

**HALK FAKTORİNG A.Ş.**

**FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2018  
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 General Assembly of Halk Faktoring A.Ş.

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

**1) Qualified Opinion**

We have audited the financial statements of Halk Faktoring A.Ş. ("the Company"), which comprise the balance sheet as at 31 December 2018, 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, except for the effect of the matter described in the Basis For Qualified Opinion of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

**2) Basis for Qualified Opinion**

The accompanying financial statements as of 31 December 2018 include a free provision amounting to TL 28,618 thousand, provided by the Company management considering the circumstances, which may arise from any adverse changes in the economy or market conditions. If such free provision was not provided, as at 31 December 2018, other provisions would be less by TRY 28,618 thousand, and net profit would be higher by TRY 28,618 thousand.

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) Other Matters

As detailed in Note 28, one of the former directors of the Company's main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank), has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") as of 16 May 2018. 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.

### 4) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>The Company has factoring receivables amounting to TRY 1,392,599 Thousand including non-performing loans in the financial statements as of 31 December 2018. The Company has specific provision amounting to TRY 24,662 Thousand for non-performing loans amounting to TRY 24,662 Thousand which is determined in accordance with BRSA Accounting and Financial Reporting legislation.</p> <p>Factoring receivables and net non-performing loans are presented in note 4.</p> <p>The reason why the related field is considered as important in audit work is; the proportional size of factoring receivables in the financial statements, the importance of classifying them in accordance with the legislation and determining the related impairment. The related account is considered as a key audit matter since carrying out the procedures, on classification of factoring receivables in accordance with the timing specified in BRSA Accounting and Financial Reporting Legislation or the compliance with the impairment methodology will significantly affect the amount of the impairment.</p>	<p>We assessed the effectiveness of the controls which are important in determining the impairment of factoring transactions and making the calculations on impairment in accordance with BRSA Accounting and Financial Reporting Legislation;</p> <p>We assessed whether the factoring receivables are impaired for the samples selected in accordance with the Standards on Independent Auditing and whether the calculation of the impairment is in compliance with the legislation.</p>

## **5) 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.

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

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.

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.

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

**B) 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 2018 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 Mjde Aslan.

**Additional Paragraph for English Translation**

The effect of the differences between the accounting principles summarized in Section 2 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.

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MAVRLK MENETM VE SERBEST MUHASEBEC MAL MAVRLK A.. **TOUCHE TOHMATSU LIMITED**

Mjde  
Partner

stanbul, 14 February 2019

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# HALK FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2018 (Amounts are expressed in Thousand Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Audited Current Period 31 December 2018		Total
		TL	FC	
<b>I. FINANCIAL ASSETS (Net)</b>	3	25,515	396	25,911
1.1 Cash and Cash Equivalents	3.1	25,515	396	25,911
1.2 Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
1.4 Financial Assets at Amortised Cost	-	-	-	-
1.5 Derivative Financial Assets	-	-	-	-
1.6 Non-performing Financial Assets	-	-	-	-
1.7 Specific Provisions / Expected Credit Losses (-)	-	-	-	-
<b>II. LOANS (Net)</b>	4	1,253,064	139,535	1,392,599
<b>2.1 Factoring Receivables</b>	4.1	1,253,064	139,535	1,392,599
2.1.1 Discounted Factoring Receivables (Net)	4.1	133,637	57,399	191,036
2.1.2 Other Factoring Receivables	4.1	1,119,427	82,136	1,201,563
2.2 Financing Loans	-	-	-	-
2.2.1 Consumer Loans	-	-	-	-
2.2.2 Credit Card	-	-	-	-
2.2.3 Installment Based Commercial Loans	-	-	-	-
2.3 Leasing Activities	-	-	-	-
<b>2.3.1 Receivables From Leasing Activities (Net)</b>	-	-	-	-
2.3.1.1 Finance Lease Receivables	-	-	-	-
2.3.1.2 Operating Lease Receivables	-	-	-	-
2.3.1.3 Unearned Revenue (-)	-	-	-	-
2.3.2 Investment in Progress Subject to Leases	-	-	-	-
2.3.3 Advances Given due to Leasing Activities	-	-	-	-
2.3.4 Other Receivables from Other Leasing Activities	-	-	-	-
2.4 Receivables Under Follow-Up	4.2	-	-	-
2.4.1 Factoring Receivables Under Follow-up	4.2	24,662	-	24,662
2.4.2 Financing Loans Under Follow-up	-	-	-	-
2.4.3 Receivables from Leasing Activities Under Follow-up	-	-	-	-
2.4.4 Specific Provisions (-)	4.2	(24,662)	-	(24,662)
2.5 Expected Credit Losses (-)	-	-	-	-
<b>III. OWNERSHIP INVESTMENTS (Net)</b>	-	6	-	6
3.1 Associates (Net)	-	6	-	6
3.1.1 Associates Consolidated Under Equity Accounting	-	-	-	-
3.1.2 Unconsolidated Associates	-	6	-	6
3.2 Subsidiaries (Net)	-	-	-	-
3.2.1 Unconsolidated Financial Subsidiaries	-	-	-	-
3.2.2 Unconsolidated Non-Financial Subsidiaries	-	-	-	-
3.3 Joint Ventures (Net)	-	-	-	-
3.3.1 Joint-Ventures Consolidated Under Equity Accounting	-	-	-	-
3.3.2 Unconsolidated Joint-Ventures	-	-	-	-
<b>IV. TANGIBLE ASSETS (Net)</b>	5	828	-	828
<b>V. INTANGIBLE ASSETS (Net)</b>	6	599	-	599
<b>VI. INVESTMENT PROPERTY (Net)</b>	-	-	-	-
<b>VII. CURRENT TAX ASSET</b>	-	-	-	-
<b>VIII. DEFERRED TAX ASSET</b>	7	1,907	-	1,907
<b>IX. OTHER ASSETS</b>	8	5,169	108	5,277
<b>SUBTOTAL</b>		<b>1,287,088</b>	<b>140,039</b>	<b>1,427,127</b>
<b>X. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	9	1,221	-	1,221
10.1 Held for Sale	9	1,221	-	1,221
10.2 Discontinued Operations	-	-	-	-
<b>TOTAL ASSETS</b>		<b>1,288,309</b>	<b>140,039</b>	<b>1,428,348</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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 Thousand Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Audited Prior Period 31 December 2017		Total
		TL	FC	
<b>I. CASH AND BANK BALANCES WITH THE CENTRAL BANK</b>		<b>1</b>	<b>-</b>	<b>1</b>
<b>II. CASH, CASH EQUIVALENTS AND CENTRAL BANK</b>		<b>-</b>	<b>-</b>	<b>-</b>
2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-
2.2 Financial Assets Held for Trading Purpose		-	-	-
2.3 Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-
<b>III. Derivative Financial Assets Held for Trading Purpose</b>	<b>3.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IV. BANKS</b>		<b>5,004</b>	<b>824</b>	<b>5,828</b>
<b>V. RECEIVABLES FROM REVERSE REPO TRANSACTIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>4.1</b>	<b>1,025,516</b>	<b>186,415</b>	<b>1,211,931</b>
6.1 FACTORING RECEIVABLES		430,323	63,853	494,176
6.1.1 Discounted Factoring Receivables		446,624	26,422	473,046
6.1.2 Domestic		-	37,895	37,895
6.1.3 Foreign		(16,301)	(464)	(16,765)
6.2 Unearned Revenue (-)		595,193	122,562	717,755
6.2.1 Other Factoring Receivables		595,193	-	595,193
6.2.2 Domestic		-	122,562	122,562
<b>VII. Foreign</b>		<b>-</b>	<b>-</b>	<b>-</b>
7.1 FINANCING LOANS		-	-	-
7.2 Consumer Loans		-	-	-
7.3 Credit Cards		-	-	-
<b>VIII. Installment Based Commercial Loans</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>8.1 LEASING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
8.1.1 Receivables from Leasing Activities		-	-	-
8.1.2 Finance Lease Receivables		-	-	-
8.1.3 Operating Lease Receivables		-	-	-
8.1.4 Unearned Revenue (-)		-	-	-
8.2 Investment in Progress Subject to Leases		-	-	-
8.3 Advances Given Due to Leasing Activities		-	-	-
<b>IX. OTHER RECEIVABLES</b>		<b>1,650</b>	<b>12</b>	<b>1,662</b>
<b>X. RECEIVABLES UNDER FOLLOW-UP</b>	<b>4.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Factoring Receivables Under Follow-up	<b>4.2</b>	24,178	-	24,178
10.2 Financing Loans Under Follow-up		-	-	-
10.3 Receivables from Leasing Activities Under Follow-up		-	-	-
10.4 Specific Provisions (-)	<b>4.2</b>	(24,178)	-	(24,178)
<b>XI. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>		<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair Value Hedges		-	-	-
11.2 Cash Flow Hedges		-	-	-
11.3 Hedges of Net Investment in Foreign Operations		-	-	-
<b>XII. HELD-TO-MATURITY INVESTMENTS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. SUBSIDIARIES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. INVESTMENTS IN ASSOCIATES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. JOINT-VENTURES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. TANGIBLE ASSETS (Net)</b>	<b>5</b>	<b>665</b>	<b>-</b>	<b>665</b>
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>6</b>	<b>588</b>	<b>-</b>	<b>588</b>
17.1 Goodwill		-	-	-
17.2 Other Intangibles		588	-	588
<b>XVIII. PREPAID EXPENSES</b>	<b>8</b>	<b>457</b>	<b>31</b>	<b>488</b>
<b>IXX. CURRENT PERIOD TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XX. DEFERRED TAX ASSETS</b>	<b>7</b>	<b>4,012</b>	<b>-</b>	<b>4,012</b>
<b>XXI. OTHER ASSETS</b>	<b>8</b>	<b>25</b>	<b>-</b>	<b>25</b>
<b>SUBTOTAL</b>		<b>1,037,918</b>	<b>187,282</b>	<b>1,225,200</b>
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED</b>		<b>-</b>	<b>-</b>	<b>-</b>
22.1 OPERATIONS (Net)		-	-	-
22.2 Assets Held For Sale		-	-	-
Assets of Discontinued Operations		-	-	-
<b>TOTAL ASSETS</b>		<b>1,037,918</b>	<b>187,282</b>	<b>1,225,200</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 2018 (Amounts are expressed in Thousand Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES AND EQUITY	Notes	Audited Current Period 31 December 2018		
		TL	FC	Total
<b>I. FUNDS BORROWED</b>	<i>10</i>	<b>904,190</b>	<b>130,825</b>	<b>1,035,015</b>
<b>II. FACTORING PAYABLES</b>	<i>11</i>	<b>2,310</b>	<b>107</b>	<b>2,417</b>
<b>III. FINANCE LEASE PAYABLES (Net)</b>		-	-	-
3.1 Finance Lease Obligations		-	-	-
3.2 Operating Lease Obligations		-	-	-
3.3 Other		-	-	-
3.4 Deferred Finance Lease Expenses ( - )		-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>	<i>12</i>	<b>204,912</b>	-	<b>204,912</b>
4.1 Bills	<i>12</i>	204,912	-	204,912
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
<b>FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS</b>		-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK</b>		-	-	-
<b>VII. PROVISIONS</b>	<i>13</i>	<b>30,587</b>	-	<b>30,587</b>
7.1 Restructuring Reserves		-	-	-
7.2 Reserve for Employee Benefits	<i>13.1</i>	1,916	-	1,916
7.3 General Provisions	<i>13</i>	-	-	-
7.4 Other Provisions	<i>13</i>	28,671	-	28,671
<b>VIII. CURRENT PERIOD TAX LIABILITY</b>	<i>14</i>	<b>5,090</b>	-	<b>5,090</b>
<b>IX. DEFERRED TAX LIABILITY</b>		-	-	-
<b>X. SUBORDINATED LOANS</b>		-	-	-
<b>XI. PROVISIONS</b>	<i>15</i>	<b>5,700</b>	<b>272</b>	<b>5,972</b>
<b>SUBTOTAL</b>		<b>1,152,789</b>	<b>131,204</b>	<b>1,283,993</b>
<b>XII. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED (Net) OPERATIONS</b>		-	-	-
12.1 Held For Sale		-	-	-
12.2 Discontinued Operations		-	-	-
<b>XIII. SHAREHOLDERS' EQUITY</b>		<b>144,355</b>	-	<b>144,355</b>
13.1 Paid-in Capital	<i>16.1</i>	96,000	-	96,000
13.2 Capital Reserves		-	-	-
13.2.1 Share Premiums		-	-	-
13.2.2 Share Cancellation Profits		-	-	-
13.2.3 Other Capital Reserves		-	-	-
13.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		10	-	10
13.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		-	-	-
13.5 Profit Reserves	<i>16.3</i>	10,095	-	10,095
13.5.1 Legal Reserves		10,095	-	10,095
13.5.2 Statutory Reserves		-	-	-
13.5.3 Extraordinary Reserves		-	-	-
13.5.4 Other Profit Reserves		-	-	-
13.6 Profit or Loss		38,250	-	38,250
13.6.1 Prior Periods Profit/Loss		-	-	-
13.6.2 Current Period Profit/Loss		38,250	-	38,250
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,297,144</b>	<b>131,204</b>	<b>1,428,348</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

# HALK FAKTORİNG ANONİM ŞİRKETİ

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

LIABILITIES AND EQUITY	Notes	Audited Prior Period 31 December 2017		
		TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>		-	-	-
<b>II. FUNDS BORROWED</b>	10	952,140	156,054	1,108,194
<b>III. FACTORING PAYABLES</b>	11	2,307	755	3,062
<b>IV. LEASE OBLIGATIONS</b>		-	-	-
4.1 Finance Lease Obligations		-	-	-
4.2 Operating Lease Obligations		-	-	-
4.3 Other		-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-
<b>V. SECURITIES ISSUED (Net)</b>		-	-	-
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	-	-
<b>VI. OTHER LIABILITIES</b>	15	418	76	494
<b>VII. OTHER MISCELLANEOUS PAYABLES</b>		-	-	-
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE (Net)</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 PAYABLES</b>	15	2,127	-	2,127
<b>X. PROVISIONS</b>	15	1,749	-	1,749
10.1 Restructuring Reserves		-	-	-
10.2 Reserve for Employee Benefits		1,522	-	1,522
10.3 Other Provisions		227	-	227
<b>XI. DEFERRED INCOME</b>	15	236	225	461
<b>XII. CURRENT PERIOD TAX LIABILITY</b>	14	3,008	-	3,008
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-
<b>SUBTOTAL</b>		<b>961,985</b>	<b>157,110</b>	<b>1,119,095</b>
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-
15.1 Held For Sale		-	-	-
15.2 Discontinued Operations		-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>		<b>106,105</b>	-	<b>106,105</b>
<b>16.1 Paid-in Capital</b>	16.1	<b>70,000</b>	-	<b>70,000</b>
<b>16.2 Capital Reserves</b>	16.2	-	-	-
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 not be Reclassified to Profit or Loss</b>		<b>10</b>	-	<b>10</b>
<b>16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss</b>		-	-	-
<b>16.5 Profit Reserves</b>	16.3	<b>4,079</b>	-	<b>4,079</b>
16.5.1 Legal Reserves		4,079	-	4,079
16.5.2 Statutory Reserves		-	-	-
16.5.3 Extraordinary Reserves		-	-	-
16.5.4 Other Profit Reserves		-	-	-
<b>16.6 Profit or Loss</b>		<b>32,016</b>	-	<b>32,016</b>
16.6.1 Prior Periods Profit/Loss		-	-	-
16.6.2 Current Period Profit/Loss		32,016	-	32,016
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,068,090</b>	<b>157,110</b>	<b>1,225,200</b>

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

## HALK FAKTORİNG ANONİM ŞİRKETİ

### OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017 (Amounts are expressed in Thousand Turkish Lira ("TL") unless otherwise stated.)

OFF-BALANCE SHEET ITEMS		Notes	Audited Current Period 31 December 2018		Total
			TL	FC	
I.	IRREVOCABLE FACTORING TRANSACTIONS		5,923	42,522	48,445
II.	REVOCABLE FACTORING TRANSACTIONS		1,090,356	52,357	1,142,713
III.	COLLATERALS RECEIVED	4, 1, 26	23,933,087	8,827,105	32,760,192
IV.	COLLATERALS GIVEN	26	563,469	-	563,469
V.	COMMITMENTS		-	270,314	270,314
5.1	Irrevocable Commitments		-	270,314	270,314
5.2	Revocable Commitments		-	-	-
5.2.1	Lease Commitments		-	-	-
5.2.1.1	Finance Lease Commitments		-	-	-
5.2.1.2	Operating 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	Derivative Financial Instruments Held For Trading		-	-	-
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-
6.2.2	Swap Purchases/Sales		-	-	-
6.2.3	Put/Call Options		-	-	-
6.2.4	Futures Purchases/Sales		-	-	-
6.2.5	Others		-	-	-
VII.	ITEMS HELD IN CUSTODY	26	241,454	28,463	269,917
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>			<b>25,834,289</b>	<b>9,220,761</b>	<b>35,055,050</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

OFF-BALANCE SHEET ITEMS		Notes	Audited Prior Period 31 December 2017		Total
			TL	FC	
I.	IRREVOCABLE FACTORING TRANSACTIONS		-	37,475	37,475
II.	REVOCABLE FACTORING TRANSACTIONS		605,626	8,177	613,803
III.	COLLATERALS RECEIVED	4, 26	19,924,334	6,677,758	26,602,092
IV.	COLLATERALS GIVEN	26	50,216	-	50,216
V.	COMMITMENTS		-	41,590	41,590
5.1	IRREVOCABLE FACTORING TRANSACTIONS		-	41,590	41,590
5.2	REVOCABLE FACTORING TRANSACTIONS		-	-	-
5.2.1	COLLATERALS RECEIVED		-	-	-
5.2.1.1	COLLATERALS GIVEN		-	-	-
5.2.1.2	COMMITMENTS		-	-	-
5.2.2	Irrevocable 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	Derivative Financial Instruments Held For Trading		-	-	-
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-
6.2.2	Swap Purchases/Sales		-	-	-
6.2.3	Put/Call Options		-	-	-
6.2.4	Futures Purchases/Sales		-	-	-
6.2.5	Others		-	-	-
VII.	ITEMS HELD IN CUSTODY	26	514,690	68,192	582,882
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>			<b>21,094,866</b>	<b>6,833,192</b>	<b>27,928,058</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 2018

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

		Notes	Audited Current Period 1 January – 31 December 2018
	<b>INCOME AND EXPENSE ITEMS</b>		
<b>I.</b>	<b>OPERATING INCOME</b>	17	<b>340,853</b>
	<b>FACTORIZING INCOME</b>		<b>340,853</b>
1.1	Interest Income from Factoring Receivables		327,366
1.1.1	Discounted		79,151
1.1.2	Other		248,215
1.2	Fees and Commissions from Factoring Receivables		13,487
1.2.1	Discounted		2,042
1.2.2	Other		11,445
	<b>INCOME FROM FINANCING LOANS</b>		-
1.3	Interest Received from Financing Loans		-
1.4	Fees and Commissions Received from Financing Loans		-
	<b>LEASE INCOME</b>		-
1.5	Finance Lease Income		-
1.6	Operating Lease Income		-
1.7	Fees and Commission Income on Lease Operations		-
<b>II.</b>	<b>FINANCIAL EXPENSES (-)</b>	18	<b>(241,760)</b>
2.1	Interest Expense on Funds Borrowed		(224,291)
2.2	Interest Expense on Factoring Payables		-
2.3	Interest Expense of Finance Lease Expenses		-
2.4	Interest Expense on Securities Issued		(11,101)
2.5	Other Interest Expenses		-
2.6	Fees and Commissions Paid		(6,368)
<b>III.</b>	<b>GROSS PROFIT / LOSS (I+II)</b>		<b>99,093</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	19	<b>(17,600)</b>
4.1	Personnel Expenses		(11,089)
4.2	Employee Severance Indemnity Expense		(59)
4.3	Research and Development Expenses		-
4.4	General Administrative Expenses		(5,184)
4.5	Other		(1,268)
<b>V.</b>	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		<b>81,493</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	20	<b>312,793</b>
6.1	Interest Income on Bank Deposits		850
6.2	Interest Income on Reverse Repurchase Agreements		-
6.3	Interest Income on Securities Portfolio		-
6.3.1	Fair Value Through Profit Loss		-
6.3.2	Interest Income on Financial Assets at Fair Value Through Other Comprehensive Income		-
6.3.3	Measured at Amortized Cost		-
6.4	Dividend Income		-
6.5	Capital Market Transaction Profit		-
6.6	Income From Derivative Financial Instruments		-
6.7	Foreign Exchange Gains		307,771
6.8	Other		4,172
<b>VII.</b>	<b>PROVISIONS (-)</b>	21	<b>(32,450)</b>
7.1	Special Provisions		(3,832)
7.2	Expected Loss Provisions		-
7.3	General Provisions		-
7.4	Other		(28,618)
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	22	<b>(304,717)</b>
8.1	Impairment Losses on Securities Portfolio		-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-
8.1.2	Fair Value Differences Reflected on Other Comprehensive Income		-
8.2	Impairment Losses on Non-Current Assets		-
8.2.1	Impairment Losses on Tangible Assets		-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-
8.2.3	Impairment Losses on Intangible Assets		-
8.2.4	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-
8.3	Losses From Derivative Financial Instruments		-
8.4	Foreign Exchange Losses		(304,554)
8.5	Other		(163)
<b>IX.</b>	<b>NET OPERATING PROFIT / LOSS (V+.....+VIII)</b>		<b>57,119</b>
<b>X.</b>	<b>EXCESS AMOUNT RECORDED AS AN INCOME AFTER MERGER BİRLEŞME KÂRI</b>		<b>-</b>
<b>XI.</b>	<b>PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY</b>		<b>-</b>
<b>XII.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>
<b>XIII.</b>	<b>PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX (IX+...XII)</b>		<b>57,119</b>
<b>XIV.</b>	<b>INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>	23	<b>(18,869)</b>
14.1	Current Tax Provision		(16,234)
14.2	Deferred Tax Benefit (+)		(4,217)
14.3	Deferred Tax Charge (-)		1,582
<b>XV.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)</b>		<b>38,250</b>
<b>XVI.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
16.1	Income from Assets Held for Sale		-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-
16.3	Other Income from Discontinued Operations		-
<b>XVII.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
17.1	Expense on Assets Held for Sale		-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-
17.3	Other Expenses from Discontinued Operations		-
<b>XVIII.</b>	<b>PROFIT/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)</b>		<b>-</b>
<b>XIX.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
19.1	Current Tax Charge		-
19.2	Deferred Tax Benefit (+)		-
19.3	Deferred Tax Charge (-)		-
<b>XX.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)</b>		<b>-</b>
<b>XXI.</b>	<b>NET PROFIT/LOSS FOR THE PERIOD (XV+XX)</b>		<b>38,250</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately

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 Thousand Turkish Lira ("TL") unless otherwise stated )

INCOME AND EXPENSE ITEMS		Notes	Audited
			Prior Period
			1 January – 31 December 2017
<b>I.</b>	<b>OPERATING INCOME</b>	17	<b>168,982</b>
	<b>FACTORING INCOME</b>		<b>168,982</b>
1.1	Interest Income from Factoring Receivables		159,562
1.1.1	Discounted		54,881
1.1.2	Other		104,681
1.2	Fees and Commissions from Factoring Receivables		9,420
1.2.1	Discounted		804
1.2.2	Other		8,616
<b>II.</b>	<b>INCOME FROM FINANCING LOANS</b>	28	<b>(113,332)</b>
2.1	Interest Received from Financing Loans		(112,198)
2.2	Fees and Commissions Received from Financing Loans		-
2.3	LEASE INCOME		-
2.4	Finance Lease Income		-
2.5	Operating Lease Income		-
2.6	Fees and Commission Income on Lease Operations		(1,134)
<b>III.</b>	<b>FINANCIAL EXPENSES (-)</b>		<b>55,650</b>
<b>IV.</b>	<b>Interest Expense on Funds Borrowed</b>	19	<b>(16,667)</b>
4.1	Interest Expense on Factoring Payables		(11,206)
4.2	Interest Expense of Finance Lease Expenses		(109)
4.3	Interest Expense on Securities Issued		-
4.4	Other Interest Expenses		(4,229)
4.5	Fees and Commissions Paid		(1,123)
<b>V.</b>	<b>GROSS PROFIT / LOSS (I+II)</b>		<b>38,983</b>
<b>VI.</b>	<b>OPERATING EXPENSES (-)</b>	20	<b>38,821</b>
6.1	Personnel Expenses		12
6.2	Employee Severance Indemnity Expense		-
6.3	Research and Development Expenses		-
6.3.1	General Administrative Expenses		-
6.3.2	Other		-
6.3.3	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		<b>-</b>
6.3.4	<b>OTHER OPERATING INCOME</b>		<b>-</b>
6.4	Interest Income on Bank Deposits		-
6.5	Interest Income on Reverse Repurchase Agreements		-
6.5.1	Interest Income on Securities Portfolio		-
6.5.2	Fair Value Through Profit Loss		-
6.6	Interest Income on Financial Assets at Fair Value Through Other Comprehensive Income		34,449
6.7	Measured at Amortized Cost		4,360
<b>VII.</b>	<b>Dividend Income</b>	21	<b>(4,821)</b>
<b>VIII.</b>	<b>Capital Market Transaction Profit</b>	22	<b>(33,223)</b>
8.1	Income From Derivative Financial Instruments		-
8.1.1	Foreign Exchange Gains		-
8.1.2	Other		-
8.1.3	<b>PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)</b>		<b>-</b>
8.2	Special Provisions		-
8.2.1	Expected Loss Provisions		-
8.2.2	General Provisions		-
8.2.3	Other		-
8.2.4	<b>OTHER OPERATING EXPENSES (-)</b>		<b>-</b>
8.2.5	Impairment Losses on Securities Portfolio		-
8.3	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-
8.4	Fair Value Differences Reflected on Other Comprehensive Income		(33,207)
8.5	Impairment Losses on Non-Current Assets		(16)
<b>IX.</b>	<b>NET OPERATING PROFIT / LOSS (V+.....+VIII)</b>		<b>39,760</b>
<b>X.</b>	<b>EXCESS AMOUNT RECORDED AS AN INCOME AFTER MERGER BİRLEŞME KÂRI</b>		<b>-</b>
<b>XI.</b>	<b>PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY</b>		<b>-</b>
<b>XII.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>39,760</b>
<b>XIII.</b>	<b>PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX (IX+...XII)</b>	23	<b>(7,744)</b>
13.1	Current Tax Provision	14,23	(9,829)
13.2	Deferred Tax Charge (-)	7	-
13.3	Deferred Tax Benefit (+)	7	2,085
<b>XIV.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XII+XIV)</b>		<b>32,016</b>
<b>XV.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
15.1	Income from Assets Held for Sale		-
15.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-
15.3	Other Income from Discontinued Operations		-
<b>XVI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
16.1	Expense on Assets Held for Sale		-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-
16.3	Other Expenses from Discontinued Operations		-
<b>XVII.</b>	<b>PROFIT/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)</b>		<b>-</b>
<b>XVIII.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
18.1	Current Tax Charge		-
18.2	Deferred Tax Benefit (+)		-
18.3	Deferred Tax Charge (-)		-
<b>XIX.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII+XIX)</b>		<b>-</b>
<b>XX.</b>	<b>NET PROFIT/LOSS FOR THE PERIOD (XV+XX)</b>		<b>32,016</b>

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 2018 AND 31 DECEMBER 2017

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

<b>PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT</b>		<b>Audited Current Period 1 January–31 December 2018</b>
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>38,250</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>
2.1	Items that will not be Reclassified to Profit or Loss	-
2.1.1	Tangible Assets Revaluation Increases/Decreases	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-
2.1.3	Defined Benefits Pension Plan Re-Measuring Loss/Income	-
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	-
2.2	Items that may be Reclassified subsequently to Profit or Loss	-
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	-
2.2.3	Cash Flow Hedge Income/Losses	-
2.2.4	Net Investment Hedge Income/Losses	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>-</b>
<b>XXIII.</b>	<b>TOTAL PROFIT / (LOSS) ACCOUNTED FOR THE PERIOD</b>	<b>38,250</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately

<b>PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT</b>		<b>Audited Prior Period 1 January–31 December 2017</b>
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>32,016</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>20</b>
2.1	Items that will not be Reclassified to Profit or Loss	20
2.1.1	Tangible Assets Revaluation Increases/Decreases	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-
2.1.3	Defined Benefits Pension Plan Re-Measuring Loss/Income	20
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	-
2.1.5.1	Items that may be Reclassified subsequently to Profit or Loss	-
2.1.5.2	Foreign Exchange Differences for Foreign Currency Transactions	-
2.2	Value Increases or Decreases on Assets Held for Sales	-
2.2.1	Cash Flow Hedge Income/Losses	-
2.2.2	Net Investment Hedge Income/Losses	-
2.2.3	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.4	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.5	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>-</b>
2.2.6	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>-</b>
2.2.6.1	<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>
2.2.6.2	Items that will not be Reclassified to Profit or Loss	-
<b>III.</b>	<b>Tangible Assets Revaluation Increases/Decreases</b>	<b>-</b>
<b>XXIII.</b>	<b>TOTAL PROFIT / (LOSS) ACCOUNTED FOR THE PERIOD</b>	<b>32,036</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 2018

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

CHANGES IN EQUITY	Notes	Paid in Capital	Capital Reserves	Share Premium	Share (Un)realized Profits	Other Capital Reserves	Accumulated other comprehensive income that will never be reclassified to profit or loss		Accumulated other comprehensive profit or loss that are or may be reclassified to profit or loss	Profit Reserves	Legal Reserves	Statutory Reserves	Foreign Currency Reserves	Other Profit Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Net Current Period Profit/Loss	Total Equity
							1	2										
<b>Current period (01.01 - 31.12.2018)</b>																		
<b>Balance at the Beginning of the Period (01.12.2017)</b>	16.1	70.000	-	-	-	-	10	-	-	4.079	4.079	-	-	32.016	-	-	32.016	106.105
<b>II. Changes in Accounting Policies TAS II</b>																		
2.1 Effect of Correction of Errors																		
2.2 Effect of Changes in Accounting Policies																		
<b>III. Adjusted Beginning Balance (0-1)</b>	16.1	70.000	-	-	-	-	10	-	-	4.079	4.079	-	-	32.016	-	-	32.016	106.105
<b>IV. Total Comprehensive Income</b>																		
V. Cash Capital Increase	16.1	26.000	-	-	-	-	-	-	-	-	-	-	-	(26.000)	(26.000)	-	-	-
VI. Capital Increase from Issued Reserves																		
VII. Capital Reserves From Intangible Adjustments To																		
VIII. Convertible Bonds																		
IX. Subordinated Loans																		
X. Increases / Decreases due to Other Changes																		
<b>XI. Profit for the Period</b>	16.3									6.016	6.016			30.250	24.000	30.250	(22.016)	38.250
12.1 Dividend Paid																		
12.2 Transfer to Reserves	16.3									6.016	6.016			(6.016)	(6.016)			
12.3 Other																		
<b>Balance of the End of the Period (31.12.2018)</b>	16	96.000	-	-	-	-	10	-	-	10.095	10.095	-	-	30.250	-	-	30.250	144.385

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately

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 portfolio and accumulated other comprehensive income components that will not be reclassified 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 be reclassified subsequently to profit/loss)

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 Conversion Profits	Accumulated other comprehensive income that will never be reclassified to profit or loss						Profit Reserves	Prior Period Profit/Loss	Net Current Period Profit/Loss	Total Equity	
						1	2	3	4	5	6					
<b>Prior Period (01.01 - 31.12.2017) (Audited)</b>																
I. Balance at the Beginning of the Period (31.12.2016)	16.1	55,500	-	-	-	-	(10)	-	-	-	1,310	1,265	16,097	74,070		
II. Changes in Accounting Policies TMS 8																
2.1 Effect of Corrections of Errors																
2.2 Effect of Changes in Accounting Policies																
III. Adjusted Beginning Balance (1+II)	16.1	55,500	-	-	-	-	(10)	-	-	-	1,310	1,265	16,097	74,070		
IV. Total Comprehensive Income							20							20		
V. Cash Capital Increase																
VI. Capital Increase from Internal Reserves	16.1	14,500	-	-	-	-	-	-	-	-	(14,500)	-	-	-		
VII. Capital Reserves From Inflation Adjustments To Paid-Up Capital																
VIII. Convertible Bonds																
IX. Subordinated Loans																
X. Increases / Decreases due to Other Changes																
XI. Profit for the Period	16.3											13,235	32,016	32,016		
XII. Profit Distribution													(16,097)	(16,097)		
12.1 Dividend Paid																
12.2 Transfer to Reserves																
12.3 Other																
<b>Balance of the End of the Period (31.12.2017)</b>	16	70,000	-	-	-	-	10	-	-	-	4,879	2,061	(16,097)	33,016	106,105	

1. Revaluation increase/decrease of property and equipment  
2. The accumulated re-measurement gain related with equity linked investment plans  
3. Other comprehensive income components that will not be re-classified in profit/loss  
4. Foreign currency translation differences for foreign operations  
5. The accumulated revaluation increase/ 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 2018**  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	<b>Audited Current Period 1 January – 31 December 2018</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>52,471</b>
1.1.1 Interests Received/Lease Income		263,690
1.1.2 Interest Paid / Lease Expenses		(241,759)
1.1.3 Lease Expenses		-
1.1.4 Dividends Received		-
1.1.5 Fees and Commissions Received		13,487
1.1.6 Other Income		7,388
1.1.7 Collections from Non-performing Receivables		3,348
1.1.8 Payments to Personnel and Service Suppliers		(10,694)
1.1.9 Taxes Paid	14	(11,114)
1.1.10 Others		28,126
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(241,645)</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		(119,250)
1.2.2 Net (Increase) Decrease in Financing Loans		-
1.2.3 Net (Increase) Decrease in Lease Receivables		-
1.2.4 Net (Increase) Decrease in Other Assets		8,896
1.2.5 Net Increase (Decrease) in Factoring Payables		(644)
1.2.6 Net Increase (Decrease) in Lease Payables		-
1.2.7 Net Increase (Decrease) in Funds Borrowed		(114,123)
1.2.8 Net Increase (Decrease) in Matured Payables		-
1.2.9 Net Increase (Decrease) in Other Liabilities		(16,524)
<b>I. Net Cash From Operating Activities</b>		<b>(189,174)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-
2.3 Purchases of Tangible and Intangible Assets	5	(260)
2.4 Sale of Tangible and Intangible Assets		-
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-
2.8 Cash Obtained from Sale of Held-to-Maturity Investment Securities		-
2.9 Other		(484)
<b>II. Net Cash Used in Investing Activities</b>		<b>(744)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		210,000
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>III. Net Cash Generated from in Financing Activities</b>		<b>210,000</b>
<b>IV. Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents</b>		<b>-</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>20,082</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Year</b>	2.2.(I)	<b>5,829</b>
<b>VII. Cash and Cash Equivalents at the End of the Year</b>	2.2.(I)	<b>25,911</b>

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately

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 2018**  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	<b>Audited Prior Period 1 January – 31 December 2017</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>42,699</b>
1.1.1 Interests Received/Lease Income		161,939
1.1.2 Interest Paid / Lease Expenses		(112,728)
1.1.3 Lease Expenses		-
1.1.4 Dividends Received		-
1.1.5 Fees and Commissions Received		9,420
1.1.6 Other Income		-
1.1.7 Collections from Non-performing Receivables		3,958
1.1.8 Payments to Personnel and Service Suppliers		(12,252)
1.1.9 Taxes Paid	<i>14</i>	(6,821)
1.1.10 Others		(817)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(38,126)</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		(84,602)
1.2.2 Net (Increase) Decrease in Financing Loans		-
1.2.3 Net (Increase) Decrease in Lease Receivables		-
1.2.4 Net (Increase) Decrease in Other Assets		(1,774)
1.2.5 Net Increase (Decrease) in Factoring Payables		1,869
1.2.6 Net Increase (Decrease) in Lease Payables		-
1.2.7 Net Increase (Decrease) in Funds Borrowed		44,395
1.2.8 Net Increase (Decrease) in Matured Payables		-
1.2.9 Net Increase (Decrease) in Other Liabilities		1,986
<b>I. Net Cash From Operating Activities</b>		<b>4,571</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-
2.3 Purchases of Tangible and Intangible Assets	<i>5</i>	(240)
2.4 Sale of Tangible and Intangible Assets		-
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-
2.8 Cash Obtained from Sale of Held-to-Maturity Investment Securities		-
2.9 Other	<i>6</i>	(468)
<b>II. Net Cash Used in Investing Activities</b>		<b>(708)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>III. Net Cash Generated from in Financing Activities</b>		<b>-</b>
<b>IV. Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents</b>		<b>-</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>3,866</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Year</b>	<i>2.2.(f)</i>	<b>1,963</b>
<b>VII. Cash and Cash Equivalents at the End of the Year</b>	<i>2.2.(f)</i>	<b>5,829</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 2018**

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

	Current Period <sup>(1)</sup> 31 December 2018	Prior Period 31 December 2017
<b>I. DISTRIBUTION OF CURRENT PERIOD PROFIT</b>		
1.1 CURRENT PERIOD PROFIT	57,119	39,760
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(18,869)	(7,744)
1.2.1 Corporate Tax (Income Tax)	(16,234)	(9,829)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties	(2,635)	2,085
<b>A. NET PROFIT FOR THE YEAR (1.1-1.2)</b>	<b>38,250</b>	<b>32,016</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	1,392
1.5 OTHER STATUTORY RESERVES (-) <sup>(2)</sup>	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>38,250</b>	<b>30,624</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	-	4,624
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	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>	-	-
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
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

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

**HALK FAKTORİNG ANONİM ŞİRKETİ**  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018  
(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 factoring services. 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 2018, the number of employees of the Company is 78 (31 December 2017: 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 appendices and interpretations promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred to as "BRSA Accounting and Reporting Legislation").

In accordance with the "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published by BRSA dated 2 May 2018, factoring, leasing, and financing companies are not have to implement IFRS 9 as of 31 December 2018. In this context, the Company continues to implement current legislation.

In compliance with the transition requirements of TFRS 9, the prior period financial statements and notes are not restated. Since, the financial statements have been prepared on different basis for the year ended 2018 and 2017, financial statements for the year ended 2017 is presented separately.

**HALK FAKTORİNG ANONİM ŞİRKETİ**  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated. )

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

**2.1 Basis of Preparation (Continued)**

**2.1.1 Application of Accounting Standards (Cont'd)**

*Approval of Financial Statements*

On 14 February 2019, the Company's Board of Directors approved the balance sheet as of 31 December 2018 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 Presentation Currency**

The presentation and functional 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:

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

**2.1.4 Changes in Accounting Policies**

The material changes in accounting policies are applied on a retrospective basis and the comparative 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 and Revised Turkey Accounting Standards**

a) Amendments and interpretations that are effective since 2018

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>

**HALK FAKTORİNG ANONİM ŞİRKETİ**  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated. )

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

*2.1.5 New and Revised Turkey Accounting Standards (Continued)*

a) Amendments and interpretations that are effective since 2018 (Continued)

**IFRS 9 Financial Instruments**

IFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

**HALK FAKTORİNG ANONİM ŞİRKETİ**  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated. )

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

*2.1.5 New and Revised Turkey Accounting Standards (Continued)*

a) Amendments and interpretations that are effective since 2018 (Continued)

**IFRS 9 Financial Instruments**

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. As of 31 December 2018, IFRS 9 has not been applied. The Company continues to apply the existing legislation.

The Company provided 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.

In accordance with the "Regulation Amending the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" issued on 2 May 2018, the factoring, leasing and financing companies did not apply IFRS 9 as of 31 December 2018. In this context, the Company continues to apply the current legislation.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 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 IFRS 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 IFRS 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

IFRS 15 Revenue from Contracts with Customers does not have material impact on the Company's financial statements.



**HALK FAKTORİNG ANONİM ŞİRKETİ**  
NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated. )

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

*2.1.5 New and Revised Turkey Accounting Standards (Continued)*

a) Amendments and interpretations that are effective since 2018 (Continued)

**Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

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

Amendments to TFRS 10 and TAS 28 have no impact on Company's financial statements.

**Amendments to TFRS 2 Classification and Measurement of Share-Based Payment transactions**

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Amendments to TFRS 2 have no impact on the Company's financial statements.

**TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- 

TFRS Interpretation 22 has no impact on the Company's financial statements.

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

**2.1 Basis of Preparation (Continued)**

**2.1.5 New and Revised Turkey Accounting Standards (Continued)**

**a) Amendments and interpretations that are effective since 2018 (Continued)**

**Amendments to TAS 40 Transfers of Investment Property**

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to TAS 40 Transfers of Investment Property have no impact on the Company’s consolidated financial statements.

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

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to IFRS Standards 2014-2016 cycle have no impact on the Company’s consolidated financial statements.

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

TFRS 16	<i>Leases<sup>1</sup></i>
Amendments to TAS 28	<i>Long term interests in Associates and Joint Ventures<sup>1</sup></i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments<sup>1</sup></i>

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

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

**2.1 Basis of Preparation** *(Continued)*

**2.1.5 New and Revised Turkey Accounting Standards** *(Continued)*

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

**TFRS 16 Leases**

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 "Leases". The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16's approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

As of 31 December 2018, the Company does not have any non-cancellable operating lease commitments.

The Company will apply TFRS 16 on 1 January 2019. TFRS 16 has no material impact on the financial statements of the Company.

**Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures**

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

**TFRS Interpretation 23 Uncertainty over Income Tax Treatments**

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

**TFRS 10 and IAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

**Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

**Annual Improvements to IFRS Standards 2015–2017 Cycle**

*Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs*

The Company assess the possible impacts of the application of the amendments on the Company's financial statements.

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

**2.1 Basis of Preparation** *(Continued)*

**2.1.6** *Changes in Accounting estimates and errors*

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Company in the current year.

Material accounting errors are adjusted retrospectively and prior periods' financial statements are restated.

**2.1.7** *Comparative Information and Restatement of Prior Period Financial Statements*

The Company's financial statements have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences.

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

**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. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, factoring receivables are measured at amortized cost using the effective interest method, less any impaired losses.

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 criterias, is transferred to account of non-performing receivables and after the elimination of special provision, the rest of amount is shown on financial statements.

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

**2.2 Summary of significant accounting policies (Continued)**

**(a) Financial instruments (Continued)**

*Non-derivative financial instruments (Continued)*

Interest income and expense are accounted as described in Note 2.2.(h).

Other non-derivative financial instruments 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.

**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 part of an item of tangible assets 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 tangible assets are recognized in the income statement as incurred.

**(ii) Depreciation**

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible assets.

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

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

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

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

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**(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 into account for the collateral received.

The factoring receivables that have not been collected for less than a year classified as "Receivables to liquidate" under the doubtful 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.

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**(d) Impairment of assets (Continued)**

*Non-Financial assets (Continued)*

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 existing shareholders are accounted for at par value as approved at the annual meeting of shareholders.

**(f) Reserve for severance payments**

In accordance with the existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Those payments are calculated with basis of taking the upper limit of severance payment at the balance sheet date.

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Discount Rate	%5.45	%4.46
Interest Rate	%16.00	%11.25
Expected Salary/Limit Increase Rate	%10.00	%6.50
Expected severance payment benefit ratio	%94	%96

**(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 obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless it is realized

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**(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 operation income and expense*

Other operation income and expense is recognized on accrual basis.

**(i) Income tax**

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

*Corporate Tax*

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

*Deferred Tax*

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or their tax assets and liabilities will be realized simultaneously.

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 recognised 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. Deferred tax is calculated using the tax rates that are expected to be valid at the time that the temporary differences will close.

Valuation of assets on the statement of income as a result of these differences and deferred tax income or expense in the income statement on the relevant valuation of the asset is accounted for in equity as a result of the differences, the related deferred tax effect is also recognized in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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 (2017: 22-20%).



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

**2.2 Summary of Significant Accounting Policies (Continued)**

**(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 25).

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**(k) Subsequent events**

Subsequent events mean the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10, "Subsequent Events"; post-balance sheet events that provide additional information about the Company's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

**(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 business. Cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Cash flows relating to financing activities represent the sources of financing the Company used and the repayments of these sources.

As at 31 December 2018 and 31 December 2017, the cash and cash equivalents are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash	1	1
Banks	25,910	5,828
-Time deposits	24,500	-
-Demand deposits	1,410	5,828
<b>Cash and cash equivalents</b>	<b>25,911</b>	<b>5,829</b>

**(m) Segment reporting**

There is no segment that management of the Company performs the assessment of financial performances and decide the resource allocation.

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**(n) Foreign currency transactions**

Income and expenses deriving from transactions in foreign currencies have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at 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 was determined.

The foreign exchange rates used by the Company as at 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
US Dollar	5.2609	3.7719
Euro	6.0280	4.5155
GB Pound	6.6528	5.0803

**(o) Leases**

The rental income in which important portion of owner's risks and rewards are transferred to the leaseholder is classified as financial lease. All other leases are classified as operating leases. Rentals income under operating leases are recognized in profit or loss 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 income by the weighted average number of shares in issue during the year. In Turkey, companies can increase their share capitals by issue of "Bonus Shares" to their shareholders from their retained earnings. In computing earnings per share, such issues of "Bonus Shares" are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

**2.3 Financial Risk Management**

The Company has exposure to the following risks during the course of its operations:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

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

**2.3 Financial Risk Management (Continued)**

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 risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. 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.

**Credit risk**

Main activity of the Company is provide factoring services by dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults and operates regarding to the limits approved by "Credit and Risk Committee".

All credit risk policies are assessed within the framework of "Credit and Risk Committee Regulations" approval authorizations. The Company's exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Committee.

On the other hand credit evaluations are performed on all sector basis balanced. The Main Operation Department conducts the operations. The liaison office 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 and in the management of positions. 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 credit lines in the Banks. The Company's policy is to match cash out flows mainly arising from the repayments of the fund borrowed and cash inflows.

**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, control market risk exposures within acceptable parameters, while aiming to optimize the return of risk.

*Foreign Currency Risk*

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

As at 31 December 2018, the balance of foreign exchange borrowing is TL 4,123 (31 December 2017: TL 37,266).

*Interest rate risk*

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice 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.

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**3 FINANCIAL ASSETS, (Net)**

**3.1 Cash and Cash Equivalents**

As at 31 December 2018, cash at banks are as follows:

	<b>31 December 2018</b>	
	<b>TL</b>	<b>FC</b>
Cash and Cash Equivalents	25,515	396
<b>Total</b>	<b>25,515</b>	<b>396</b>

As at 31 December 2018, interest rate on time deposit is 21% and it has 2 days maturity.

**3.2 Banks**

	<b>31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
-Demand deposits	5,004	824
<b>Total</b>	<b>5,004</b>	<b>824</b>

As at 31 December 2017, there is no time deposit.

**4 LOANS, NET**

**4.1 Factoring Receivables**

As at 31 December 2018 and 31 December 2017 factoring receivables are as follows:

	<b>31 December 2018</b>	
	<b>TL</b>	<b>YP</b>
Discounted Factoring Receivables	133,637	57,399
Other Factoring Receivables	1,119,427	82,136
<b>Factoring Receivables, net</b>	<b>1,253,064</b>	<b>139,535</b>

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**4 LOANS, NET** (Continued)

**4.1 Factoring Receivables** (Continued)

	<b>31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
<b><i>Discounted Factoring Receivables-</i></b>		
Domestic factoring receivables	446,624	26,422
Export factoring receivables	-	37,895
Unearned factoring income	(16,301)	(464)
<b>Total</b>	<b>430,323</b>	<b>63,853</b>
<b><i>Other Factoring Receivables</i></b>		
Domestic factoring receivables	595,193	-
Foreign factoring receivables	-	122,562
<b>Total</b>	<b>595,193</b>	<b>122,562</b>
<b>Factoring receivables, net</b>	<b>1,025,516</b>	<b>186,415</b>

As at 31 December 2018, amount of guarantees received for factoring receivables is TL 32,760,192 (31 December 2017: TL 26,602,092) (Note 26).

As at 31 December 2018, the company has foreign currency indexed factoring receivables amounting to TL 3,111 (31 December 2017: 41,574 TL) (Note 27).

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**4 LOANS, NET** (Continued)

**4.1 FACTORING RECEIVABLES** (Continued)

As at 31 December 2018 and 31 December 2017, the breakdown of total factoring receivables including non-performing receivables by industrial groups is as follows:

	31 December 2018	%	31 December 2017	%
Cultural, entertainment and sport	758,117	54%	353,900	29%
Communication	156,503	11%	189,554	16%
Construction	146,174	10%	184,733	15%
Petroleum refinery products	102,458	7%	7,248	1%
Electricity gas and water supply	48,620	3%	55,490	4%
Textile products industry	41,875	3%	48,934	5%
Food and beverage industry	28,099	2%	38,697	3%
Sale of motor vehicles spare parts and accessories	17,793	1%	14,867	2%
Factoring companies	10,393	1%	76,381	6%
Main Metal Industry	9,976	1%	10,205	1%
Fabricated metal products industry	9,872	1%	22,551	2%
Plastic Products Production	5,816	1%	15,601	1%
Garment industry	5,657	1%	-	0%
Electricity Gas and Water Resource Companies	4,425	0%	7,582	1%
Road Freight Forwarding	4,304	1%	13,020	1%
Chemical and Chemical Products Industry	4,074	1%	16,018	1%
Health and Social Services	2,132	1%	29,043	2%
Animal Products	-	1%	8,255	1%
Hotels	-	0%	12,902	1%
Defense and Public Administration Institutions	-	0%	9,876	1%
Machinery & Equipment	-	1%	9,363	1%
Other	36,311	3%	87,711	7%
<b>Total</b>	<b>1,392,599</b>	<b>100%</b>	<b>1,211,931</b>	<b>100%</b>

Natures of factoring receivables are as follows:

	31 December 2018	31 December 2017
Domestic irrevocable	100,940	-
Foreign irrevocable	24,537	32,747
Domestic revocable	1,152,124	1,051,474
Foreign revocable	114,998	127,710
	<b>1,392,599</b>	<b>1,211,931</b>

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**4 LOANS, NET** (Continued)

**4.2 NON-PERFORMING RECEIVABLES**

Details of the Company's non-performing factoring receivables and provisions allocated for them as at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Factoring Receivables Under limited collectability	2,100	-	19,360	-
Factoring Receivables Under Follow-up	22,562	-	4,818	-
Specific provision	(24,662)	-	(24,178)	-
<b>Non-performing receivables(Net)</b>	-	-	-	-

Aging of non-performing factoring receivables and specific provision allocated for them as at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018		31 December 2017	
	Total doubtful factoring receivables	Allowance	Total doubtful factoring receivables	Allowance
No Overdue	445	(445)	57	(57)
Overdue 1 to 3 months	866	(866)	1,884	(1,884)
Overdue 3 to 6 months	469	(469)	2,754	(2,754)
Overdue 6 to 12 months	320	(320)	33	(33)
Overdue over 1 year	22,562	(22,562)	19,450	(19,450)
<b>Total</b>	<b>24,662</b>	<b>(24,662)</b>	<b>24,178</b>	<b>(24,178)</b>

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

	31 December 2018	31 December 2017
Balance at 1 January	24,178	23,315
Provision for the period (Note 21)	3,832	4,821
Recoveries during the period (-)(Note 20)	(3,348)	(3,958)
<b>Balance at the end of the period</b>	<b>24,662</b>	<b>24,178</b>



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**5 TANGIBLE ASSETS**

Movements of tangible assets for the years ended 31 December 2018 and 31 December 2017 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 2018	1,014	411	454	1,879
Additions	250	-	10	260
<b>Closing balance, 31 December 2018</b>	<b>1,264</b>	<b>411</b>	<b>464</b>	<b>2,139</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2018	(579)	(258)	(376)	(1,214)
Additions	(66)	(22)	(9)	(97)
<b>Closing balance, 31 December 2018</b>	<b>(645)</b>	<b>(280)</b>	<b>(386)</b>	<b>(1,311)</b>
<b>Net carrying value</b>	<b>619</b>	<b>131</b>	<b>78</b>	<b>828</b>

	<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	408	450	1,640
Additions	233	3	4	240
Disposals	-	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>1,014</b>	<b>411</b>	<b>454</b>	<b>1,879</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2017	(344)	(194)	(295)	(833)
Additions	(235)	(65)	(81)	(381)
<b>Closing balance, 31 December 2017</b>	<b>(579)</b>	<b>(258)</b>	<b>(376)</b>	<b>(1,214)</b>
<b>Net carrying value</b>	<b>435</b>	<b>152</b>	<b>78</b>	<b>665</b>

As at 31 December 2018 and 31 December 2017, there is no tangibles assets acquired through financial lease.

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**6 INTANGIBLE ASSETS**

Movements of intangible assets for the years ended 31 December 2018 and 31 December 2017 are as follows:

	<b>Computer Software</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>			
Opening balance, 1 January 2018	1,033	250	1,283
Additions	439	73	482
<b>Closing balance, 31 December 2018</b>	<b>1,472</b>	<b>323</b>	<b>1,765</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 January 2018	(524)	(171)	(695)
Additions	(366)	(105)	(470)
<b>Closing balance, 31 December 2018</b>	<b>(890)</b>	<b>(276)</b>	<b>(1,166)</b>
<b>Net carrying value</b>	<b>552</b>	<b>47</b>	<b>599</b>
<b>Cost</b>			
Opening balance, 1 January 2017	596	219	815
Additions	437	31	468
Disposals	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>1,033</b>	<b>250</b>	<b>1,283</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 January 2017	(381)	(111)	(492)
Additions	(143)	(60)	(203)
Disposals	-	-	-
<b>Closing balance, 31 December 2017</b>	<b>(524)</b>	<b>(171)</b>	<b>(695)</b>
<b>Net carrying value</b>	<b>509</b>	<b>78</b>	<b>588</b>

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**7 DEFERRED TAX ASSET 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 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 2017: 22-20%).

As at 31 December 2018 and 31 December 2017, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Deferred tax asset</b>		
Unearned interest income	1,632	3,688
Employee bonus accrual	322	252
Provision for termination employment benefits	103	99
<b>Total deferred tax asset</b>	<b>2,057</b>	<b>4,039</b>
<b>Other</b>	<b>(150)</b>	<b>(27)</b>
<b>Deferred tax asset, net</b>	<b>1,907</b>	<b>4,012</b>
	<b>31 December 2018</b>	<b>31 December 2017</b>
Opening balance	4,012	1,927
Deferred tax income / (expense)	(2,635)	2,085
Other	530	-
	<b>1,907</b>	<b>4,012</b>

**8 OTHER ASSETS**

As at 31 December 2018, details of other assets are as follows:

	<b>31 December 2018</b>	
	<b>TL</b>	<b>FC</b>
Customer BSMV Receivables	4,230	52
Prepaid Expenses(*)	813	41
Advances given (Personnel)	10	-
Court Advances	95	-
Other	21	15
	<b>5,169</b>	<b>108</b>

(\*) Prepaid Expenses consist of 813 TL from insurance expenses and 41 TL annual fee paid to FCI (Factors Chain International).

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**8 OTHER ASSETS (Continued)**

*Other Receivables*

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

	31 December 2017	
	TL	FC
Customer BSMV Receivables	1,650	12
<b>Total</b>	<b>1,650</b>	<b>12</b>

*Prepaid Expenses*

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

	31 December 2017	
	TL	FC
Sigorta giderleri	457	-
Peşin ödenmiş aidat gideri	-	31
<b>Total</b>	<b>457</b>	<b>31</b>

*Other Assets*

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

	31 December 2017	
	TL	FC
Advances given (Personnel)	5	-
Court Advances	-	-
Other	20	-
<b>Total</b>	<b>25</b>	

**9 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**

As of December 31, 2018, assets of the Company related to the assets held for sale and discontinued operations are as follows (31 December 2017: None).

	31 December 2018	
	TL	FC
Assets Held for Sale	1,221	-
<b>Total</b>	<b>1,221</b>	

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**10 FUNDS BORROWED**

As at 31 December 2018 and 31 December 2017, details of funds borrowed are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Bank loans	904,190	130,825	952,140	156,054
<b>Total</b>	<b>904,190</b>	<b>130,825</b>	<b>952,140</b>	<b>156,054</b>

As at 31 December 2018 and 31 December 2017 maturity distribution of loans used by the Company are as follows:

Distribution of loans according to maturity	31 December 2018	31 December 2017
Maturity less than 1 year	1,035,015	1,108,194
<b>Total</b>	<b>1,035,015</b>	<b>1,108,194</b>

	31 December 2018	31 December 2017
<b>Short term financial liabilities</b>		
Short-term secured domestic bank loans (*)	579,780	25,863
Short-term unsecured domestic bank loans	211,950	677,238
Short-term unsecured international bank loans	243,285	405,093
<b>Total</b>	<b>1,035,015</b>	<b>1,108,194</b>

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

As at 31 December 2018, foreign currency indexed borrowings have been presented in TL column in the accompanying balance sheet TL 4,123 (31 December 2017:TL 37,266).

Currency	Maturity	Rate type	Interest rate	31 December 2018		Interest rate	31 December 2017	
				Amount in FC	TL		Amount in FC	TL
TL	2018	Fixed	%17.45-%35.80	904,190	904,190	%13.40-%16.40	950,140	914,875
Euro	2018	Fixed	%1.60-%0.40	16,390	98,801	%0.4-%3.5	19,487	87,994
US Dollar	2018	Fixed	%2.52-%6.50	5,673	29,846	%2.38-%6.5	17,259	65,098
GB Pound	2018	Fixed	%2.62	327	2,178	%1.5-%2.4	113	841
Canadian Dollar	2018	Fixed	-	-	-	%2.75	1,025	2,121
					<b>1,035,015</b>			<b>1,108,194</b>

**11 FACTORING PAYABLES**

As at 31 December 2018 and 31 December 2017, details of factoring payables are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Revocable	2,310	-	2,307	-
Irrevocable	-	107	-	755
<b>Total</b>	<b>2,310</b>	<b>107</b>	<b>2,307</b>	<b>755</b>

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**12 SECURITIES ISSUED (Net)**

As of 31 December 2018 and 31 December 2017, the details of the securities issued are as follows

	31 December 2018		31 December 2017	
	TL	YP	TL	YP
Bonds	210,000	-	-	-
Discount on bonds	(5,088)	-	-	-
<b>Total</b>	<b>204,912</b>	<b>-</b>	<b>-</b>	<b>-</b>

On October 17, 2018 and October 23, 2018, the Company has issued two separate bonds to the qualified investors amounting to TL 105,000 and TL 105,000, respectively.

	Currency	Maturity Date	Interest Type	Interest Rate	Nominal Amount	Recorded Amount
TRFHFAS11918	105,000	16 January 2019	Fixed	29,5%	105,000	103,735
TRFHFAS21917	105,000	20 february 2019	Fixed	28,5%	105,000	101,177
<b>Total</b>	<b>210,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204,912</b>

**13 PROVISIONS**

As at 31 December 2018, details of provisions are as follows:

	31 December 2018	
	TL	FC
<i>Provision for employee benefits</i>		
Employee bonus accrual	1,462	-
Reserve for employee severance indemnity	279	-
Vacation pay liability	175	-
<i>Other provisions</i>	-	-
Other provisions	28,671	-
	<b>30,587</b>	<b>-</b>

As at 31 December 2017, details of provisions for debts and expenses are as follows:

	31 December 2018	
	TL	FC
<i>Provision for employee benefits</i>		
Employee bonus accrual	1,051	-
Reserve for employee severance indemnity	220	-
Vacation pay liability	251	-
<i>Other provisions</i>	-	-
Other provisions	227	-
	<b>1,749</b>	<b>-</b>

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**13 PROVISIONS** (Continued)

**13.1 Reserve for employee severance indemnity**

In accordance with the existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. 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 5,001.76 (31 December 2017: TL 4,732.48) as at 31 December 2018 per year of employment at the rate of pay applicable at the date of retirement or termination.

Movement of reserve for employee severance indemnity during the period ended 31 December 2018 and 31 December 2017 are as follows:

All actuarial gains and losses are recognized in other comprehensive income.

	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
Opening balance, 1 January	220	158
Service cost	49	88
Interest cost	10	19
Payment made during the period	-	(22)
Actuarial loss / (gain)	-	(23)
<b>Closing balance, 31 December</b>	<b>279</b>	<b>220</b>

Movements of vacation pay liability for the years ended 31 December 2018 and 31 December 2017 are as follows:

	<b>1 January 2018 31 December 2018</b>	<b>1 January 2017 31 December 2017</b>
Opening balance	251	214
Payment made during the period	-	(103)
Calculated during the period	(76)	140
<b>Closing balance</b>	<b>175</b>	<b>251</b>

Movements of employee bonus accruals for the years ended 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Opening balance	1,051	938
Payment made during the period	(1,051)	(722)
Canceled during the period	-	(216)
Calculated during the period	1,462	1,051
<b>Closing balance</b>	<b>1,462</b>	<b>1,051</b>

**13.2 Other Provisions**

As of 31 December 2018, TL 7 of the other provisions consists of provision for litigation (31 December 2017: TL 98). The Company management and its attorneys concluded that the amount of litigation was sufficient.

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**14 CURRENT PERIOD TAX ASSET/(debt)**

The Company has no current tax asset (31 December 2017: None). The Company's current tax liability is TL 5,090 after tax paid in advance (31 December 2017: TL 3,008).

**15 OTHER PAYABLES AND DEFERRED INCOME**

**15.1** The details of other liabilities as of 31 December 2018 are as follows:

	31 December 2018	
	TL	FC
Taxes Payable	5,062	-
Other Purchase Payables	383	83
Payables to Personnel	6	-
Unearned Commission and earnings from expenses	249	189
<b>Total</b>	<b>5,700</b>	<b>272</b>

**15.2** The details of other liabilities as of 31 December 2017 are as follows:

*Taxes Payable and Liabilities*

	31 December 2017	
	TL	FC
BSMV Payable	1,605	-
Premiums Payable	304	-
Income Tax Payable	103	-
Other	115	-
<b>Total</b>	<b>2,127</b>	<b>-</b>

*Other Liabilities*

	31 December 2017	
	TL	FC
Other Purchase Payables	405	76
Payables to Personnel	13	-
<b>Total</b>	<b>418</b>	<b>76</b>

*Deferred Income*

	31 December 2017	
	TL	FC
Unearned Commission and earnings from expenses	236	225
	<b>236</b>	<b>225</b>



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**16 EQUITY**

**16.1 Paid-in capital**

The Company's paid-in capital is amounting to TL 96,000 (31 December 2017: TL 70,000) comprised of 96,000 (31 December 2017: 70,000) shares with each has a nominal value of TL 1.

Paid-in capital of the Company was increased by TL 26,000 from retained earnings to TL 96,000 from TL 26,000 by the decision of General Assembly as at 20 April 2018.

As at 31 December 2018 and 31 December 2017, the Company's shareholder structure is as follows:

	31 December 2018		31 December 2017	
	Amount	Share	Amount	Share
T.Halk Bankası A.Ş.	93,600	%97.50	68,250	%97.50
Halk Yatırım Menkul Değerler A.Ş.	1,190	%1.24	868	%1.24
Halk Finansal Kiralama A.Ş.	1,190	%1.24	868	%1.24
Halk Portföy Yönetimi A.Ş.	-	%0.00	7	%0.01
Halk Hayat ve Emeklilik A.Ş.	10	%0.01	-	%0.00
Bileşim Alternatif Dağıtım Kanalları A.Ş.	10	%0.01	7	%0.01
<b>Paid in capital</b>	<b>96,000</b>	<b>100</b>	<b>70,000</b>	<b>100</b>

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

**16.2 Capital Reserves**

As at 31 December 2018 and 31 December 2017, the Company has no capital reserves.

**16.3 Profit Reserves**

As at 31 December 2018, profit reserve is amounting to TL 10,095 (31 December 2017: TL 4,079).

**16.4 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. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

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**17 OPERATING INCOME**

For the years ended 31 December 2018 and 31 December 2017 , details of operating income are as follows:

	<b>1 January-31 December 2018</b>	<b>1 January- 31 December 2017</b>
Interest income on factoring receivables		
- Discounted	79,151	54,881
- Other	248,215	104,681
	<b>327,366</b>	<b>159,562</b>
Fees and commissions on factoring receivables		
- Discounted	2,042	804
- Other	11,445	8,616
	<b>13,487</b>	<b>9,420</b>
<b>Operating Income</b>	<b>340,853</b>	<b>168,982</b>

**18 FINANCING COSTS**

For the years ended 31 December 2018 and 31 December 2017, details of financing expenses are as follows:

	<b>1 January-31 December 2018</b>	<b>1 January- 31 December 2017</b>
Interest expense on funds borrowed	235,392	112,198
Fees and commission expenses	6,368	1,134
<b>Total</b>	<b>241,760</b>	<b>113,332</b>

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**19 OPERATING EXPENSES**

For the years ended 31 December 2018 and 31 December 2017, details of operating expenses are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Personnel expenses	11,089	11,206
Rent expenses	1,137	1,046
Depreciation and amortization expenses	567	584
Vehicle expenses	828	651
Subscription and contribution expenses	501	440
Advertising and announcement expenses	349	251
Taxes and funds expense	321	218
Communication expenses	282	242
Benefits and services provided outside	241	1,045
Office expenses	195	170
IT expenses	174	215
Representation expenses	73	76
Notary expenses	66	45
Severance pay provision expenses	59	109
Stationary and printing expenses	52	48
Travel and accommodation expenses	25	17
Repair and maintenance expense	5	11
Other	1,636	303
<b>Total</b>	<b>17,600</b>	<b>16,667</b>

For the years ended 31 December 2018 and 31 December 2017, details of personnel expenses included in operating expenses are as follows:

	1 January-31 December 2018	1 January- 31 December 2017
Wages and salaries	6,163	6,842
Bonuses and premiums	1,879	1,646
Social security premium employer's share	1,782	1,513
Employee insurance expenses	606	500
Others	659	705
<b>Total</b>	<b>11,089</b>	<b>11,206</b>

**20 OTHER OPERATING INCOME**

For the years ended 31 December 2018 and 31 December 2017, details of other income are as follows:

	2018	2017
Foreign exchange gain	307,771	34,449
Collection income from non performing receivables (Note 4.2)	3,348	3,958
Interest received from banks	850	12
Other	824	402
<b>Total</b>	<b>312,793</b>	<b>38,821</b>

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**21 PROVISIONS**

For the years ended 31 December 2018 and 31 December 2017, details of specific allowance for doubtful receivables are as follows:

	1 January-31 December 2018	1 January- 31 December 2017
Specific provision (Note 4.2)	(3,832)	(4,821)
Other provisions	(28,618)	-
<b>Total</b>	<b>(32,450)</b>	<b>(4,821)</b>

**22 OTHER OPERATING EXPENSES**

For the years ended 31 December 2018 and 31 December 2017, details of other expenses are as follows:

	1 January-31 December 2018	1 January- 31 December 2017
Foreign exchange loss	(304,554)	(33,207)
Other	(163)	(16)
<b>Total</b>	<b>(304,717)</b>	<b>(33,223)</b>

**23 TAXATION**

As at 31 December 2018, corporate income tax is levied at the rate of 22% (2017: 20%). Corporate tax rate is levied 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 of 23 July 2006-26237. 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 Tax Treaty 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. This kind of disguised profit distribution via transfer pricing will not be deducted from the corporate tax. 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.

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**23 TAXATION (Continued)**

The reported income tax expense for the years ended 31 December 2018 and 31 December 2017 are different than the amounts computed 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 2018</b>	<b>31 December 2017</b>
Profit before tax	57,119	39,760
Tax computed using statutory tax rate	(12,566)	(7,952)
Tax reconciliation:		
- (Non deductible expenses) / Deductions	(6,303)	208
<b>Tax expense on income statement</b>	<b>(18,869)</b>	<b>(7,744)</b>

For the years ended 31 December 2018 and 31 December 2017 tax expense in the income statement are summarized below:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Corporate tax provision expense	(16,234)	(9,829)
Deferred tax income / (expense)	(2,635)	2,085
<b>Tax provision</b>	<b>(18,869)</b>	<b>(7,744)</b>

**24 EARNINGS PER SHARE**

According to TAS 33 “Earning Per Share”, companies’ share that are not quoted do not have to disclose earnings per share. The Company’s share are not quoted, and earnings/loss per share are not calculated in the accompanying financial statements.

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**25 RELATED PARTY DISCLOSURES**

For the years ended from the details of transactions with related parties as at 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b><u>Bank Deposits</u></b>		
T.Halk Bankası AŞ	25,494	4,275
<b><u>Sundry Liabilities (*)</u></b>		
Halk Sigorta AŞ	282	80

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

For the years ended from the details of transactions with related parties as at 31 December 2018 and 31 December 2017 are as follows:

	<b>2018</b>	<b>2017</b>
<b><u>Interest Income From Related Parties</u></b>		
T.Halk Bankası A.Ş.	850	-
<b><u>Other Income From Related Parties</u></b>		
T.Halk Bankası A.Ş.	-	15
<b><u>Interest Expense Due To Related Parties</u></b>		
T.Halk Bankası A.Ş.	3,712	7,638
<b><u>Insurance Expenses Due To Related Parties</u></b>		
Halk Hayat ve Emeklilik A.Ş.	141	60
Halk Sigorta A.Ş.	487	191
<b><u>Other expenses Due To Related Parties</u></b>		
Halk Yatırım AŞ	441	

**Directors' Remuneration**

The key management and the Board of Directors received remuneration and fees amounting to TL 1,332 for the year ended 31 December 2018 (31 December 2017: TL 1,781).

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**26 CONTINGENT ASSETS AND LIABILITIES**

**Collateral received**

The Company has the following collaterals for its factoring receivables at 31 December 2018 and 31 December 2017:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Pledges	23,893,517	8,827,105	19,884,765	6,677,758
Mortgages	39,560	-	9	-
Letters of guarantees	10	-	39,560	-
	<b>23,933,087</b>	<b>8,827,105</b>	<b>19,924,334</b>	<b>6,677,758</b>

**Commitments**

As at 31 December 2018 and 31 December 2017, commitments are comprised of notes given to the following institutions:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Notes given to the courts	469	-	-	-
Commitments given to Takasbank	563,000	-	50,216	-
	<b>563,469</b>	<b>-</b>	<b>50,216</b>	<b>-</b>

**Held in custody securities**

The Company has obtained securities held in custody for its factoring receivables at 31 December 2018 and 31 December 2017 as detailed below:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Customer checks	233,193	25,432	512,528	66,407
Customer notes	8,261	3,015	2,162	1,773
Pledged securities	-	16	-	12
	<b>241,454</b>	<b>28,463</b>	<b>514,690</b>	<b>68,192</b>

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

**27.1 Credit risk**

As at 31 December 2018 and 31 December 2017, sectoral allocation of factoring receivables was presented on Note 4. The Company's credit risk is not concentrated in a particular sector.

	31 December 2018			
	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	-	1,392,599	25,910	5,277
	-	1,392,599	-	-
A) Net carrying value of financial assets which are neither impaired nor overdue	-	1,392,599	25,910	5,277
- Secured portion of net carrying value (with letter of guarantee etc)	-	1,392,599	-	-
B) Net carrying value of financial assets that are restructured/renewed, otherwise which will be regarded as overdue or impaired	-	-	-	-
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-	-
C) Net carrying value of financial assets which are overdue but not impaired	-	-	-	-
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-	-
D) Net carrying value of impaired assets	-	-	-	-
- Overdue (gross carrying value)	-	24,662	-	-
- Impairment (-)	-	(24,662)	-	-
- 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	-	-	-	-



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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**27.1 Credit risk (continued)**

	31 December 2017			Factoring receivables		Time deposit on	
	As of the reporting date this is the maximum credit risk exposure	Related party	Other party	banks	Other assets		
- Credit risk with collateral secured portion	-	-	1,211,931	5,828	25		
A) Net carrying value of financial assets which are neither impaired nor overdue	-	-	1,211,931	-	-		
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	1,210,269	5,828	25		
B) Net carrying value of financial assets that are restructured/renegotiated, otherwise which will be regarded as overdue or impaired	-	-	-	-	-		
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-	-	-		
C) Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-		
- Secured portion of net carrying value (with letter of guarantee etc)	-	-	-	-	-		
D) Net carrying value of impaired assets	-	-	-	-	-		
- Overdue (gross carrying value)	-	-	24,178	-	-		
- Impairment (-)	-	-	(24,178)	-	-		
- 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	-	-	-	-	-		

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(CONTINUED)**

**27.2 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

<b>31 December 2018</b>						
<b>Maturites on agreement</b>	<b>Carrying amount</b>	<b>Contractual Cash Flows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Non derivative financial liabilities</b>	<b>1,043,132</b>	<b>(1,050,231)</b>	<b>(1,042,581)</b>	<b>(19,050)</b>	-	-
Funds borrowed	1,035,015	(1,053,514)	(1,034,464)	(19,050)	-	-
Factoring liabilities	2,417	(2,417)	(2,417)	-	-	-
Other liabilities	5,972	(5,972)	(5,972)	-	-	-
<b>31 December 2017</b>						
<b>Maturites on agreement</b>	<b>Carrying amount</b>	<b>Contractual Cash Flows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Non derivative financial liabilities</b>	<b>1,112,290</b>	<b>(1,119,050)</b>	<b>(990,053)</b>	<b>(126,073)</b>	<b>(2,924)</b>	-
Funds borrowed	1,108,194	(1,114,954)	(985,957)	(126,073)	(2,924)	-
Factoring liabilities	3,602	(3,602)	(3,602)	-	-	-
Other liabilities	494	(494)	(494)	-	-	-

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**27.3 Market Risk**

*Interest Rate Risk*

As at 31 December 2018 and 31 December 2017, the weighted average effective interest rate of financial instruments are as follows:

	2018				2017			
	TL	EUR	USD	GBP	TL	EUR	USD	GBP
<b>Assets</b>								
<b>Banks</b>								
-Time deposits	-	-	-	-	-	-	-	-
Factoring receivables	%29.55	%3.62	%3.09	%3.15	%18.67	%3.92	%6.35	%4.10
<b>Liabilities</b>								
Bono	%29.00	-	-	-	-	-	-	-
Funds borrowed	%26.78	%1.80	%2.66	%2.62	%26.51	%1.73	%4.33	%2.40

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

	31 December 2018	31 December 2017
<b>Fixed Rate</b>		
<i>Financial Assets</i>		
Factoring receivables	1,392,599	1,211,931
<i>Financial Liabilities</i>		
Funds borrowed	1,035,015	1,108,194
Securities Issued	204,912	-
Factoring liabilities	2,417	3,062

*Interest rate sensitivity of assets:*

As at 31 December 2018 there is no floating rate instrument (31 December 2017: None).

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)****27.3 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.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has closed foreign currency position as at 31 December 2018. 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 2018 and 31 December 2017, TL equivalent of foreign currency denominated assets and liabilities held by the company are as follows:

<b>31 December 2018</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other foreign currencies</b>	<b>Total</b>
Banks	301	90	5	396
Factoring receivables and non-performing receivables (*)	35,689	104,581	2,376	142,647
Other assets	88	20	-	108
<b>Total foreign currency assets</b>	<b>36,078</b>	<b>104,691</b>	<b>2,381</b>	<b>143,150</b>
Fund borrowed (**)	33,969	98,801	2,178	134,948
Other liabilities	75	30	2	107
Factoring liabilities	29	230	13	272
<b>Total Foreign Currency Liabilities</b>	<b>34,073</b>	<b>99,061</b>	<b>2,193</b>	<b>135,327</b>
<b>Balance sheet position</b>	<b>2,005</b>	<b>5,630</b>	<b>188</b>	<b>7,823</b>
<b>Off-balance sheet position</b>	-	-	-	-
<b>Net foreign currency position</b>	<b>2,005</b>	<b>5,630</b>	<b>188</b>	<b>7,823</b>

(\*)As at 31 December 2018 foreign currency indexed factoring receivables amount TL 3,111 presented in the financial statements in TL column.

(\*\*)As at 31 December 2018 foreign currency indexed fund borrowed amount TL 4,123 presented in the financial statements in TL column.

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(CONTINUED)**

**27.3 Market Risk (Continued)**

*Foreign currency risk (continued)*

<b>31 December 2017</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other foreign currencies</b>	<b>Total</b>
Banks	641	178	5	824
Factoring receivables and non-performing receivables (*)	91,049	131,672	5,268	227,989
Other assets	10	33	-	43
<b>Total foreign currency assets</b>	<b>91,700</b>	<b>131,883</b>	<b>5,273</b>	<b>228,856</b>
Fund borrowed (**)	87,994	100,112	5,214	193,320
Other liabilities	32	257	12	301
Factoring liabilities	283	472	-	755
<b>Total Foreign Currency Liabilities</b>	<b>88,309</b>	<b>100,841</b>	<b>5,226</b>	<b>194,376</b>
<b>Balance sheet position</b>	<b>3,391</b>	<b>31,042</b>	<b>47</b>	<b>34,480</b>
<b>Off-balance sheet position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>3,391</b>	<b>31,042</b>	<b>47</b>	<b>34,480</b>

(\*)As at 31 December 2017 foreign currency indexed factoring receivables amount to TL 41,574 presented in the financial statements in TL column.

(\*\*)As at 31 December 2017 foreign currency indexed fund borrowed amount TL 37,266 presented in the financial statements in TL column.

*Foreign Currency Risk Sensitivity*

As at 31 December 2018, 20 percent weakening 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 at 31 December 2018 and 31 December 2017. 20% appreciated of TL against the currencies below increased the profit by the same amount presented below.

	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
USD	401	339
EUR	1,126	3,104
Other	38	5
<b>Total</b>	<b>1,565</b>	<b>3,448</b>

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**27.4 Fair Values of Financial Instruments**

<u>31 December 2018</u>	<u>Amortized financial assets</u>	<u>Amortized financial liabilities</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<b><u>Financial Assets</u></b>				
Cash and Cash Equivalents	25,911	-	25,911	25,911
Loans , net	1,392,599		1,392,599	1,392,599
<b><u>Financial Liabilities</u></b>				
Funds Borrowed	-	1,035,015	1,035,015	1,035,015
Factoring liabilities		2,417	2,417	2,417
Securities Issued		204,912	204,912	204,912
Other liabilities	-	5,972	5,972	5,972
<b><u>31 December 2017</u></b>				
<b><u>Financial Assets</u></b>				
Banks	5,828	-	5,828	5,828
Factoring Receivables and Non Performing Receivables	1,211,931	-	1,211,931	1,211,931
<b><u>Financial Liabilities</u></b>				
Funds Borrowed	-	1,108,194	1,108,194	1,108,194
Factoring liabilities	-	3,062	3,062	3,062
Other liabilities	-	494	494	494

Banks, factoring receivables 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.

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(CONTINUED)**

**27.4 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).

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 2018, there is no financial assets and liabilities at fair value through profit or loss (31 December 2017: None).

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**27 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)**

**27.5 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 19.

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 2018 and 31 December 2017, equity to debt ratios are as follows:

	<u>2018</u>	<u>2017</u>
Total liabilities <sup>(1)</sup>	1,242,344	1,111,750
Cash and cash equivalents (-)	25,911	5,829
Net liabilities	1,216,433	1,105,921
Total shareholders' equity	144,355	106,105
Shareholders' equity / debt	%12	%10

<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.

**28 OTHER MATTERS**

One of the former directors of the Company's main shareholder, Türkiye Halk Bankası A.Ş. (the Parent Bank), has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Parent Bank such as appeal and other legal rights following the first phase of the trial.

The Parent 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 Parent Bank.

The Parent 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 main shareholder the Parent 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 Parent Bank will continue to adopt the same policies of transparency and compliance with international regulations.

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



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**29 EVENTS AFTER THE REPORTING PERIOD**

None.