loss is reversed in the event of a change in the estimations used to measure the recoverable amount.

f) Share Capital Increase

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

g) Employee benefits

Provision for severance pay is allocated according to the amount of the possible liability arising from the retirement of the Company employees and reduced to its present value calculated according to the Turkish Labor Law. It is calculated on an accrual basis as it is earned by employees and accounted for in the financial statements. The amount of liability is calculated based on the severance pay cap announced by the government.

TAS 19 "Employee Benefits" provides for the calculation of the present value of companies' possible liabilities using actuarial valuation methods. Therefore, the present value of the company's probable liability is calculated using the assumptions in the table below.

	December 31, 2023	December 31, 2022
Net discount rate	%3,43	%2,33

The basic assumption is that the cap set for each annual service increases in proportion to inflation.

h) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

i) Borrowing Costs

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

j) Effects of currency change

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. Financial position and the results of operations of the Company are expressed in TL.

The foreign currency exchange rates used by the Company as of December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023	December 31, 2022
USD	29,4382	18,6983
EURO	32,5739	19,9349
GBP	37,4417	22,4892

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

k) Earnings Per Share

According to standard of TMS 33 " Earning per Share", companies processed their stocks in exchange market do not have to announce earning per share. Because stocks of the company do not process in Exchange market, earning per share is not calculated in financial statements.

l) Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

m) Segment Reporting of Financial Information

The segment disclosure as per TFRS 8 is not presented since the Company's borrowing instruments or financial instruments based on equity are not traded on the stock exchange or other organized markets.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

n) Taxes Calculated on The Basis of The Company's Earnings:

Income tax expense represents the sum of the current tax and deferred tax payable.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

o) TFRS 16 Leases

The accounting policies applied by the company following the TFRS 16 standard are as follows.

Right of Use Assets

The Company recognizes its right-of-use assets at the date of commencement of the financial lease agreement (for example, as of the date the relevant asset is available for use). Right-of-use assets are calculated by deducting accumulated depreciation and impairment losses from their cost value. In case of revaluation of financial lease debts, this figure is also corrected.

The cost of the right-of-use asset includes:
(a) the initial measurement amount of the lease liability,
(b) all lease payments made on or before the actual commencement date, less any lease incentives received, and
(c) All initial direct costs incurred by the Company.

Unless the transfer of ownership of the underlying asset to the Company at the end of the lease term is reasonably certain, the Company depreciates the right of use asset from the actual commencement date to the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment assessment.

Lease Liabilities

The Company measures the lease liability over the present value of the unpaid lease payments when the lease commences.
The lease payments included in the measurement of the lease liability at the actual commencement date consist of the following payments to be made for the right to use the underlying asset during the lease term and not paid at the time the lease commences:
(a) fixed payments,
(b) variable lease payments based on an index or rate, initially measured using an index or rate at the date the lease commences;
(c) Amounts expected to be paid by the Company under residual value commitments.
(d) If the Company is reasonably sure that it will use the option to buy, the exercise price of this option and
(e) If the rental period indicates that the Company will use an option to terminate the lease, penalty payments regarding the lease's termination.

Variable lease payments that do not depend on an index or a rate are recorded as an expense in the period in which the event or condition that triggered the payment takes place.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

o) TFRS 16 Leases (cont'd)

The Company uses the revised discount rate for the remaining part of the lease term if the lease's implied interest rate can be easily determined. As this rate; If cannot be determined easily, the Company determines it as the alternative borrowing interest rate on the date of re-evaluation.

The Company measures the lease liability as follows, after the date the lease commences:
(a) increases the carrying value to reflect the interest on the lease liability, and
(b) It reduces the book value to reflect the lease payments made.
Also, in the event of a change in the lease term, in substance, a change in fixed lease payments, or in the assessment of the option to purchase the underlying asset, the value of the financial lease obligations is remeasured.

Short-term leases and leases where the underlying asset is of low-value

The Company applies the short-term lease registration exemption to short-term machinery and equipment lease contracts (i.e., assets with a lease term of 12 months or less from the start date and without a purchase option). It also applies for the exemption from accounting for low-value assets to office equipment whose rental is considered low value. Short-term lease contracts and lease contracts of low-value assets are recorded as expenses according to the lease term's linear method.

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

The company has benefited from facilitating applications for leases and low value leases whose leases will expire within 12 months or less as of the transition date. The company's office equipment leases (such as personal computers, photocopiers) are considered as low value leases. It has been evaluated that the standard has no material effect on the financial statements of the company.

p) Cash Flow Statement

In statement of cash flows, cash flows are classified according to operating, investment and finance activities. Cash flows from operating activities are those resulting from factoring operations of the Company.

Cash flows from investing activities indicate cash inflows and outflows resulting from fixed asset and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

r) 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. The detail of related party balances and transactions are disclosed at note 30.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

s) 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.

t) Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

2.6 Significant Accounting Evaluation, Estimates and Assumptions

In the preparation of the financial statements, the Company management must make assumptions and estimates that will affect the assets and liabilities reported as of the balance sheet date and determine the liabilities and commitments likely to occur as of the balance sheet date and the income and expense amounts as of the reporting period. Although these estimates and assumptions are based on Company management's best knowledge of the current events and transactions, actual results may differ from the assumptions. Estimates are regularly reviewed, necessary adjustments are made and reflected in the income statement of the period they occur. The main notes using estimates are as follows:

Notes 18 – Provisions
Notes 31 – Tax assets and liabilities

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

3. Cash and cash equivalents

	December 31, 2023		December 31, 2022	
	TL	FC	TL	FC
Cash	-	-	1	-
Banks	9.657	12.728	25.930	25.182
~ *Demand deposit*	9.657	12.728	*25.930*	*25.182*
~ *Time deposits*	-	-	-	-
Total	**9.657**	**12.728**	**25.931**	**25.182**
Blocked deposits (*)	-	-	-	(21.430)
Cash and cash equivalents in the statement of cash flows	**9.657**	**12.728**	**25.931**	**3.752**

(*) As of December 31, 2023, there is no blockage on bank deposits. (December 31, 2022: TL 21.430).

As of December 31, 2023, the Company has no bank deposits (December 31, 2022: None).

4. Financial assets available for sale

None (December 31, 2022: None).

5. Factoring receivables

	December 31, 2023		December 31, 2022	
	TL	FC	TL	FC
Discounted Factoring receivables	360.104	-	363.960	-
Other Factoring receivables	503.322	167.393	228.195	109.775
	863.426	**167.393**	**592.155**	**109.775**
	December 31, 2023		**December 31, 2022**	
	TL	**FC**	**TL**	**FC**
Domestic Factoring Receivables(*)	863.426	-	592.155	-
Export and Import Factoring Receivables	-	167.393	-	109.775
Non-performing Factoring Receivables (**)	23.143	-	21.953	-
Gross factoring receivables	**886.569**	**167.393**	**614.108**	**109.775**
Provision for Factoring Receivables	(23.143)	-	(21.953)	-
Factoring receivables, Net	863.426	167.393	592.155	109.775

(*) The Company has an unearned receivable about TL 53.977 TL from domestic factoring receivables by the date of December 31, 2023 (December 31, 2022: TL 29.874).
(**) It is classified as "non-performing receivables" in balance sheet.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

5. Factoring receivables (cont'd)

As of December 31, 2023 and 2022, distribution of gross factoring receivables are as follows:

	December 31, 2023	December 31, 2022
Fixed rate	414.081	393.834
Floating rate	657.597	335.136
	1.071.678	**728.970**

Analysis of factoring receivables are as follows:

	December 31, 2023	December 31, 2022
Neither past due nor impaired	1.030.818	701.930
Past due but not impaired	-	-
Impaired	23.143	21.953
Gross	**1.053.961**	**723.883**
(Loss): Specific provision for impaired factoring receivables	(23.143)	(21.953)
Factoring receivables and non-performing receivables (net)	**1.030.818**	**701.930**

The sectoral distribution of factoring receivables as of December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023		December 31, 2022	
	Total	%	Total	%
Textile	207.399	20	269.630	39
Chemicals and pharmaceuticals	148.783	14	57.745	8
Retail and wholesale Trade	130.260	13	57.865	8
Iron, steel, coal, petroleum, other mines	114.320	11	80.698	12
Tourism	109.727	11	1.124	-
Leather industry	93.519	9	42.801	6
Construction-contracting services	56.734	6	27.463	4
Wood and Wooden Products	56.245	5	77.746	11
Transportation, storage and communication	38.978	4	9.722	1
Non-metallic minerals industry	26.181	3	14.319	2
Machinery and equipment industry	23.391	2	3.942	1
Research	4.184	-	25.617	4
Computer and computer equipment	1.208	-	2.632	-
Other	19.889	2	30.624	4
	1.030.818	**100**	**701.928**	**100**

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

5. Factoring receivables (cont'd)

As of December 31, 2023 and 2022, distribution of revocable factoring transactions are as follows:

	December 31, 2023	**December 31, 2022**
Customer Checks	416.692	250.537
	416.692	**250.537**

As of December 31, 2023 and 2022, distribution of collaterals received for factoring receivables are as follows:

	December 31, 2023		**December 31, 2022**	
	TL	**FC**	**TL**	**FC**
Received Bails (*)	9.197.874	3.968.773	7.363.176	2.507.459
Collateral Checks and Bills	361.590	568.955	154.837	462.519
	9.559.464	4.537.728	7.518.013	2.969.978

(*) If bails is received from more than one person for a receivable, each amount of bailes received is taken into account separately and reflected to the collateral balance.

6. Non-performing receivables

The Company measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA on December 24, 2013 and numbered 28861.

	December 31, 2023	**December 31, 2022**
Non-performing factoring receivables	23.143	21.953
Specific provisions	(23.143)	(21.953)
	-	**-**

The aging of the past due factoring receivables as of December 31, 2023 and 2022 is as follows:

	December 31, 2023	**December 31, 2022**
Up to 90 days	323	920
Between 90-180 days	-	-
Between 180-360 days	1.000	-
360 days and above	21.820	21.033
	23.143	**21.953**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

6. Non-performing receivables (cont'd)

The movement of specific provision for allowance of non-performing factoring receivables are as follows:

	January 1 – December 31, 2023	January 1- December 31, 2022
Balance as of January 1	21.953	21.042
Provision expense during the period	1.323	920
Collections	(133)	(9)
Balance at the end of the period	**23.143**	**21.953**

7. Tangible Assets

	January 1, 2023	Addition	Disposal	December 31, 2023
Cost				
Furniture ve fixture	947	96	(318)	725
Vehicle	2.039	-	-	2.039
Special costs	341	402	-	743
Other	837	-	-	837
	4.164	**498**	**(318)**	**4.344**

	January 1, 2023	Current year depreciation	Disposal	December 31, 023
Accumulated Depreciation				
Furniture ve fixture	706	481	(79)	1108
Vehicle	1.280	120	-	1.400
Special costs	341	10	-	351
	2.327	**611**	**(79)**	**2.859**
Net book value	**1.837**			**1.485**

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

7. Tangible Assets (cont'd)

	January 1, 2022	Addition	Disposal	December 31, 2022
Cost				
Furniture ve fixture	862	113	(28)	947
Vehicle	2.039	-	-	2.039
Special costs	341	-	-	341
Other	837	-	-	837
	4.079	**113**	**(28)**	**4.164**

	January 1, 2022	Current year depreciation	Disposal	December 31, 2022
Accumulated Depreciation				
Furniture ve fixture	605	129	(28)	706
Vehicle	1.280	-	-	1.280
Special costs	341	-	-	341
	2.226	**129**	**(28)**	**2.327**
Net book value	**1.853**			**1.837**

As of December 31, 2023, the Company has tangible fixed assets with a net book value of TL 1.853, with a cost of TL 4.079 and an accumulated depreciation amount of TL 2.226 (As of December 31, 2022, the net book value of tangible fixed assets is TL 1.837).

8. Intangible assets

	January 1, 2023	Addition	Disposal	December 31, 2023
Cost				
Computer softwares and rights	698	-	(365)	698
	698	**-**	**(365)**	**698**

	January 1, 2023	Amortization	Disposal	December 31, 2023
Accumulated Amortization				
Computer softwares and rights	412	45	(365)	92
	412	**45**	**(365)**	**92**
Net book value	**286**			**241**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

8. Intangible assets (cont'd)

	January 1, 2022	Addition	Disposal	December 31, 2022
Cost				
Computer softwares and rights	698	-	-	698
	698	**-**	**-**	**698**

	January 1, 2022	Amortization	Disposal	December 31, 2022
Accumulated Amortization				
Computer softwares and rights	404	8	-	412
	404	8	-	412
Net book value	**294**			**286**

9. Investment Property

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.

	January 1, 2023	Addition	Disposal	December 31, 2023
Cost				
Investment Property	32.469	-	-	32.469
	32.469	**-**	**-**	**32.469**

	January 1, 2023	Current year depreciation	Disposal	December 31, 2023
Accumulated Depreciation				
Investment Property	-	109	-	109
	-	-	-	109
Net Book Value	**32.469**			**32.360**

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

9. Investment Property (cont'd)

	January 1, 2022	Addition	Disposal	December 31, 2022
Cost				
Investment Property	2.351	30.118	-	32.469
	2.351	**30.118**	**-**	**32.469**

	January 1, 2022	Current year depreciation	Disposal	December 31, 2022
Accumulated Depreciation				
Investment Property	-	-	-	-
	-	-	-	-
Net Book Value	**2.351**			**32.469**

10. Deferred tax assets/(liabilities)

The carrying amount of an asset or liability and the company determined by the tax legislation for the value of taxable temporary differences between the tax basis, "Income Taxes Related to Turkish Accounting Standards" ("TAS 12") and its interests calculate deferred taxes following the provisions of reports. Deferred tax calculation uses legalized tax rates that are valid as of the balance sheet date under the applicable tax legislation.

As of December 31 2023, 30% tax rate is used for temporary differences that are expected to be realized / closed (As of December 31, 2022)

	Temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Employee severance payments	4.415	2.971	1.325	743
Prepaid commissions	4.555	337	1.367	84
Tangible and intangible assets	62.890	-	18.867	-
Unearned interest income	53.977	29.874	16.192	7.469
Deferred tax assets	**125.837**	**33.182**	**37.751**	**8.296**
Tangible and intangible assets	-	(2.405)	-	(601)
Deferred tax liabilities	**-**	**(2.405)**	**-**	**(601)**
Deferred tax assets (net)	**125.837**	**30.777**	**37.751**	**7.695**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

10. Deferred tax assets/(liabilities) (cont'd)

Movement of deferred tax asset is as follows:

	2023	2022
Beginning balance, January 1	7.695	2.906
Deferred tax income/(expense)	30.056	4.789
Closing balance, December 31	**37.751**	**7.695**

11. Assets held for sale purpose and related to discontinued operations

None (December 31, 2022: None)

12. Other assets

	December 31, 2023		December 31, 2022	
	TL	FC	TL	FC
Receivables from customers (*)	6.842	-	2.949	19
Prepaid expenses	19	-	19	-
	6.861	-	2.968	19

(*) Receivables from customers consist of BITT receivables regarding factoring receivables.

13. Funds Borrowed

	December 31, 2023	December 31, 2022
Short-term bank borrowings	583.463	466.465
	583.463	**466.465**

The details of bank borrowings are as follows:

Currency	Average Interest rate%	Maturity	December 31, 2023
TL	46,23%	January 2024 – March 2024	583.463
			583.463
Currency	**Average Interest rate %**	**Maturity**	**December 31, 2022**
TL	17,29%	January 2023 – March 2023	466.435
			466.435

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

13. Funds Borrowed (cont'd)

Currency	Average Interest rate%	Maturity	December 31, 2023
USD	**-**	**-**	**-**
			-

Currency	Average Interest rate%	Maturity	December 31, 2022
USD	-	-	-
			-

Currency	Average Interest rate%	Maturity	December 31, 2023
EUR	-	-	-
			-

Currency	Average Interest rate%	Maturity	December 31, 2022
EUR	4,12%	January 2023 – March 2023	30
			30

	December 31, 2023		December 31, 2022	
	TL	**FC**	**TL**	**FC**
Fixed rate	538.563	-	466.435	30
Floating rate	44.900	-	-	-
	583.463	**-**	**466.435**	**30**

14. Bonds and notes issued

None (December 31, 2022: None)

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

15. Factoring payables

	December 31, 2023	December 31, 2022
Factoring payable	37.812	10.852
	37.812	**10.852**

16. Financial lease obligations

None (December 31, 2022: None)

17. Other payables

	December 31, 2023		December 31, 2023	
	TL	FC	TL	FC
Fees and commissions collected in advance	4.553	3	337	3
Suppliers payable	2.476	5	1.315	8
	7.029	**8**	**1.652**	**11**

18. Provisions

Reserves For Employee Benefits

	December 31, 2023	December 31, 2022
Provision for employment termination benefits	4.415	2.971
Provision for unused vacation	-	-
	4.415	**2.971**

Provision for employment termination benefits

Provision for employment termination benefits table is as follows:

	December 31, 2023	December 31, 2022
January 1, beginning	**2.971**	**1.324**
Interest rate	898	897
Service cost	1.523	899
Payments during the period	(976)	(149)
Actuarial (gain) / loss	-	-
Balance at the end of the period	**4.415**	**2.971**

18. Provisions (cont'd)

According to Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 years for women, 60 years for men). After the legislative amendment on May 23, 2002, some of transition process articles that related with service time before the retirement were excluded.

The indemnity to be paid is up to one month's salary for each service year, not exceeding the retirement pay ceiling amount for the relevant period, and this amount is limited to TL 23.490 (2022: TL 15.371) as of December 31, 2023 (with full TL amount).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As of December 31, 2023 and December 31, 2022, the Company pays severance pay based on estimated inflation rates and factors arising from its own experience with the resignation or termination of employment of personnel, and determines that the vested benefits are based on the government bond interest rate valid on the relevant balance sheet dates and "Projected Unit Loan". It has commissioned an independent actuarial study that discounts using the method and reflected it in its financial statements. Provisions at the balance sheet dates are calculated using the assumptions of 20,90% annual inflation, 25.05% interest rate and approximately 3,43% real discount rate (31 December 2022: 19,16% annual inflation, 21.94% interest rate and a real discount rate of approximately 2,33%).

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

19. Minority shares

None (December 31, 2022: None).

20. Paid-In Capital and Capital Reserves

Paid in-capital

As of 31 December 2023, the Company's core capital is 60.000.000 TL (31 December 2022: 60.000.000 TL). As of December 31, 2023, the Company has 60.000.000 (December 31, 2022: 60.000.000) non-privileged shares with a value of TL 1 (December 31, 2022: TL 1). The registered capital of the Company consists of 60.000.000 shares with a value of 1 TL each (in full TL amount).

In statutory financial statements, accumulated profits may be distributed except for legal reserves and subject to following requirements for legal reserves.The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. According to Law No. 5228 on Amendments to Certain Tax Laws published in Official Gazette No. 25539 if 31 July 2004, inflation adjustments to shareholders' equity line items arising from inflation adjusted financial statements and recognized in "Accumulated Profit/Loss" may be offset against inflation-adjusted accumulated losses or included in share capital by corporate taxpayers, and this transaction is treated as a dividend distribution. As per the Banking Regulation and Supervision Agency (BRSA) , income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase.

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

20. Paid-In Capital And Capital Reserves (cont'd)

Dividends

The Company distributed TL 10.000.000 in July 2023 as dividends to shareholders from the profit of 2022 (with a full amount of TL) (2022: 6.000.000 TL).

21. Profit reserves

As of December 31, 2023 and 2022 profit reserves are as follows:

	December 31, 2023	December 31, 2022
Legal reserves	16.846	16.846
	16.846	**16.846**

22. Prior Period's Profit / Loss

	December 31, 2023	December 31, 2022
Prior periods profit/(loss)	218.920	153.933
	218.920	**153.933**

23. Provisions, contingent assets and contingent liabilities

23.1 Letters of Guarantee Received

As of December 31, 2023, and 2022, the details of the Company's items held in custody is as follows:

	December 31, 2023		December 31, 2022	
	TL	FC	TL	FC
Received Bails (*)	9.197.874	3.968.773	7.363.176	2.507.459
Customers' Notes	281.882	513.572	106.159	444.813
Customers' Cheques	79.708	55.383	48.678	17.706
	9.559.464	**4.537.728**	**7.518.013**	**2.969.978**

(*) If mortgage is received from more than one person for a receivable, each amount received from mortgage is reflected on the collateral balance by taking into account each amount separately.

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

23. Provisions, contingent assets and contingent liabilities (cont'd)

23.2 Letters of Guarantee Given

The details of letters of guarantee given as of December 31, 2023 and 2022 are as follows:

	December 31, 2023		December 31, 2022	
	TL	**FC**	**TL**	**FC**
Letters of guarantee given to banks	245.294	-	103.096	-
Bails in favor of customers	7.500	-	7.500	-
	252.794	**-**	**110.596**	**-**

24. Operating income

	January 1- December 31, 2023	January 1- December 31, 2022
Factoring interest income	299.388	183.794
Factoring commission and other income	49.683	7.114
	349.071	**190.908**

25. Operating expense

	January 1- December 31, 2023	January 1- December 31, 2022
Personnel expenses	51.559	32.104
Rent expenses	4.406	4.406
Provisions for employee termination benefits expense	2.420	583
Subscription fee	1.817	1.818
Information technologies expenses	1.629	968
Audit and consultancy expenses	1.064	447
Vehicle expenses	800	441
Amortization and depreciation expenses	782	114
Taxes, duties, fees and funds	430	216
Representation expenses	1.074	399
Advertisement expenses	128	71
Other	5.271	2.501
	71.380	**44.068**

EKSPO FAKTORİNG ANONİM ŞİRKETİ
Notes to the financial statements for the period ended December 31, 2023
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

25. Operating expense (cont'd)

The detail of personnel expenses as of December 31, 2023 and December 31, 2022 are as follows:

	January 1- December 31, 2023	**January 1-December 31, 2022**
Salary expenses	43.275	28.870
Social security premium employer's share	3.278	1.510
Insurance expenses	1.918	795
Transportation expenses	762	339
Meal expenses	1.174	396
Unemployment security employer's share	146	106
Other	1.006	88
	51.559	**32.104**

26. Other operating income

	January 1-December 31, 2023	**January 1- December 31, 2022**
Foreign currency gain	77.199	35.252
Provision no longer required	466	65
Interest received from banks	3.915	12
	81.580	**35.329**

27. Financial expenses

	January 1-December 31, 2023	**January 1- December 31, 2022**
Interest expense on bank borrowings	112.681	71.841
Fees and commissions expenses	15.751	5.734
	128.432	**77.575**

28. Provisions Expenses

As of December 31, 2023 and 2022 provisions are as follows:

	January 1-December 31, 2023	**January 1-December 31, 2022**
Provision expenses	(1.584)	(1.984)
	(1.584)	**(1.984)**

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

29. Other operating expenses

	January 1- December 31, 2023	January 1-December 31, 2022
Foreign exchange loss	10.505	1.974
	10.505	**1.974**

30. Related Party Transactions

The detail of related party transactions as of December 31, 2023 and December 31, 2022 are as follows:

	January 1- December 31, 2023	January 1-December 31, 2022
M. Semra Tümay – rent expenses	6.375	4.406
	6.375	**4.406**

Top management fees and rights:

As of December 31, 2023, total amount of salaries and similar benefits provided to top management is TL 30.000 (December 31, 2022: TL 22.383).

31. Tax assets and liabilities

Corporation Tax

On July 5, 2023, amendments were made to the Corporate Tax Law No. 5520 with the Law proposed to the Grand National Assembly of Türkiye and published in the Official Gazette dated July 15, 2023. Accordingly, starting from the declarations to be submitted as of October 1, 2023, the corporate tax rate has been increased from 25% to 30% for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. The net corporate income of companies after adjusting for certain disallowable expenses and deducting certain exemptions and allowances for tax purposes. If no profit is distributed, no further tax is payable.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Türkiye through their operations or permanent representatives and the resident institutions is applied as 10% in accordance with the Presidential Resolution published in the Official Gazette dated December 22, 2021. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax. The addition of profit to capital is not considered profit distribution and withholding tax is not applied.

Dividends paid to non-resident corporations, which have a place of business in Türkiye, or resident corporations are not subject to withholding tax.

With the 17th Article of the Omnibus Law published in the Official Gazette dated 28 December, 2023; Banks, Financial Companies within the scope of the Leasing, Factoring, Financing and Savings Finance Companies Law, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital markets and insurance and reinsurance companies and pension companies will apply Inflation Accounting starting December 31, 2023 in accordance with the Tax Procedure Law as of December 31, 2023. For 2024 and 2025, including provisional tax periods, the profit/loss difference arising from the inflation adjustment will not be taken into account in determining the tax base.

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

31. Tax assets and liabilities (cont'd)

Current Period Tax Expense and Deferred Tax

Tax expense includes current tax expense and deferred tax expense. Tax is included in the income statement, provided that it is not directly related to a transaction accounted for under equity. Otherwise, the tax is accounted for under the equity, together with the related transaction.

Current tax expense is calculated by taking into account the tax legislation, in force as of the financial statement date, in respective countries where the investments of the subsidiaries and investments accounted for by the equity method are active. According to Turkish tax legislation, all legal or business centers and institutions in Türkiye, are subject to Corporate Income Tax.

In the Turkish taxation system, financial losses may be offset against taxable profits for up to next five years while may not be offset (retrospectively) from previous years' earnings.

In addition, provisional tax is paid on the tax bases declared in the interim period during the year to be deducted from the corporate tax.

As of December 31, 2023 and 2022, the tax liability has been set aside under the current tax legislation.

As of December 31, 2023 and 2022 taxes in income statement are stated below:

	January 1-December 31, 2023	January 1-December 31, 2022
Corporate tax provision	74.632	30.438
Prepaid taxes	(45.398)	(19.840)
Tax (assets) / liabilities	**29.234**	**10.598**

	January 1-December 31, 2023	January 1-December 31, 2022
Current tax expense	74.632	30.438
Deferred tax expense / (income)	(30.056)	(4.789)
Total tax expense / (income)	**44.576**	**25.649**

Reconciliation of tax provisions	**January 1-December 31, 2023**	**January 1-December 31, 2022**
Profit before tax	218.750	100.636
Effective tax rate	%30	%25
Calculated tax	(65.625)	(25.159)
Other and effects of expenses are not accepted legally	(334)	(447)
VUK TMS 29 effect	(19.821)	-
Other	1.562	(43)
Tax expense in statement of profit or loss	**(44.576)**	**(25.649)**

32. Earning per share

Since the Company's shares are not traded in the active market, earning per share have not been calculated on the accompanying financial statements.

33. Other matters that significantly affect the financial statements or are necessary for the financial statements to be clear, interpretable and understandable

None. (December 31, 2022: None).

34. Nature and level of financial risk arising from financial instruments

a) Capital risk management

The Company aims to make the most efficient use of the debt and equity balance while trying to maintain the continuity of its operations.

In accordance with Article 12 of the "Regulation on the Formation and Operations of Financial Leasing, Factoring and Financial Companies", published in Official Gazette of December 24, 2013, it is mandatory to achieve and maintain a minimum shareholders' equity to total assets ratio of 3%. The Company has reached standard rate as of December 31, 2023 (December 31, 2022: The Company has reached standard rate).

b) Significant account policies

The significant account policies of the Company have been explained in the Note 2.5 "Applied Valuation Principles / Accounting Policies".

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

(c) Financial instruments categories

	December 31, 2023	December 31, 2022
Financial Assets:		
Cash Equivalents and Banks	22.385	51.113
Factoring Receivables	1.030.818	701.928
Financial Liabilities:		
Factoring Payables	37.812	10.852
Funds Borrowed	583.463	466.465

The fair value of the financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are measured on the basis of the stock exchange prices quoted for identical assets and or liabilities in active markets.
- Level 2: Financial assets and liabilities are measured on the basis of inputs, other quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3: Financial assets and liabilities are measured on the basis of inputs that are unobservable in active markets and cannot be used to measure the fair value of an identical asset or liability

(d) Financial risk management

The Company is responsible for ensuring access to financial markets on a regular basis and for observing and managing the financial risks to which it is exposed. These risks include market risk (including exchange rate risk, fair interest rate risk and price risk), liquidity risk and cash flow interest rate risk.

(e) Market risk

The Company is exposed to financial risks which is related to changes in foreign exchange rates (please refer to f) and interest rates (please refer to g) and its operations. At a company level, market risk is measured by sensitivity analysis.

There has been no change in the manner in which the Company exposes the market risk of the current year or how it handles or manages the risks in the current year, compared to the previous year.

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

(f) Foreign currency risk

Currency risk is a result of the foreign currency transactions. The Company manages its exposure to currency risk which is a result of the Company's operations and cash flows due to the financing agreement regularly.

The table below summarizes the foreign currency position risk of the Company on a detailed basis as of December 31, 2023 and December 31, 2022, the registered amounts of foreign currency assets and debts held by the Company are as follows in terms of their TL equivalents in foreign currencies:

	December 31, 2023			
	USD	**EUR**	**Other**	**Total**
Assets				
Banks	11.279	1.449	-	12.728
Factoring receivables	148.663	18.730	-	167.393
Total assets	**159.942**	**20.179**	**-**	**180.121**
Liabilities				
Other liabilities	-	5	-	5
Other foreign liabilities	3.449	2.049	-	5.498
Total liabilities	**3.449**	**2.054**	**-**	**5.503**
Net foreign currency position	**156.493**	**18.125**	**-**	**174.618**
Off-balance sheet position	-	-	-	-
Net position	**156.493**	**18.125**	**-**	**174.618**

	December 31, 2022			
	USD	**EUR**	**Other**	**Total**
Assets				
Factoring receivables	86.293	23.482	-	109.775
Other assets	19	-	-	19
Banks	3.455	21.727	-	25.182
Total assets	**89.767**	**45.209**	**-**	**134.976**
Liabilities				
Funds borrowed	-	30	-	30
Other liabilities	-	11	-	11
Other foreign liabilities	1.433	7.233	-	8.666
Total liabilities	**1.433**	**7.274**	**-**	**8.707**
Net foreign currency position	**88.334**	**37.935**	**-**	**126.269**
Off-balance sheet position	-	-	-	-
Net position	**88.334**	**37.935**	**-**	**126.269**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

(f) Foreign currency risk (cont'd)

Foreign Currency Sensitivity

The Company mainly is exposed to USD and EUR exchange rate risks.

The statement below shows the sensitivity of the Company to USD and EUR when a 10% change occurs at those currencies' exchange rates. 10% change in rates is used when reporting foreign currency risk to the top management and stands for expected fluctuation in exchange rates by the top management. Foreign currency sensitivity analysis for the reporting period of the Company is determined based on the change at the beginning of the fiscal year and fixed during the reporting period. Positive amount refers to increase in net profit.

	December 31, 2023			
	Profit/ Loss		Equity	
	The appreciation of foreign currency	Depreciation of foreign currency	The appreciation of foreign currency	Depreciation of foreign currency
10% change of the USD against TL				
1 - Net USD asset/liability	15.649	(15.649)	15.649	(15.649)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**15.649**	**(15.649)**	**15.649**	**(15.649)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	1.812	(1.812)	1.812	(1.812)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**1.812**	**(1.812)**	**1.812**	**(1.812)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	-	-	-	-
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**-**	**-**
Total (3 + 6 +9)	**17.461**	**(17.461)**	**17.461**	**(17.461)**

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

	December 31, 2022			
	Profit/ Loss		Equity	
	The appreciation of foreign currency	Depreciation of foreign currency	The appreciation of foreign currency	Depreciation of foreign currency
10% change of the USD against TL				
1 - Net USD asset/liability	8.833	(8.833)	8.833	(8.833)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**8.833**	**(8.833)**	**8.833**	**(8.833)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	3.794	(3.794)	727	(727)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**3.794**	**(3.794)**	**727**	**(727)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	-	-	-	-
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**-**	**-**
Total (3 + 6 +9)	**12.627**	**(12.627)**	**9.560**	**(9.560)**

g) Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

g) Credit Risk (cont'd)

Credit risk exposures relating to types of financial instruments:

December 31, 2023	**Factoring receivables**	**Banks**	**Other Assets**
The maximum credit risk exposure as of reporting date	1.030.818	22.385	6.861
A. The net book value of financial assets that are neither past due or impaired	1.030.818	22.385	6.861
B. Renegotiated conditions, otherwise the book value of financial assets at maturity will be accepted as past due or impaired	-	-	-
C. The net book value of assets that are neither past due or impaired	-	-	-
D. The net book value of assets that are impaired	-	-	-
- Overdue (gross book value)	*23.143*	-	-
- Impairment (-)	*(23.143)*	-	-
E. Factors including off-balance sheet credit risk	-	-	-

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

g) *Credit Risk (cont'd)*

December 31, 2022	**Factoring receivables**	**Banks**	**Other Assets**
The maximum credit risk exposure as of reporting date (*)	701.928	51.112	2.987
A. The net book value of financial assets that are neither past due or impaired	701.928	51.112	2.987
B. Renegotiated conditions, otherwise the book value of financial assets at maturity will be accepted as past due or impaired	-	-	-
C. The net book value of assets that are neither past due or impaired	-	-	-
D. The net book value of assets that are impaired	-	-	-
- Overdue (gross book value)	*21.953*	-	-
- Impairment (-)	*(21.953)*	-	-
E. Factors including off-balance sheet credit risk	-	-	-

h) *Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2023

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

i) Interest Rate

The Company is exposed to interest rate risk which is related to the Company's factoring transactions to over fixed and floating interest rates and debt. Such risk is allocated to receivables and payables properly and controlled by the Company.

Interest Rate Sensitivity

Interest rate risk arises from the impact of changes in interest rates on the financial statements. The Company is exposed to interest rate risk due to timing mismatches or differences of assets and liabilities that are due to be expired or re-priced in a given period. The Company manages this risk by applying risk management strategies by matching the dates of interest rate change of assets and liabilities.

	December 31, 2023	December 31, 2022
Fixed Rate Financial Instruments		
Financial Assets:		
Banks	-	-
Factoring Receivables	*657.597*	*335.136*
Financial Liabilities:		
Funds Borrowed	*583.463*	*466.465*
Factoring Payables	*37.812*	*10.852*
Floating Rate Financial Instruments		
Financial Assets:	-	-
Factoring Receivables	*414.081*	*393.834*
Financial Liabilities:		
Funds Borrowed	-	-
Factoring Payables	*616.737*	*308.094*

j) Other Pricing Risks

None (December 31, 2022 :None).

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

k) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity table

The following tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interests that will be charged and interests that will be paid over the Company's assets and liabilities.

December 31, 2023 **Contract or Expected Maturity**	**Book Value**	**Total Expected Cash Outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial Liabilities	**628.312**	**646.275**	**590.845**	**55.430**	**-**	**-**
Funds borrowed	583.463	601.426	545.996	55.430	-	-
Factoring payables	37.812	37.812	37.812	-	-	-
Other liabilities	7.037	7.037	7.037	-	-	-

December 31, 2022 **Contract or Expected Maturity**	**Book Value**	**Total Expected Cash Outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial Liabilities	**478.980**	**494.236**	**494.236**	**-**	**-**	**-**
Funds borrowed	466.465	481.721	481.721	-	-	-
Factoring payables	10.852	10.852	10.852	-	-	-
Other liabilities	1.663	1.663	1.663	-	-	-

EKSPO FAKTORİNG ANONİM ŞİRKETİ
Notes to the financial statements for the period ended December 31, 2023
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

l) Fair value of financial instruments

Fair value is the value that the counterparties will receive after an authorized transaction, other than liquidation and compulsory sale. The listed market value reflects the most reliable current value of an asset, when it is available.

The company determined the fair value of the financial instruments based on the data provided from the market and by using appropriate calculation methods. However the estimation of the fair values based on the market values requires judgement and interpretation. As a result, the estimations presented in this financial tables, may not always be an indicator for the realisable value for the company after a market transaction.

Fair value of the financial instruments is determined based on the reliable data provided from the financial markets in Türkiye. Fair value of other financial instruments is determined by benchmarking market value of a similar financial instrument or by assumption methods which includes amortizing the future cash flows with current interest rates.

The company management estimates that the carrying value of the short term assets and liabilities approximates their fair value.

It is anticipated that the presented values of the factoring receivables and the provisions are shown at their fair values, based on their short-term maturities.

35. Fees for Services Received from External Auditor/ External Audit Firm

	December 31, 2023	December 31, 2022
Independent audit fee for the reporting period	650.000	245.000
Fees for tax consultancy services	70.000	-
Fee for other assurance services	-	-
Fee for other services other than independent audit	-	-
Total	**720.000**	**245.000**

36. Subsequent events

The company has decided in the board of directors meeting dated February 7, 2024 to get permission from the Banking Regulation and Supervision Agency for the distribution of a dividend of 20,000 TL from the profits of previous years at the first General Assembly meeting; and after obtaining the permission, to hold the General Assembly without announcement in accordance with Article 370 of the Turkish Commercial Code.

NOTES

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