

**HALK FAKTORİNG A.Ş.**

**FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2017  
WITH INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION OF  
FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES AND FOOTNOTES  
ORIGINALLY ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Halk Faktoring A.Ş.

**A) Report on the Audit of the Financial Statements**

**1) Opinion**

We have audited the financial statements of Halk Faktoring A.Ş. ("the Company"), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette No. 28861 dated 24 December 2013 and the communique on "The Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies" and communiqués, circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations.

**2) Basis for Opinion**

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published 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 in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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) Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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.

### **4) Emphasis of Matter**

As detailed in Note 30, one of the former directors of the Company's main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank), has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America ("USA"). Main shareholder Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the main shareholder Bank. Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the main shareholder Bank affecting its financial position, if any and their effects on the Company. The main shareholder Bank's management indicated that there are no enforcement or other actions against the main shareholder Bank at this stage. Our opinion is not modified in respect of this matter.

### **5) Other Matter**

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor. The other independent auditor expressed an unqualified opinion in their audit report dated 15 March 2017 for the financial statements as of 31 December 2016.

Responsibilities of independent auditors in an independent audit are as follows:

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 the SIA 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.

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

As part of an audit in accordance with the SIA, we exercise professional judgment and maintain professional skepticism 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

## **B) Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mülde Aslan.

## **Additional Paragraph for English Translation**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Company’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

**DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.**  
Member of **TOUCHE TOHMATSU LIMITED**

  
Müjde Aslan  
Partner

**İstanbul, 14 February 2018**

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# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

ASSET	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND CASH EQUIVALENTS		643	-	643	1,215	-	1,215
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-	-	-	-
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
III. BANKS	3	5,003,854	823,594	5,827,448	1,585,577	376,515	1,962,092
RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
IV. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)		-	-	-	-	-	-
VI. FACTORING RECEIVABLES	4	1,025,516,495	186,415,813	1,211,932,308	849,636,746	284,891,836	1,134,528,582
6.1 Discounted Factoring Receivables		430,323,869	63,853,640	494,177,509	226,225,108	249,211,352	475,436,460
6.1.1 Domestic		446,624,418	26,422,109	473,046,527	234,044,376	249,705,257	483,749,633
6.1.2 Foreign		-	37,895,123	37,895,123	-	-	-
6.1.3 Unearned Income (-)		(16,300,549)	(463,592)	(16,764,141)	(7,819,268)	(493,905)	(8,313,173)
6.2 Other Factoring Receivables		595,192,626	122,562,173	717,754,799	623,411,638	35,680,484	659,092,122
6.2.1 Domestic		595,192,626	-	595,192,626	623,411,638	-	623,411,638
6.2.2 Foreign		-	122,562,173	122,562,173	-	35,680,484	35,680,484
VII. FINANCING LOANS		-	-	-	-	-	-
7.1 Private Customer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Installment Based Commercial Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES		-	-	-	-	-	-
8.1 Lease Receivables		-	-	-	-	-	-
8.1.1 Finance Lease Receivables		-	-	-	-	-	-
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Other		-	-	-	-	-	-
8.1.4 Unearned Income (-)		-	-	-	-	-	-
8.2 Leasing Contracts in Progress		-	-	-	-	-	-
8.3 Advances Given for Lease Transactions		-	-	-	-	-	-
IX. OTHER RECEIVABLES	5	1,649,748	11,568	1,661,316	1,004,770	72,117	1,076,887
NON-PERFORMING FACTORING RECEIVABLES	6	-	-	-	-	-	-
10.1 Non-Performing Factoring Receivables		24,177,959	-	24,177,959	23,315,694	-	23,315,694
10.2 Non-Performing Financing Loans		-	-	-	-	-	-
10.3 Non-Performing Lease Receivables		-	-	-	-	-	-
10.4 Specific Provisions (-)		(24,177,959)	-	(24,177,959)	(23,315,694)	-	(23,315,694)
XI. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE		-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
XII. INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII. INVESTMENT IN SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. INVESTMENT IN ASSOCIATES (Net)		6	-	6	6	-	6
XV. INVESTMENT IN JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. TANGIBLE ASSETS (Net)	7	665,388	-	665,388	807,215	-	807,215
XVII. INTANGIBLE ASSETS (Net)	8	588,442	-	588,442	322,815	-	322,815
17.1 Goodwill		-	-	-	-	-	-
17.2 Other Intangibles		588,442	-	588,442	322,815	-	322,815
XVIII. PREPAID EXPENSES	9	456,678	31,044	487,722	381,932	30,022	411,954
IXX. CURRENT TAX ASSETS	17	-	-	-	970,394	-	970,394
XX. DEFERRED TAX ASSETS	10	4,012,198	-	4,012,198	1,926,648	-	1,926,648
XXI. OTHER ASSETS	11	25,449	-	25,449	26,404	-	26,404
<b>SUBTOTAL</b>		<b>1,037,918,901</b>	<b>187,282,019</b>	<b>1,225,200,920</b>	<b>856,663,722</b>	<b>285,370,490</b>	<b>1,142,034,212</b>
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1 Assets Held For Sale		-	-	-	-	-	-
22.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>1,037,918,901</b>	<b>187,282,019</b>	<b>1,225,200,920</b>	<b>856,663,722</b>	<b>285,370,490</b>	<b>1,142,034,212</b>

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2017 (Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>		-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	12	952,140,245	156,053,855	1,108,194,100	779,797,433	284,001,391	1,063,798,824
<b>III. FACTORING PAYABLES</b>	13	2,306,850	754,653	3,061,503	382,635	205,323	587,958
<b>IV. LEASE OBLIGATIONS</b>		-	-	-	-	-	-
4.1 Finance Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Others		-	-	-	-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>V. DEBT SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. OTHER PAYABLES</b>	14	417,753	75,961	493,714	139,963	71,011	210,974
<b>VII. OTHER LIABILITIES</b>		-	-	-	-	-	-
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
8.1 Fair Value Hedges		-	-	-	-	-	-
8.2 Cash Flow Hedges		-	-	-	-	-	-
8.3 Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
<b>IX. TAXES AND DUTIES PAYABLE</b>	15	2,126,538	-	2,126,538	1,627,462	-	1,627,462
<b>X. PROVISIONS</b>	16	1,749,096	-	1,749,096	1,423,744	-	1,423,744
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		1,521,965	-	1,521,965	1,310,600	-	1,310,600
10.3 Other Provisions		227,131	-	227,131	113,144	-	113,144
<b>XI. DEFERRED INCOME</b>	14	237,389	225,241	462,630	184,815	131,521	316,336
<b>XII. CURRENT TAX LIABILITIES</b>	17	3,008,019	-	3,008,019	-	-	-
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>SUBTOTAL</b>		961,985,890	157,109,710	1,119,095,600	783,556,052	284,409,246	1,067,965,298
<b>XV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1 Payables Related to the Assets held for Sale		-	-	-	-	-	-
15.2 Payables Related to the Discontinued Operations		-	-	-	-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>		106,105,320	-	106,105,320	74,068,914	-	74,068,914
<b>16.1 Paid-in Capital</b>	18.1	70,000,000	-	70,000,000	55,500,000	-	55,500,000
<b>16.2 Capital Reserves</b>		-	-	-	-	-	-
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
<b>16.3 Accumulated Other Comprehensive Income that will never be Reclassified to Profit or Loss</b>	18.2	9,797	-	9,797	(10,245)	-	(10,245)
<b>16.4 Accumulated Other Comprehensive Income that are or may be Reclassified to Profit or Loss</b>		-	-	-	-	-	-
<b>16.5 Profit Reserves</b>	18.3	4,079,159	-	4,079,159	1,217,832	-	1,217,832
16.5.1 Legal Reserves		4,079,159	-	4,079,159	1,217,832	-	1,217,832
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		-	-	-	-	-	-
16.5.4 Other Profit Reserves		-	-	-	-	-	-
<b>16.6 Profit or Loss</b>		32,016,364	-	32,016,364	17,361,327	-	17,361,327
16.6.1 Prior Periods Profit/Loss		-	-	-	1,264,656	-	1,264,656
16.6.2 Net Income or Loss for the Current Period		32,016,364	-	32,016,364	16,096,671	-	16,096,671
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		1,068,091,210	157,109,710	1,225,200,920	857,624,966	284,409,246	1,142,034,212

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



# HALK FAKTORİNG ANONİM ŞİRKETİ

## OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2017

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

OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. REVOCABLE FACTORING TRANSACTIONS		-	37,474,824	37,474,824	2,571,349	29,375,314	31,946,663
II. IRREVOCABLE FACTORING TRANSACTIONS		605,626,452	8,176,786	613,803,238	506,410,612	5,769,181	512,179,793
III. COLLATERALS RECEIVED	4,28	19,924,334,159	6,677,758,469	26,602,092,628	13,707,289,473	6,211,489,174	19,918,778,647
IV. COLLATERALS GIVEN	28	50,215,682	-	50,215,682	361,256	-	361,256
V. COMMITMENTS		-	41,589,658	41,589,658	-	-	-
5.1 Irrevocable Commitments		-	41,589,658	41,589,658	-	-	-
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
6.1 Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Foreign Investment Hedges		-	-	-	-	-	-
6.2 Trading Derivatives		-	-	-	-	-	-
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	28	514,690,396	68,191,859	582,882,255	329,514,185	29,075,161	358,589,346
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>21,094,866,689</b>	<b>6,833,191,596</b>	<b>27,928,058,285</b>	<b>14,546,146,875</b>	<b>6,275,708,830</b>	<b>20,821,855,705</b>

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2017 (Amounts are expressed in Turkish Lira ("TL") unless otherwise stated )

INCOME AND EXPENSE ITEMS		Notes	Audited Current Period 1 January – 31 December 2017	Audited Prior Period 1 January – 31 December 2016
<b>I.</b>	<b>OPERATING INCOME</b>			
	<b>FACTORING INCOME</b>	19	168,981,810	133,747,633
1.1	Factoring Interest Income		168,981,810	133,747,633
1.1.1	Discounted		159,561,965	124,197,844
1.1.2	Other		54,880,613	44,981,198
1.2	Factoring Commission Income		104,681,352	79,216,646
1.2.1	Discounted		9,419,845	9,549,789
1.2.2	Other		804,137	1,517,226
	<b>FINANCING EXPENSES (-)</b>		8,615,708	8,032,563
2.1	Interest Expense on Funds Borrowed	20	(113,332,338)	(80,338,079)
2.2	Interest Expense on Factoring Payables		(112,198,285)	(79,451,553)
2.3	Interest Expense on Financial Leases		-	-
2.4	Interest Expense on Debt Securities Issued		-	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commission Expenses		-	-
	<b>GROSS PROFIT / LOSS (I-II)</b>		(1,134,053)	(886,526)
<b>III.</b>	<b>OPERATING EXPENSES (-)</b>		55,649,472	53,409,554
4.1	Personnel Expenses	21	(16,667,072)	(14,563,381)
4.2	Provision Expense for Employee Termination Indemnity		(11,206,001)	(10,063,731)
4.3	Research and Development Expenses		(108,782)	(81,715)
4.4	General Administrative Expenses		-	-
4.5	Other		(4,229,304)	(3,843,871)
	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		(1,122,985)	(574,064)
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>		38,982,400	38,846,173
6.1	Interest Income on Banks	22	38,821,410	18,747,913
6.2	Interest Income on Reverse Repurchase Agreements		12,044	9,619
6.3	Interest Income on Securities		-	-
6.3.1	Interest Income on Trading Financial Assets		-	-
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available-for-Sale		-	-
6.3.4	Interest Income on Investments Held to Maturity		-	-
6.4	Dividend Income		-	-
6.5	Trading Account Income		-	-
6.5.1	Derivatives		-	-
6.5.2	Others		-	-
6.6	Foreign Exchange Gains		-	-
6.7	Other		34,448,838	18,316,197
	<b>SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)</b>		4,360,528	422,097
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	23	(4,820,705)	(18,678,589)
8.1	Impairment in Securities	24	(33,223,069)	(18,167,816)
8.1.1	Impairment in Financial Assets Designated at Fair Value Through Profit or Loss		-	-
8.1.2	Impairment in Financial Assets Available-for-Sale		-	-
8.1.3	Impairment in Investments Held to Maturity		-	-
8.2	Impairment in Non Current Assets		-	-
8.2.1	Impairment in Tangible Assets		-	-
8.2.2	Impairment in Assets Held for Sale and Assets Related to Discontinued Operations		-	-
8.2.3	Impairment in Goodwill		-	-
8.2.4	Impairment in Other Intangible Assets		-	-
8.2.5	Impairment in Subsidiaries, Associates and Joint-Ventures		-	-
8.3	Trading Account Losses from Financial Derivatives		-	-
8.4	Foreign Exchange Losses		-	-
8.5	Other		(33,207,270)	(18,108,601)
<b>IX.</b>	<b>OPERATIONAL PROFIT/LOSS (V+.....+VIII)</b>		(15,799)	(59,215)
<b>X.</b>	<b>INCOME RESULTED FROM MERGER</b>		39,760,036	20,747,681
<b>XI.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XII.</b>	<b>PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (IX+X+XI)</b>		39,760,036	20,747,681
<b>XIII.</b>	<b>PROVISION FOR TAXES FROM CONTINUING OPERATIONS (±)</b>	25	(7,743,672)	(4,651,010)
13.1	Current Tax Charge		(9,829,222)	(4,949,727)
13.2	Deferred Tax Charge (-)	17,25	-	-
13.3	Deferred Tax Benefit (+)	10	-	-
	<b>NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS(XII±XIII)</b>		2,085,550	298,717
<b>XIV.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		32,016,364	16,096,671
15.1	Income from Assets Held for Sale		-	-
15.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
15.3	Other Income From Discontinued Operations		-	-
<b>XVI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
16.1	Expense From Assets Held for Sale		-	-
16.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
16.3	Other expense from Discontinued Operations		-	-
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS</b>		-	-
<b>XVIII.</b>	<b>PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Benefit (+)		-	-
18.3	Deferred Tax Charge (-)		-	-
<b>XIX.</b>	<b>NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		-	-
<b>XX.</b>	<b>NET PROFIT/LOSS (XIV±XIX)</b>		32,016,364	16,096,671
	<b>EARNINGS PER SHARE</b>			
	Earnings Per Share from Continuing Operations	26	0.4574	0.2900
	Earnings Per Share from Discontinuing Operations		-	-
	<b>DILUTED EARNINGS PER SHARE</b>			
	Earnings Per Share from Continuing Operations		-	-
	Earnings Per Share from Discontinuing Operations	26	0.4574	0.2900

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Audited Current Period 1 January – 31 December 2017	Audited Prior Period 1 January – 31 December 2016
<b>PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME</b>		
I. NET PROFIT/LOSS	32,016,364	16,096,671
II. OTHER COMPREHENSIVE INCOME	20,042	10,834
2.1 Items that will never be Reclassified to Profit or Loss	20,042	10,834
2.1.1 Revaluation of Tangible Assets	-	-
2.1.2 Revaluation of Intangible Assets	-	-
2.1.3 Remeasurement of Reserve for Employee Benefits	20,042	13,543
2.1.4 Other Comprehensive Income that will never Reclassified to Profit or Loss	-	-
2.1.5 Related Tax	-	-
2.1.5.1 Current Tax Benefit/Charge	-	(2,709)
2.1.5.2 Deferred Tax Benefit/Charge (-)	-	-
2.2 Items that are or may be Reclassified to Profit or Loss	-	(2,709)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Assets Held for Sales- Net Change in Fair Value	-	-
2.2.3 Cash Flow Hedges- Effective Portion of Changes in Fair Value	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-
2.2.5 Other Comprehensive Income that are or may be Reclassified to Profit or Loss	-	-
2.2.6 Related Tax	-	-
2.2.6.1 Current Tax Benefit/Charge	-	-
2.2.6.2 Deferred Tax Benefit/Charge (-)	-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	-	-
<b>XXIII. TOTAL PROFIT / (LOSS) ACCOUNTED FOR THE PERIOD</b>	<b>32,036,406</b>	<b>16,107,505</b>

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 (Amounts are expressed in Turkish Lira ("TL") unless otherwise stated )

CHANGES IN EQUITY	Notes	Paid-up Capital	Capital Reserves	Share Premium	Share Cancelled from Profits	Other Capital Reserves	Accumulated other comprehensive income components that will not be reclassified to profit or loss						Current Period Profit/Loss	Prior Period Profit/Loss	Net Current Period Profit/Loss	Total Equity	
							1	2	3	4	5	6					
<b>Balance of the End of the Period (31.12.2016)</b> (Audited)																	
I. Balance at the Beginning of the Period	18.1	46,500,000	-	-	-	-	-	-	-	-	-	-	-	11,099,378	1,117,440	9,981,938	57,961,409
II. Changes in Accounting Policies TMS 8																	
2.1 Effect of Correction of Errors																	
2.2 Effect of Changes in Accounting Policies																	
III. Adjusted Beginning Balance (H-H)	18.1	46,500,000	-	-	(21,879)	-	-	-	-	-	-	-	-	11,099,378	1,117,440	9,981,938	57,961,409
IV. Total Comprehensive Income					16,824	-	-	-	-	-	-	-	-	(9,000,000)	(9,000,000)	-	16,824
V. Cash Capital Increase																	
VI. Capital Increase from Internal Reserves	18.1	9,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves From Inflation Adjustments To Paid-Up Capital																	
VIII. Convertible Bonds																	
IX. Subordinated Loans																	
X. Increases / Decreases due to Other Changes																	
XI. Profits for the Period	18.3	-	-	-	-	-	-	-	-	-	-	-	-	16,096,671	9,147,216	16,096,671	16,096,671
XII. Profit Distribution														(834,722)	(834,722)	(9,981,938)	(9,981,938)
12.1 Dividend Paid																	
12.2 Transfer to Reserves	18.3	-	-	-	-	-	-	-	-	-	-	-	-	(834,722)	(834,722)	-	-
12.3 Other																	
<b>Balance of the End of the Period (31.12.2016)</b>	18	55,500,000	-	-	(16,245)	-	-	-	-	-	-	-	-	17,361,327	1,264,656	16,096,671	74,065,916
<b>Current period (01.01 - 31.12.2017)</b> (Audited)																	
I. Balance at the Beginning of the Period (31.12.2016)	18.1	55,500,000	-	-	(16,245)	-	-	-	-	-	-	-	-	17,361,327	1,264,656	16,096,671	74,065,916
II. Changes in Accounting Policies TMS 8																	
2.1 Effect of Correction of Errors																	
2.2 Effect of Changes in Accounting Policies																	
III. Adjusted Beginning Balance (H-H)	18.1	55,500,000	-	-	(16,245)	-	-	-	-	-	-	-	-	17,361,327	1,264,656	16,096,671	74,065,916
IV. Total Comprehensive Income					26,842	-	-	-	-	-	-	-	-	(14,500,000)	(14,500,000)	-	26,842
V. Cash Capital Increase																	
VI. Capital Increase from Internal Reserves	18.1	14,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves From Inflation Adjustments To Paid-Up Capital																	
VIII. Convertible Bonds																	
IX. Subordinated Loans																	
X. Increases / Decreases due to Other Changes																	
XI. Profits for the Period	18.3	-	-	-	-	-	-	-	-	-	-	-	-	32,016,364	13,235,344	32,016,364	32,016,364
XII. Profit Distribution														(2,861,327)	(2,861,327)	(16,096,671)	(16,096,671)
12.1 Dividend Paid																	
12.2 Transfer to Reserves	18.3	-	-	-	-	-	-	-	-	-	-	-	-	(2,861,327)	(2,861,327)	(16,096,671)	(16,096,671)
12.3 Other																	
<b>Balance of the End of the Period (31.12.2017)</b>	18	70,000,000	-	-	9,797	-	-	-	-	-	-	-	-	32,016,364	4,879,159	32,016,364	106,105,320

1. Revaluation increase/decrease of property and equipment.
2. The accumulated remeasurement gains/losses on defined benefit plans.
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations.
5. The accumulated revaluation increases / losses on available for sale assets.
6. Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss).

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

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

	Notes	Audited Current Period 1 January – 31 December 2017	Audited Prior Period 1 January – 31 December 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1		42,699,178	38,982,318
Operating Profit Before Changes in Operating Assets And Liabilities			
1.1.1		161,939,257	117,340,149
1.1.2		(112,728,069)	(80,338,079)
1.1.3		-	-
1.1.4		-	-
1.1.5		9,419,845	9,549,789
1.1.6		-	570,478
1.1.7		3,958,440	217,989
1.1.8		(12,251,779)	(10,290,850)
1.1.9		(6,821,203)	(5,919,869)
1.1.10	17	(817,313)	7,852,711
1.2		(38,127,251)	(37,703,069)
Changes in Operating Assets and Liabilities			
1.2.1		(84,601,725)	(659,724,417)
1.2.2		-	-
1.2.3		-	-
1.2.4		(1,774,398)	4,755,715
1.2.5		1,869,276	364,415
1.2.6		-	-
1.2.7		44,395,276	622,884,221
1.2.8		-	-
1.2.9		1,984,320	(5,983,003)
I.		4,571,927	1,279,249
<b>Net Cash From Operating Activities</b>			
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1		-	-
2.2		-	-
2.3	7	(239,175)	(234,643)
2.4		-	93
2.5		-	-
2.6		-	-
2.7		-	-
2.8		-	-
2.9	8	(467,968)	(243,205)
II.		(707,143)	(477,941)
<b>Net Cash Used in Investing Activities</b>			
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1		-	-
3.2		-	-
3.3		-	-
3.4		-	-
3.5		-	-
3.6		-	-
III.		-	-
<b>Net Cash Generated from Financing Activities</b>			
IV.		-	-
<b>Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents</b>			
V.		3,864,784	801,308
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>			
VI.	2.2 (f)	1,963,307	1,161,999
<b>Cash and Cash Equivalents at the Beginning of the Year</b>			
VII.	2.2 (f)	5,828,091	1,963,307
<b>Cash and Cash Equivalents at the End of the Year</b>			

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Current Period <sup>(1)</sup> 31 December 2017	Prior Period 31 December 2016
<b>I. DISTRIBUTION OF CURRENT PERIOD PROFIT</b>		
1.1 CURRENT PERIOD PROFIT / (LOSS)	39,760,036	20,747,681
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(7,743,672)	(4,651,010)
1.2.1 Corporate Tax (Income Tax)	(9,829,222)	(4,949,727)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties	2,085,550	298,717
<b>A. NET PROFIT / (LOSS) FOR THE YEAR (1.1-1.2)</b>	<b>32,016,364</b>	<b>16,096,671</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	2,861,327
1.5 OTHER STATUTORY RESERVES (-) <sup>(2)</sup>	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>32,016,364</b>	<b>13,235,344</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>	-	-
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Redeemed Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES (TL)	0,4574	0,2400
3.2 TO OWNERS OF ORDINARY SHARES (%)	45.74	24.00
3.3 TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>	-	-
4.1 TO OWNERS OF ORDINARY SHARES (TL)	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(1)</sup> Profit distribution decision will be decided at the General Assembly.

<sup>(2)</sup> Deferred tax income is not subject to profit distribution.

# **HALK FAKTORİNG ANONİM ŞİRKETİ**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

### **1. ORGANIZATION AND OPERATIONS OF THE COMPANY**

Halk Faktoring AŞ (" the Company") was incorporated on 6 June 2012 to provide factoring services and any other financial transactions. The Company maintains its operations factoring, that is a financial product which ensure "guarantee", "finance" and "collection" services by way of assignment to a company called "factor" of the trade receivables arising from sale of goods and/or services by firms to within the country.

The Company serves both domestic and foreign factoring services and it is the member of Factors Chain International ("FCI"). The Company operates in accordance with "Financial Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency (BRSA).

As at 31 December 2017, the number of employees of the Company is 70 (31 December 2016: 70 ).

The Company is registered in Turkey and located in the address below:

Reşitpaşa Mah. Eski Büyükdere Cad. No:14 Park Plaza Kat:13 34398 Maslak-Sarıyer/ İSTANBUL.

The Company carries its operations mainly in one geographical region (Turkey).

### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

#### **2.1 Basis of Preparation**

##### **2.1.1 Application of Accounting Standards**

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

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Preparation (cont'd)

#### 2.1.1 Application of Accounting Standards (cont'd)

##### *Approval of Financial Statements*

On 14 February 2018, the Company's Board of Directors approved the balance sheet as of 31 December 2017 and the statement of income for the financial year ends on the same date. General Assembly has the authority to modify the financial statements.

#### 2.1.2 Functional and Reporting Currency

The functional and reporting currency of the Company is Turkish Lira ("TL").

#### 2.1.3 Accounting Estimates

The preparation of financial statements requires management to apply the policies and make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected from these revisions.

In preparation of the financial statements, significant accounting estimates are as follows:

- *Special Provisions*
- *Deferred Tax Income/Expense*
- *Tax Provision*
- *Provisions for Liabilities and Expenses*

#### 2.1.4 Changes in Accounting Policies

Accounting policies that are based on in order to prepare financial statements for the accounting period ends 31 December 2017 are prepared coherently with the financial statements prepared as of 31 December 2016. Significant changes in accounting policies have been applied retrospectively and previous financial statements are restated. There has not been any significant change in the accounting policies of the Company in the current year.

#### 2.1.5 New standards and interpretations issued but not yet effective as of 31 December 2017

##### a) Amendments to TFRSs that are mandatorily effective for the current year

Amendments to TAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i> <sup>1</sup>
Amendments to TAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 12</i> <sup>1</sup>

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

##### **Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses***

The amendment clarifies the recognition of deferred tax assets related to borrowing instruments at fair value. The amendments to TAS 12 does not have any effect on the Company's financial statements.



# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

#### 2.1 Basis of Preparation (cont’d)

##### 2.1.5 *New standards and interpretations issued but not yet effective as of 31 December 2017*

#### a) Amendments to TFRSs that are mandatorily effective for the current year (cont’d)

##### **Amendments to TAS 7 *Disclosure Initiative***

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company’s liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided in Note 28. Apart from the additional disclosure in Note 28, the application of these amendments has had no impact on the Company’s financial statements.

##### **Annual Improvements to TFRS Standards 2014–2016 Cycle**

- **TFRS 12:** Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Since none of the Company’s shares in these assets are classified as held for sale, the adoption of this improvement does not have any effect on the Company’s financial statements.

#### b) New and revised TFRSs in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i> <sup>1</sup>
TFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> <sup>1</sup>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to TAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1</i> <sup>1</sup> , <i>TAS 28</i> <sup>1</sup>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of Preparation (cont'd)

##### 2.1.5 *New standards and interpretations issued but not yet effective as of 31 December 2017*

b) New and revised TFRSs in issue but not yet effective

#### **TFRS 9 *Financial Instruments***

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

The Company has made provision for impairment in accordance with the " Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies " and other regulations related to the amendment of the related regulation published by the BRSA on the Official Gazette dated 24 December 2013 and numbered 28861. The Company will not apply TFRS 9, effective from 1 January 2018, and will continue to apply the existing legislation since no changes have been made by the BRSA as of the reporting date of the relevant legislation.

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

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

The Company management does not foresee that the application of TFRS 15 would have a significant effect on the financial position and / or financial performance of the Company, except for providing a more comprehensive disclosure of the Company's revenue transactions.

**TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of Preparation (cont'd)

##### 2.1.5 *Changes in Accounting Estimates and Errors*

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively.

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated.

##### 2.1.7 *Comparative Information and Reclassification of Prior Period Financial Statements*

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

##### 2.1.8 *Offsetting*

The Company's financial assets and liabilities are offset and the net amount is presented in the financial statements if and only if there is a legally enforceable right to set off the amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.2 Summary of Significant Accounting Policies

#### (a) Financial instruments

##### *Non-derivative financial instruments*

Non-derivative financial instruments comprise factoring receivables, banks and other payables.

Non-derivative financial instruments are recognised initially at directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below: Cash at banks comprises time deposits with an original maturity less than three months. Cash at banks reflects short-term investments; highly liquid, with an original maturity less than three months. Time deposits are recognised at discounted values by using effective interest rate.

The Company initially recognizes factoring receivables and payables on the date that they are originated. Subsequent to initial recognition, factoring receivables are measured at amortized cost using the effective interest method.

In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 and effective from 1 January 2008 the "Communiqué on 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 20 July 2007 and numbered 26588 by BRSA, some parts of factoring receivable which provide the criterias, is transferred to account of non-performing receivables and after the special provision amount deduction, the remaining amount is stated on financial statements.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (a) Financial instruments (cont'd)

###### *Non-derivative financial instruments*

Interest income is accounted as described in Note 2.2.(h).

Received loans and other debts are measured at amortized cost using the effective interest method less any impairment.

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

##### (b) Property, plant and equipment and depreciation

Property, plant and equipment are measured at cost value, less accumulated depreciation and accumulated impairment losses, if any.

###### *(i) Subsequent costs*

The cost of replacing any part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of income as incurred.

###### *(ii) Depreciation*

Depreciation of property, plant and equipment is recognised in the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

<u>Definition</u>	<u>Year</u>
Furniture and fixtures	4-10 years
Motor vehicles	5 years
Leasehold improvements	5 years

Leasehold improvements are amortized with the shorter of the periods of the respective leases or useful lives on a straight-line depreciation basis.

##### (c) Intangible assets

Intangible assets represent computer software licenses and rights. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

<u>Definition</u>	<u>Year</u>
Computer software licenses	3 years

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (d) Impairment of assets

###### *Financial assets*

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

Provision for doubtful factoring receivables, are recognized as an expense and reduced from the profit for the year. Provision for non-performing receivables is allocated assessing the Company's factoring receivable portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current factoring receivables. In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 numbered 28861, the Company's specific provision rate allocated for the finance factoring receivables considering their collaterals are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days, 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year after taking collaterals received into account.

The factoring receivables that have not been collected for less than a year classified as "Receivables to Liquidate" under Non-Performing Receivables; while the factoring receivables that have not been collected to more than a year are classified as 'Uncollectible Receivables'.

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

###### *Non-financial assets*

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

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

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

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (d) Impairment of assets (cont'd)

###### *Non-financial assets (cont'd)*

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

##### (e) Capital increases

Share capital increases from the shareholders are recognized at nominal value as approved at the annual general assembly meetings of shareholders.

##### (f) Provision for retirement pay liability

Provision for retirement pay liability is made according to the present value amount of possible liabilities from retirement of the Company's employees and this amount is calculated under Turkish Labor Law. It is calculated on accrual basis when it is earned by the employees and recognized on financial statements. The amount of liability is calculated based on the retirement pay liability ceiling that is announced by the government.

TAS 19 "Employee Benefits" provides the calculation of the present value of the Company's possible liabilities using actuarial valuation methods. In this direction, the present value of the Company's possible liabilities is calculated using the assumptions below:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Discount rate	4.46%	4.00%
Interest rate	11.25%	11.25%
Expected salary / limit increase rate	6.50%	6.50%
Expected retirement pay liability entitlement rate	96%	100%

##### (g) Provision, contingent assets and liabilities

In accordance with TAS 37, "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Company has a legal or constructive liability as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the liability, and a reliable estimate can be made of the amount of the liability. If the specified criteria is not met, the Company discloses the related issues in the accompanying notes. In case of a material effect of time value of money, the provision amount is determined as the present value of the cash outflows required to meet the liability. In order to determine the discount rate that is used to reduce the provision to present values, interest rate in the related markets and risk related to the liability is taken into consideration.

Contingent assets are not recognized unless they are realized, and they are only disclosed in the notes.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (h) Income and expense recognition

###### (i) *Factoring income*

Factoring interest and commission income is recognized on accrual basis using effective interest method.

###### (ii) *Other interest income*

Other interest income recognized on accrual basis using effective interest method.

###### (iii) *Other operating income and expenses*

Other operation income and expenses are recognized on accrual basis.

##### (i) Income tax

Tax provision for the period includes the current tax (corporate tax) and deferred tax.

###### *Corporate Tax*

Corporate income from the Company's operating activities is calculated considering non-deductible tax expenses and exemptions.

###### *Deferred Tax*

Deferred tax is calculated by determining tax effects of temporary differences between the recognized values of assets and liabilities and the amounts of assets and liabilities used in the statutory tax assessment account by using balance sheet method. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and recognized as expense or income in income statement.

According to TAS 12, "*Income Taxes*"; deferred tax assets and liabilities are recognized in the accompanying financial statements, using the balance sheet method, on all taxable temporary differences to the extent that they are expected to increase or decrease on the income tax payable in the period when they will reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

If differences from the valuation of the related assets are recognized under the income statement, related deferred tax income or expense is recognized under income statement, and if differences from the valuation of the related assets are recognized in equity, related deferred tax effect is recognized under equity.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes are subject to the same financial authority, and when acquiring deferred tax assets and meeting deferred tax liabilities are realized simultaneously.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

## 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### (j) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (reporting entity).

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (ii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

For the purpose of the accompanying financial statements, shareholders of the Company, the group companies controlled by/associated with them, key management and the Board members of the Company are referred to as "related parties" (Note 27).



# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (k) Events after the reporting period

Events after the reporting date are those events occur between the balance sheet date and the date when the financial statements are authorized for issue. In accordance with TAS 10, "Events after the Balance Sheet Date"; events after the reporting date that provide additional information about the Company's position at the balance sheet dates (adjusting events) are reflected in the financial statements. If the events does not require adjusting financial statements, the Company discloses the related matters in the Notes.

##### (l) Statement of cash flows

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

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

As of 31 December 2017 and 31 December 2016, the cash and cash equivalents in the statement of cash flows are as follows:

	31 December 2017	31 December 2016
Cash	643	1,215
Banks	5,827,448	1,962,092
-Demand deposits	5,827,448	1,962,092
<b>Cash and cash equivalents</b>	<b>5,828,091</b>	<b>1,963,307</b>

##### (m) Segment reporting

There is no segment that the management of the Company use in order to assess financial performances and decide resource allocation.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### (n) Effect of exchange differences

Transactions in foreign currencies have been translated into TL at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates on the reporting date. Exchange gains or losses arising from conversion of foreign currency items have been included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to TL at the exchange rate at the date that the fair value is determined.

The foreign exchange rates used by the Company as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2016	31 December 2015
US Dollar	3.7719	3.5318
Euro	4.5155	3.6939
GBP	5.0803	4.3222

##### (o) Leases

The rental income in which significant portion of owner's risks and interests are transferred to the leaseholder is classified as financial lease. Rentals income under operating leases are recognized in profit or loss as expenses, on a straight-line basis over the term of the relevant lease.

##### (p) Earnings per share

Earnings per share presented in the accompanying income statement is determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Accordingly, the retrospective effect for those share issues is applied in determining the weighted-average number of shares outstanding used in this computation.

#### a. Financial Risk Management

The Company is exposed to the following risks by using financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's objectives, policies and processes for measuring and managing the risks if the Company is exposed to risks above.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the possible risks of the Company. The purpose of the risk management policies are to set appropriate risk limit controls, and to monitor risks and adhere to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.2 Summary of Significant Accounting Policies (cont'd)

##### **Credit risk**

Main activity of the Company is to focus on the sectors with extensive knowledge and to provide factoring services under the restrictions in "Credit and Risk Monitoring Regulations" for the companies in these sectors.

All credit risk policies are detailed within the "Credit and Risk Monitoring Regulations" and the Company's activities are performed according to the regulation. The Risk Committee assesses the Company's credit risk strategy and significant credit risk policies. The aim of the strategy is to reflect the toleration rate related to the Company's credit risk and the expected profit level for various credit risks.

On the other hand credit evaluations are performed on all sector basis balanced. The Main Operation Department conducts the operations. The Branches do not have operation or payment authority.

##### **Liquidity risk**

The Company usually creates funds by liquidating short term financial instruments, such as collecting its receivables and converting bank deposits into cash.

Liquidity risk arises in the general funding of the Company's activities. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company meets its liquidity requirements through banks. The Company is required to determine changes in required fund sources and to assess liquidity risk consistently by monitoring the process.

##### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk management controls market risk exposures within acceptable parameters, while aiming to optimize the interest from the risk.

##### *Foreign Currency Risk*

The Company is exposed currency risk due to its factoring operations in foreign currencies, balances at banks and financial borrowings.

As at 31 December 2017, the balance of foreign exchange borrowing is TL 37,265,713 (31 December 2016: TL 16,168,515).

##### *Interest rate risk*

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

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 3 BANKS

As at 31 December 2017 and 31 December 2016 cash at banks are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
-Demand deposits	5,003,854	823,594	1,585,577	376,515
-Time deposits	-	-	-	-
<b>Total</b>	<b>5,003,854</b>	<b>823,594</b>	<b>1,585,577</b>	<b>376,515</b>

Bank account consists of time and demand deposit. As at 31 December 2017, there is no time deposit (31 December 2016: None).

As at 31 December 2017 and 31 December 2016, there is no blockage on demand deposits.

#### 4 FACTORING RECEIVABLES

As at 31 December 2017 and 31 December 2016, factoring receivables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
<b><i>Factoring Receivables- Discounted</i></b>				
Domestic factoring receivables	446,624,418	26,422,109	234,044,376	249,705,257
Export factoring receivables	-	37,895,123	-	-
Unearned factoring income	(16,300,549)	(463,592)	(7,819,268)	(493,905)
<b>Total</b>	<b>430,323,869</b>	<b>63,853,640</b>	<b>226,225,108</b>	<b>249,211,352</b>
<b><i>Other Factoring Receivables</i></b>				
Domestic factoring receivables	595,192,626	-	623,411,638	-
Foreign factoring receivables	-	122,562,173	-	35,680,484
<b>Factoring receivables, net</b>	<b>595,192,626</b>	<b>122,562,173</b>	<b>623,411,638</b>	<b>35,680,484</b>
<b>Factoring receivables, net</b>	<b>1,025,516,495</b>	<b>186,415,813</b>	<b>849,636,746</b>	<b>284,891,836</b>

As at 31 December 2017, amount of guarantees received for factoring receivables is TL 26,602,092,628 (31 December 2016: TL 19,918,778,647 ) (Note 28).

As at 31 December 2017 foreign currency indexed factoring receivables is amounting to TL 41,573,808 (31 December 2016: 16,190,733 ).

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 4 FACTORING RECEIVABLES (Continued)

As at 31 December 2017 and 31 December 2016, the breakdown of total factoring receivables including non-performing receivables by industrial groups is as follows:

	31 December 2017	%	31 December 2016	%
Culture Entertainment and Sports Activities	353,900,421	29%	302,029,044	27%
Communication	189,554,312	16%	119,318,501	11%
Construction	184,733,042	15%	98,607,054	7%
Other	87,711,723	7%	75,039,796	7%
Factoring Companies	76,381,314	6%	37,182,711	3%
Electricity Gas and Water Resource Companies	55,490,068	5%	54,037,500	5%
Textile Industry	48,934,481	4%	55,521,419	4%
Food and Drink Industry	38,697,356	3%	4,894,821	0%
Health and Social Services	29,042,535	2%	16,183,419	1%
Processed Metal Products Industry	22,550,654	2%	21,896,905	2%
Chemical and Chemical Products Industry	16,017,809	1%	-	0%
Plastic Products Production	15,600,694	1%	13,997,758	1%
Sale of Motor Vehicles Spare Parts and Accessories	14,867,008	1%	55,335,238	5%
Road Freight Forwarding	13,020,449	1%	13,242,034	1%
Hotels	12,901,929	1%	14,589,360	1%
Main Metal Industry	10,204,814	1%	10,129,043	1%
Defense and Public Administration Compulsory Social Security Institutions	9,876,046	1%	6,048,188	1%
Machinery & Equipment	9,362,802	1%	9,253,900	1%
Animal Products	8,254,769	1%	-	0%
Electrical and Non-Electrical Home Appliances	7,581,722	1%	5,198,096	0%
Petroleum Refinery Products	7,248,360	1%	222,023,793	20%
<b>Total</b>	<b>1,211,932,308</b>	<b>100%</b>	<b>1,134,528,582</b>	<b>100%</b>

Natures of factoring receivables are as follows:

	31 December 2017	31 December 2016
Domestic irrevocable	-	279,982,840
Foreign irrevocable	32,747,343	15,688,808
Domestic revocable	1,051,475,012	818,865,258
Foreign revocable	127,709,953	19,991,676
	<b>1,211,932,308</b>	<b>1,134,528,582</b>

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 5 OTHER RECEIVABLES

As at 31 December 2017 and 31 December 2016, Company's other receivables are as follows:

	31 Aralık 2017		31 Aralık 2016	
	TL	FC	TL	FC
Customer Banking and Insurance Transaction Taxes Receivable	1,649,748	11,568	1,004,770	72,117
<b>Total</b>	<b>1,649,748</b>	<b>11,568</b>	<b>1,004,770</b>	<b>72,117</b>

#### 6 NON-PERFORMING RECEIVABLES

Details of the Company's non-performing factoring receivables and provisions as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Factoring Receivables Under Follow-up	19,359,916	-	18,379,067	-
Factoring Receivables Under Follow-up	4,818,043	-	4,936,627	-
Specific provision	(24,177,959)	-	(23,315,694)	-
<b>Non-performing receivables, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Aging of non-performing factoring receivables and specific provision allocated for them as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	Total doubtful factoring receivables	Allowance	Total doubtful factoring receivables	Allowance
No Overdue	57,200	(57,200)	1,380,676	(1,380,676)
Overdue 1 to 3 months	1,883,548	(1,883,548)	156,549	(156,549)
Overdue 3 to 6 months	2,754,399	(2,754,399)	833,195	(833,195)
Overdue 6 to 12 months	32,669	(32,669)	16,053,667	(16,053,667)
Overdue over 1 year	19,450,143	(19,450,143)	4,891,607	(4,891,607)
<b>Total</b>	<b>24,177,959</b>	<b>(24,177,959)</b>	<b>23,315,694</b>	<b>(23,315,694)</b>

Movements in specific provision for factoring receivables during the years ended 31 December are as follows:

	31 December 2017	31 December 2016
Balance at 1 January	23,315,694	4,855,094
Provision for the period (Note 23)	4,820,705	18,678,589
Recoveries during the period (-)(Note 22)	(3,958,440)	(217,989)
<b>Balance at the end of the period</b>	<b>24,177,959</b>	<b>23,315,694</b>

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 7 TANGIBLE ASSETS

Movements of tangible assets for the years ended 31 December 2017 and 31 December 2016 are as follows:

	<b>Machinery and Equipment</b>	<b>Furniture and Fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost</b>				
Opening balance, 1 January 2017	781,139	408,287	450,466	1,639,892
Additions	233,096	2,592	3,487	239,175
Disposals	-	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>1,014,235</b>	<b>410,879</b>	<b>453,953</b>	<b>1,879,067</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2017	(344,378)	(193,732)	(294,567)	(832,677)
Additions	(234,879)	(64,728)	(81,395)	(381,002)
Disposals	-	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>(579,257)</b>	<b>(258,460)</b>	<b>(375,962)</b>	<b>(1,213,679)</b>
<b>Net carrying value</b>	<b>434,978</b>	<b>152,419</b>	<b>77,991</b>	<b>665,388</b>
<b>Cost</b>				
Opening balance, 1 January 2016	579,468	391,940	435,540	1,406,948
Additions	203,370	16,347	14,926	234,643
Disposals	(1,699)	-	-	(1,699)
<b>Closing balance, 31 December 2016</b>	<b>781,139</b>	<b>408,287</b>	<b>450,466</b>	<b>1,639,892</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2016	(188,545)	(119,232)	(218,892)	(526,669)
Additions	(157,437)	(74,500)	(75,675)	(307,612)
Disposals	1,604	-	-	1,604
<b>Closing balance, 31 December 2016</b>	<b>(344,378)</b>	<b>(193,732)</b>	<b>(294,567)</b>	<b>(832,677)</b>
<b>Net Carrying Value</b>	<b>436,761</b>	<b>214,555</b>	<b>155,899</b>	<b>807,215</b>

As at 31 December 2017 and 31 December 2016, the Company has no tangibles assets acquired through financial lease.

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 8 INTANGIBLE ASSETS

Movements of intangible assets for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Computer Software	Other	Total
<b>Cost</b>			
Opening balance, 1 January 2017	597,012	218,658	815,670
Additions	436,747	31,221	467,968
Disposals	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>1,033,759</b>	<b>249,879</b>	<b>1,283,638</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 January 2017	(381,365)	(111,490)	(492,855)
Additions	(142,512)	(59,829)	(202,341)
Disposals	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>(523,877)</b>	<b>(171,319)</b>	<b>(695,196)</b>
<b>Net Carrying Value</b>	<b>509,882</b>	<b>78,560</b>	<b>588,442</b>
	Computer Software	Other	Total
<b>Cost</b>			
Opening balance, 1 January 2016	353,807	218,658	572,465
Additions	243,205	-	243,205
Disposals	-	-	-
<b>Closing balance, 31 December 2016</b>	<b>597,012</b>	<b>218,658</b>	<b>815,670</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 January 2016	(301,588)	(46,374)	(347,962)
Additions	(79,777)	(65,116)	(144,893)
Closing balance	-	-	-
<b>Closing balance, 31 December 2016</b>	<b>(381,365)</b>	<b>(111,490)</b>	<b>(492,855)</b>
<b>Net Carrying Value</b>	<b>215,647</b>	<b>107,168</b>	<b>322,815</b>

### 9 PREPAID EXPENSES

Prepaid expenses as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Insurance expense	456,678	-	381,932	-
Prepaid contribution fee (*)	-	31,044	-	30,022
<b>Total</b>	<b>456,678</b>	<b>31,044</b>	<b>381,932</b>	<b>30,022</b>

(\*) The annual fee paid to FCI (Factors Chain International).



## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 10 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognized over the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset or liability is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Tax rate used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years (31 December 2016: %20).

As at 31 December 2017 and 31 December 2016, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

	31 December 2017	31 December 2016
<b>Deferred tax asset</b>		
Unearned interest income	3,688,111	1,725,902
Bonus accrual	252,138	187,712
Provision for employment termination benefits and unused vacation	99,132	74,408
<b>Total deferred tax asset</b>	<b>4,039,381</b>	<b>1,988,022</b>
<b>Other</b>	<b>(27,183)</b>	<b>(61,374)</b>
<b>Deferred tax asset / (liabilities), net</b>	<b>4,012,198</b>	<b>1,926,648</b>
	31 December 2017	31 December 2016
Opening balance	1,926,648	1,630,640
Deferred tax income / (expense)	2,085,550	298,717
Other comprehensive income	-	(2,709)
	<b>4,012,198</b>	<b>1,926,648</b>

#### 11 OTHER ASSETS

As at 31 December 2017 and 31 December 2016, details of other assets are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Advances given	5,447	-	6,038	-
Other	20,002	-	20,366	-
<b>Total</b>	<b>25,449</b>	<b>-</b>	<b>26,404</b>	<b>-</b>

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 12 FUNDS BORROWED

As at 31 December 2017 and 31 December 2016, details of funds borrowed are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Bank loans	952,140,245	156,053,855	779,797,433	284,001,391
	<b>952,140,245</b>	<b>156,053,855</b>	<b>779,797,433</b>	<b>284,001,391</b>

As at 31 December 2017 and 31 December 2016, maturity distribution of loans used by the Company is as follows:

Distribution of loans according to maturity	31 December 2017	31 December 2016
Maturity less than 1 year	1,108,194,100	1,063,798,824
<b>Total</b>	<b>1,108,194,100</b>	<b>1,063,798,824</b>

  

	31 December 2017	31 December 2016
<b>Short-term financial liabilities</b>		
Short-term secured domestic bank loans (*)	25,862,851	2,311,750
Short-term unsecured domestic bank loans	677,237,985	913,672,510
Short-term unsecured international bank loans	405,093,264	147,814,564
<b>Total</b>	<b>1,108,194,100</b>	<b>1,063,798,824</b>

(\*) Short-term secured domestic bank loans consist of bonds given to Eximbank obtained from customers.

As at 31 December 2017, foreign currency indexed borrowings amount to TL 37,265,713 have been presented in TL column in the accompanying balance sheet (31 December 2016: TL 16,168,515).

31 December 2017						31 December 2016		
Currency	Maturity	Rate type	Interest rate	Original amount	TL	Interest rate	Original amount	TL
TL	2017	Fixed	13.40%-16.40%	952,140,245	952,140,245	10.50%-12.40%	779,797,433	779,797,433
EUR	2017	Fixed	0.4%-3.5%	19,487,034	87,993,702	0.50%-3.30%	23,314,679	86,122,763
US Dollar	2017	Fixed	2.38%-6.5%	17,258,757	65,098,305	1.14%-4.65%	55,499,117	196,011,782
GBP	2017	Fixed	1.5%-2.4%	113,476	840,695	1.50%-2.40%	431,920	1,866,846
CAD	2017	Fixed	2.75%	1,025,410	2,121,153	-	-	-
					<b>1,108,194,100</b>			<b>1,063,798,824</b>

#### 13 FACTORING PAYABLES

As at 31 December 2017 and 31 December 2016, details of factoring payables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Revocable	2,306,850	-	382,635	-
Irrevocable	-	754,653	-	205,323
<b>Total</b>	<b>2,306,850</b>	<b>754,653</b>	<b>382,635</b>	<b>205,323</b>

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 14 OTHER PAYABLES AND DEFERRED INCOME

As at 31 December 2017 and 31 December 2016, details of other payables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Other payables	404,286	75,961	134,699	71,011
Payables to personnel	13,467	-	5,264	-
<b>Total</b>	<b>417,753</b>	<b>75,961</b>	<b>139,963</b>	<b>71,011</b>

As at 31 December 2017 and 31 December 2016, details of deferred income are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Unearned commission and charge income	237,389	225,241	184,815	131,521
	<b>237,389</b>	<b>225,241</b>	<b>184,815</b>	<b>131,521</b>

### 15 TAXES AND DUTIES PAYABLE

As at 31 December 2017 and 31 December 2016, details of taxes and duties payables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banking and insurance transaction taxes payable	1,604,675	-	1,201,272	-
Social security premium	304,110	-	308,044	-
Income tax payable	102,919	-	110,749	-
Other	114,834	-	7,397	-
<b>Total</b>	<b>2,126,538</b>	<b>-</b>	<b>1,627,462</b>	<b>-</b>

### 16 PROVISIONS

As at 31 December 2017 and 31 December 2016, the details of provisions are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
<i>Provision for employee benefits</i>				
Bonus accrual	1,051,406	-	938,558	-
Provisiom for employment termination benefits	219,541	-	158,174	-
Vacation pay liability	251,018	-	213,868	-
<i>Other provisions</i>				
Other provisions	227,131	-	113,144	-
	<b>1,749,096</b>	<b>-</b>	<b>1,423,744</b>	<b>-</b>

## HALK FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

### 16 PROVISIONS (Continued)

#### *Reserve for employee severance indemnity*

In accordance with Turkish Labor Law, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement, military services or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. Such payments are calculated on the basis of 30 days' pay and limited to a maximum of TL 5,001 (31 December 2016: TL 4,297) as at 31 December 2017.

#### *Other provisions*

As at 31 December 2017, TL 97,506 of other provisions consists of litigation provisions (31 December 2016: TL 97,506).

Movement of reserve for employee severance indemnity during the period ended 31 December 2017 and 31 December 2016 is as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Opening balance, 1 January	158,174	105,893
Service cost	88,991	70,566
Interest cost	19,791	11,149
Paid made during the period	(22,363)	(15,891)
Actuarial loss / (gain)	(25,052)	(13,543)
<b>Closing balance, 31 December</b>	<b>219,541</b>	<b>158,174</b>

All actuarial losses and gains calculated are recognized under other comprehensive income.

Movements of provision for unused vacation for the years ended 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Opening balance	213,868	47,716
Paid during the period	(103,364)	(92,422)
Current charge	140,514	258,574
<b>Closing balance</b>	<b>251,018</b>	<b>213,868</b>

Movements of employee bonus accruals for the years ended 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Opening balance	938,558	650,000
Paid during the period	(722,228)	(648,613)
Reversed	(216,330)	(1,387)
Current charge	1,051,406	938,558
<b>Closing balance</b>	<b>1,051,406</b>	<b>938,558</b>

### 17 CURRENT TAX ASSET /(LIABILITIES)

The Company does not have current tax assets (31 December 2016: TL 970,394). The Company's current tax liability is TL 3,008,019 (31 December 2016: None).

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 18 EQUITY

#### 18.1 Paid-in Capital

The Company's paid-in capital is amounting to TL 70,000,000 (31 December 2016: TL 55,500,000) comprised of 70,000,000 (31 December 2015: 55,500,000) shares of nominal value of TL 1 each.

Paid-in capital of the Company was increased by TL 14,500,000 from retained earnings to TL 70,000,000 from TL 55,500,000 by the decision of General Assembly as at 26 July 2017.

As at 31 December 2017 and 31 December 2016, the Company's shareholder structure is as follows:

	31 December 2017		31 December 2016	
	Amount	Share	Amount	Share
T.Halk Bankası AŞ	68,250,000	97.50%	54,112,500	97.50%
Halk Yatırım Menkul Değerler AŞ	868,000	1.24%	688,200	1.24%
Halk Finansal Kiralama AŞ	868,000	1.24%	688,200	1.24%
Halk Portföy Yönetimi AŞ	7,000	0.01%	5,550	0.01%
Bileşim Alternatif Dağıtım Kanalları AŞ	7,000	0.01%	5,550	0.01%
<b>Paid in capital</b>	<b>70,000,000</b>	<b>100</b>	<b>55,500,000</b>	<b>100</b>

There is no preferred stock which represents the capital of the Company.

#### 18.2 Capital Reserves

As at 31 December 2017 and 31 December 2016, the Company has no capital reserves.

#### 18.3 Profit Reserves

As at 31 December 2017, profit reserve is amounting to TL 4,079,159 (31 December 2016: TL 1,217,832).

#### 18.4 Profit Distribution

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution.

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. According to the Turkish commercial code, legal reserves unless exceeding 50% of share capital can be used to offset losses, and cannot be used in any other way.

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 19 OPERATING INCOME

For the years ended 31 December 2017 and 31 December 2016, details of operating income are as follows:

	2017	2016
Interest income on factoring receivables		
- Discounted	54,880,613	44,981,198
- Other	104,681,352	79,216,646
	<b>159,561,965</b>	<b>124,197,844</b>
Fees and commissions on factoring receivables		
- Discounted	804,137	1,517,226
- Other	8,615,708	8,032,563
	<b>9,419,845</b>	<b>9,549,789</b>
<b>Total</b>	<b>168,981,810</b>	<b>133,747,633</b>

#### 20 FINANCING COSTS

For the years ended 31 December 2017 and 31 December 2016, details of financing expenses are as follows:

	2017	2016
Interest expense on funds borrowed	112,198,285	79,451,553
Fees and commission expenses	1,134,053	886,526
<b>Total</b>	<b>113,332,338</b>	<b>80,338,079</b>

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 21 OPERATING EXPENSES

For the years ended 31 December 2017 and 31 December 2016, details of operating expenses are as follows:

	2017	2016
Personnel expenses	11,206,001	10,063,731
Severance pay provision expenses	108,782	81,715
Taxes and funds expense	218,444	161,466
Depreciation and amortization expenses	583,343	452,505
Rent expenses	1,046,915	980,447
Vehicle expenses	651,904	546,887
Office expenses	170,517	165,885
Communication expenses	242,359	274,679
Representation expenses	76,653	75,187
Stationary and printing expenses	48,659	53,607
Advertising and announcement expenses	251,325	210,041
IT expenses	215,164	180,769
Repair and maintenance expense	11,884	5,938
Travel and accommodation expenses	17,465	70,286
Notary expenses	45,876	45,587
Subscription and contribution expenses	440,254	424,791
Benefits and services provided outside	1,045,778	227,119
Other	285,749	542,741
<b>Total</b>	<b>16,667,072</b>	<b>14,563,381</b>

For the years ended 31 December 2017 and 31 December 2016, details of personnel expenses included in operating expenses are as follows:

	2017	2016
Wages and salaries	6,841,495	6,338,077
Bonus payment	1,645,699	1,543,254
Social security premium employer's share	1,513,149	1,217,126
Employee insurance expenses	500,173	425,248
Others	705,486	540,026
<b>Total</b>	<b>11,206,001</b>	<b>10,063,731</b>

#### 22 OTHER OPERATING INCOME

For the years ended 31 December 2017 and 31 December 2016, details of other income are as follows:

	2017	2016
Foreign exchange gain	34,448,838	18,316,197
Collection income from non performing receivables (Note 6)	3,958,440	217,989
Interest received from banks	12,044	9,619
Other	402,087	204,108
<b>Total</b>	<b>38,821,410</b>	<b>18,747,913</b>

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 23 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

For the years ended 31 December 2017 and 31 December 2016, details of specific allowance for doubtful receivables are as follows:

	2017	2016
Specific provision (Note 6)	(4,820,705)	(18,678,589)
<b>Total</b>	<b>(4,820,705)</b>	<b>(18,678,589)</b>

#### 24 OTHER OPERATING EXPENSES

For the years ended 31 December 2017 and 31 December 2016, details of other expenses are as follows:

	2017	2016
Foreign exchange loss	(33,207,270)	(18,108,601)
Other	(15,799)	(59,215)
<b>Total</b>	<b>(33,223,069)</b>	<b>(18,167,816)</b>

#### 25 TAXATION

As at 31 December 2017, corporate income tax is levied at the rate of 20%. Corporate tax rate is applied on the statutory corporate income tax base, which is determined by modifying accounting income for disallowable expenses and certain exclusions and allowances for tax purposes. If the profit has not been distributed, it is not subject to any other tax.

Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax have been redefined according to the cabinet decision numbered 2006/10731, which was announced at Trade Registry Gazette dated 23 July 2006 and numbered 26237. In this respect, withholding tax rate on dividend payments, which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent, was increased to 15% from 10%. When 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 Taxation Agreements are taken into account.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing sets details about implementation. New amendments to transfer pricing are in accordance with the principles of "transfer pricing manual" of OECD.

If the tax payers have transactions like service taking or product and goods buying or selling with related parties which are not in accordance with the counterpart principle it will be adjudge that disguised profit distribution via transfer pricing. The companies are obliged to fill the transfer pricing form attached to the annual corporate tax declaration. On this form, all the related party transactions, amounts and the related Transfer Pricing methods are disclosed.

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



# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 25 TAXATION (Continued)

The income tax expense for the years ended 31 December 2017 and 31 December 2016 are different than the amounts calculated by applying the statutory tax rate to profits before income taxes as shown in the following reconciliation:

<b>Reported pre-tax profit / (loss)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Profit before tax	39,760,036	20,747,681
Tax computed using statutory tax rate	(7,952,007)	(4,149,536)
Tax reconciliation:		
-Non deductible expenses	208,335	(501,474)
<b>Tax expense on income statement</b>	<b>(7,743,672)</b>	<b>(4,651,010)</b>

For the years ended 31 December 2017 and 31 December 2016 tax expense in the income statement are summarized below:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Corporate tax provision expense	(9,829,222)	(4,949,727)
Deferred tax income / (expense)	2,085,550	298,717
<b>Tax provision</b>	<b>(7,743,672)</b>	<b>(4,651,010)</b>

### 26 EARNINGS PER SHARE

The weighted average number of shares of the Company and earnings per share for the years ended 31 December 2017 and 31 December 2016 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Weighted average number of outstanding shares (*)	70,000,000	55,500,000
Net profit for the period	32,016,364	16,096,671
Basic earnings per share	0,4574	0,2900
Profit per share		

(\*) Capital increase has been made through internal sources, increase in the number of shares used in the previous period calculation of earnings per share.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 27 RELATED PARTY DISCLOSURES

The details of transactions with related parties for the years ended 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
<b><u>Bank Deposits</u></b>		
T.Halk Bankası AŞ	4,275,464	1,066,109
<b><u>Fund Borrowed</u></b>		
T.Halk Bankası AŞ	-	92,500,000
<b><u>Sundry Liabilities (*)</u></b>		
Halk Sigorta AŞ	80,391	19,498

(\*) Sundry liabilities are payable insurance certificate costs.

The details of transactions with related parties for the years ended 31 December 2017 and 31 December 2016 are as follows:

	2017	2016
<b><u>Interest Income From Related Parties</u></b>		
T.Halk Bankası AŞ	-	9,618
<b><u>Interest Expense Due To Related Parties</u></b>		
T.Halk Bankası AŞ	10,165,305	3,540,000
<b><u>Insurance Expenses Due To Related Parties</u></b>		
Halk Hayat ve Emeklilik AŞ	388,700	429,434
<b><u>Other Incomes from Related Parties</u></b>		
Halk Hayat ve Emeklilik AŞ	17,283	-
<b><u>Other Expenses Due To Related Parties</u></b>		
Halk Yatırım AŞ	-	2,950

#### Directors' Remuneration

The key management and the Board of Directors received remuneration and fees amounting to TL 1,781,743 for the year ended 31 December 2017 (31 December 2016: TL 1,490,975).

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 28 CONTINGENT ASSETS AND LIABILITIES

##### *Collaterals received*

The Company has the following collaterals for its factoring receivables as 31 December 2017 and 31 December 2016:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Pledges	19,884,764,659	6,677,758,469	13,651,729,473	6,211,489,174
Mortgages	39,560,000	-	55,560,000	-
Letters of guarantees	9,500	-	-	-
	<b>19,924,334,159</b>	<b>6,677,758,469</b>	<b>13,707,289,473</b>	<b>6,211,489,174</b>

##### *Collaterals given*

As at 31 December 2017 and 31 December 2016, commitments are comprised of notes given to the following institutions:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Commitments given (*)	50,215,682	-	361,256	-
	<b>50,215,682</b>	<b>-</b>	<b>361,256</b>	<b>-</b>

(\*) Comprised by collaterals given to Takasbank.

##### *Custody securities*

The Company has obtained securities held in custody as 31 December 2017 and 31 December 2016 as detailed below:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Customer checks	512,528,003	66,407,231	324,826,076	27,591,369
Customer notes	2,162,396	1,772,924	4,688,109	1,474,218
Pledged securities	-	11,704	-	9,574
	<b>514,690,396</b>	<b>68,191,859</b>	<b>329,514,185</b>	<b>29,075,161</b>

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### 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### 29.1 Credit risk

As at 31 December 2017 and 31 December 2016, sectoral allocation of factoring receivables was presented on Note 6. The Company's credit risk is not concentrated in a particular sector as of the end of the reporting period.

	31 December 2017			
	Related party	Other party	Time deposits on banks	Other assets
As of the reporting date this is the maximum credit risk exposure				
- Credit risk with collateral secured portion	-	1,211,932,308	5,827,448	25,449
	-	1,211,932,308	-	-
	-	-	5,827,448	25,449
A) Net carrying value of financial assets which are neither impaired nor overdue	-	1,210,269,029	-	-
- Secured portion with letter of guarantee etc.	-	1,210,269,029	-	-
B) Net carrying value of financial assets that are restructured/renewed, otherwise which will be regarded as overdue or impaired	-	-	-	-
- Secured portion with letter of guarantee etc.	-	-	-	-
	-	1,663,279	-	-
C) Net carrying value of financial assets which are overdue but not impaired	-	-	-	-
- Secured portion with letter of guarantee etc.	-	-	-	-
D) Net carrying value of impaired assets	-	-	-	-
- Overdue (gross carrying value)	-	24,177,959	-	-
- Impairment (-)	-	(24,177,959)	-	-
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-	-
- Notdue (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-	-
E) Off balance sheet items with credit risks	-	-	-	-

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

#### 29.1 Credit risk (continued)

	31 December 2016		
	Related party	Other party	Time deposits on banks
As of the reporting date this is the maximum credit risk exposure			
- Credit risk with collateral secured portion	-	1,134,528,582	1,962,092
	-	1,134,528,582	-
A) Net carrying value of financial assets which are neither impaired nor overdue	-	1,124,066,083	1,962,092
- Secured portion with letter of guarantee etc.	-	1,124,066,083	-
B) Net carrying value of financial assets that are restructured/renegotiated, otherwise which will be regarded as overdue or impaired	-	9,768,939	-
- Secured portion with letter of guarantee etc.	-	9,768,939	-
C) Net carrying value of financial assets which are overdue but not impaired	-	693,560	-
- Secured portion with letter of guarantee etc.	-	-	-
D) Net carrying value of impaired assets	-	-	-
- Overdue (gross carrying value)	-	23,315,694	-
- Impairment (-)	-	(23,315,694)	-
- Secured portion with letter of guarantee etc.	-	-	-
- Notdue (gross carrying value)	-	-	-
- Impairment (-)	-	-	-
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-
E) Off balance sheet items with credit risks	-	-	-

# HALK FAKTORİNG ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

#### 29.2 Liquidity risk

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Company's assets and liabilities have also been included in the table below

31 December 2017						
Contractual Maturities	Carrying amount	Total Contractual Cash Flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Non Derivative Financial Liabilities</b>	<b>1,112,289,318</b>	<b>(1,119,048,909)</b>	<b>(990,051,966)</b>	<b>(126,073,190)</b>	<b>(2,923,753)</b>	<b>-</b>
Funds borrowed	1,108,194,100	(1,114,953,691)	(985,956,748)	(126,073,190)	(2,923,753)	-
Factoring liabilities	3,601,503	(3,601,503)	(3,601,503)	-	-	-
Other liabilities	493,715	(493,715)	(493,715)	-	-	-
31 December 2016						
Contractual Maturities	Carrying amount	Total Contractual Cash Flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Non Derivative Financial Liabilities</b>	<b>1,064,597,753</b>	<b>(1,067,806,604)</b>	<b>(1,048,555,290)</b>	<b>(19,251,314)</b>	<b>-</b>	<b>-</b>
Funds borrowed	1,063,798,824	(1,067,007,675)	(1,047,756,361)	(19,251,314)	-	-
Factoring liabilities	587,958	(587,958)	(587,958)	-	-	-
Other liabilities	210,974	(210,974)	(210,974)	-	-	-

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

## 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### 29.3 Market Risk

#### Interest Rate Risk

As at 31 December 2017 and 31 December 2016, the weighted average effective interest rate of financial instruments are as follows:

	2017				2016			
	TL	EUR	USD	GBP	TL	EUR	USD	GBP
<b>Assets</b>								
Banks								
Factoring receivables	18.67%	3.92%	6.35%	4.10%	15.64%	5.42%	6.52%	6.69%
<b>Liabilities</b>								
Funds borrowed	15.26%	1.73%	4.33%	2.40%	11.35%	0.87%	1.39%	2.38%

As of 31 December 2017 and 31 December 2016, the Company's interest rate sensitive financial instruments are as follows:

	31 December 2017	31 December 2016
<b>Fixed Rate</b>		
<u>Financial Assets</u>		
Factoring receivables	1,211,932,308	1,134,528,582
<u>Financial Liabilities</u>		
Funds borrowed	1,108,194,100	1,063,798,824
Factoring liabilities	3,061,503	587,958

#### Interest rate sensitivity of assets:

As at 31 December 2017, there is no floating rate instrument (31 December 2016: None).

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

## 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### 29.3 Market Risk (Continued)

#### Foreign currency risk

Foreign currency position risk for the Company is a result of the difference between the Company's assets denominated in foreign currencies and indexed to foreign currencies and liabilities denominated in foreign currencies and indexed to foreign currencies. The company has long position as of 31 December 2017.

Foreign currency gain/losses recognise as of transaction date. The Company has long position as at 31 December 2017. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

As at 31 December 2017 and 31 December 2016, TL equivalents of foreign currency denominated assets and liabilities held by the Company are as follows:

31 December 2017	US Dollar	Euro	Other foreign currencies	Total
Banks	640,518	177,833	5,243	823,594
Factoring receivables and non-performing receivables (*)	91,049,422	131,672,134	5,268,065	227,989,621
Other assets	10,214	32,398	-	42,612
<b>Total foreign currency assets</b>	<b>91,700,154</b>	<b>131,882,365</b>	<b>5,273,308</b>	<b>228,855,827</b>
Fund borrowed (**)	87,993,702	100,111,461	5,214,405	193,319,568
Other liabilities	32,476	256,785	11,941	301,202
Factoring liabilities	282,802	471,559	292	754,653
<b>Total Foreign Currency Liabilities</b>	<b>88,308,980</b>	<b>100,839,805</b>	<b>5,226,638</b>	<b>194,375,423</b>
<b>Balance sheet position</b>	<b>3,391,174</b>	<b>31,042,560</b>	<b>46,670</b>	<b>34,480,404</b>
<b>Off-balance sheet position</b>	-	-	-	-
<b>Net foreign currency position</b>	<b>3,391,174</b>	<b>31,042,560</b>	<b>46,670</b>	<b>34,480,404</b>

(\*)As at 31 December 2017 foreign currency indexed factoring receivables amount to TL 41,573,808 are presented in the financial statements under TL column.

(\*\*)As at 31 December 2017 foreign currency indexed fund borrowed amount to TL 37,265,713 are presented in the financial statements under TL column.



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

### 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

#### 29.3 Market Risk (Continued)

##### Foreign currency risk (continued)

31 December 2016	US Dollar	Euro	Other foreign currencies	Total
Banks	116,236	151,447	108,833	376,515
Factoring receivables and non-performing receivables (*)	203,722,137	95,888,766	1,471,665	301,082,568
Other assets	69,881	32,258	-	102,139
<b>Total Foreign Currency Assets</b>	<b>203,908,254</b>	<b>96,072,471</b>	<b>1,580,498</b>	<b>301,561,223</b>
Fund borrowed (**)	(205,196,429)	(93,106,631)	(1,866,846)	(300,169,906)
Other liabilities	(25,579)	(167,064)	(9,889)	(202,532)
Factoring liabilities	(153,537)	-	(51,786)	(205,323)
<b>Total Foreign Currency Liabilities</b>	<b>(205,375,545)</b>	<b>(93,273,695)</b>	<b>(1,928,521)</b>	<b>(300,577,761)</b>
<b>Balance Sheet Position</b>	<b>(1,467,291)</b>	<b>2,798,776</b>	<b>(348,023)</b>	<b>983,462</b>
<b>Off-balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Foreign Currency Position</b>	<b>(1,467,291)</b>	<b>2,798,776</b>	<b>(348,023)</b>	<b>983,462</b>

(\*)As at 31 December 2016, foreign currency indexed factoring receivables amounting TL 16,190,733 are presented in the financial statements in TL column.

(\*\*)As at 31 December 2016, foreign currency indexed fund borrowed amounting TL 16,168,515 are presented in the financial statements in TL column.

##### Foreign Currency Risk Sensitivity

As at 31 December 2017 and 2016, 10 percent impairment of TL against the foreign currencies would have increased profit before tax by the amount presented in the table below. This analysis assumes that all other variables, in particular interest rates; remain constant. 10% appreciated of TL against the currencies below increased the profit by the same amount presented below.

	1 January – 31 December 2017	1 January – 31 December 2016
USD	339,117	(146,729)
EUR	3,104,256	279,878
Other	4,667	(34,802)
<b>Total</b>	<b>3,448,040</b>	<b>98,347</b>

**HALK FAKTORİNG ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(CONTINUED)****29.4 Fair Values of Financial Instruments**

<u>31 December 2017</u>	<u>Amortized financial assets</u>	<u>Loans and receivables</u>	<u>Amortized financial liabilities</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<b><u>Financial Assets</u></b>					
Banks	5,827,448	-	-	5,827,448	-
Factoring Receivables and Non Performing Receivables	1,211,932,308	-	-	1,211,932,308	-
<b><u>Financial Liabilities</u></b>					
Funds Borrowed	-	-	1,108,194,100	1,108,194,100	1,108,194,100
Factoring liabilities	-	-	3,061,503	3,061,503	3,061,503
Other liabilities	-	-	956,344	956,344	956,344
<b><u>31 December 2016</u></b>					
<b><u>Financial Assets</u></b>					
Banks	1,962,092	-	-	1,962,092	1,962,092
Factoring Receivables and Non Performing Receivables	-	1,134,528,582	-	1,134,528,582	1,134,528,582
<b><u>Financial Liabilities</u></b>					
Funds Borrowed	-	-	1,063,798,824	1,063,798,824	1,063,798,824
Factoring liabilities	-	-	587,958	587,958	587,958
Other liabilities	-	-	527,310	527,310	527,310

Banks, factoring receivables, funds borrowed, factoring paybales and other liabilities' fair value presumed to be close to their carrying amounts since they are short term and the possible losses are assumed to be insignificant in value and therefore negligible.

## HALK FAKTORİNG ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## 29 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### 29.4 Fair Values of Financial Instruments (Continued)

#### Fair Values of Financial Instruments classification

TFRS 7 – Financial instruments requires the classification of fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by Company. This distinction brings about a fair value measurement classification generally as follows:

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

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

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

Sınıflandırma, kullanılabilir olması durumunda gözlemlenebilir nitelikteki piyasa verilerinin kullanılmasını gerektirmektedir.

Classification is needed available observable market informations.

This classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

As at 31 December 2017, the Company has no financial assets and liabilities at fair value through profit or loss (31 December 2016: None).

### 29.5 Capital Management

The Company's policy is to maintain a strong capital base and to maintain a balance between the indebtedness and equity in an effective way so as to increase its profit. The capital structure of the Company consists of equity comprising issued capital, reserves and retained earnings disclosed in Note 18.

The cost of equity and every other risk associated with equity items assessed by the Company's top management and the decisions related to Board of Directors have to be submitted for Board of Directors approval.

There is no change in the policies of the Company as compared to previous period.

As of 31 December 2017 and 31 December 2016, equity to debt ratios are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Total liabilities <sup>(1)</sup>	1,111,749,317	1,064,597,756
Less: Cash and cash equivalents	5,828,091	1,963,307
Net liabilities	1,105,921,226	1,062,634,449
Total shareholders' equity	106,105,320	74,068,914
Shareholders' equity / debt	%10	%7

<sup>(1)</sup> Total liabilities exclude taxes and other liabilities, provisions for liabilities and expenses, current year tax charge, deferred revenues and deferred tax liability.

## **HALK FAKTORİNG ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **30 OTHER MATTERS**

One of the mainshareholder Bank's directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America (the USA) of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The mainshareholder Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank.

The mainshareholder Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the mainshareholder Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and money transfers are open and transparent, and easily be monitored by authorities. The mainshareholder Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The mainshareholder Bank placed a high importance on this matter and established a separate "Compliance Department". The mainshareholder Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

#### **31 EVENTS AFTER THE REPORTING PERIOD**

"Law on the Amendment of Certain Tax Laws and Other Laws" numbered 7061 was published in the Official Gazette dated 5 December 2017 and numbered 30261.

With Article 91 of this law, with the provisional article 10 added to the Corporate Tax Law, the rate of 20% corporate tax will be applied as 22% for the corporate earnings for the taxation periods of 2018, 2019 and 2020 (the accounting periods for the institutions that are designated for the special accounting period). This rate will be applied for the first time in the first temporary tax period of 2018.