

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

**FİBA FAKTORİNG
ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018 AND
INDEPENDENT AUDITOR'S REPORT**

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Fiba Faktoring A.Ş.

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Fiba Faktoring A.Ş. ("the Company"), which comprise the balance sheet as at 31 December 2018, and the statement of income, statement of income and expenses and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 communiques, 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 of Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) 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>Determination, Classification, Measurement and Accounting of Losses Related to Factoring Receivables</p> <p>The factoring receivables of Fiba Faktoring A.Ş. consist of domestic and international import-export receivables. As of 31 December 2018, the Company's total factoring receivables is TL 883.901 Thousand, receivables at default risk are amounted to TL 79.492 thousand and the special provision amount is TL 60.742 thousand as detailed in Note 4.1 and 4.2. The Company regulates the recognition of non-performing receivables and accounting of provisions related to these receivables in accordance with the Communiqué on the Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Financing Companies ("Communique"). The Company might have not been able to determine the losses accurately and perform loss accounting while complying with the related legislation provisions, or it might have been able to determine losses accurately however not comply with provision ratios stated in the legislation, it might have not measured the quality of collateral accurately considering the collaterals and considered quality of collateral higher than its value or different ratios from the rates specified in the regulation in the process of loss accounting.</p> <p>Results arising from the risks stated above might have a material impact on the balance sheet and the statement of income, since the Company's principle activity and the largest balance sheet item line is factoring receivables.</p> | <p>Within the scope of our audit activities, we have evaluated the design and implementation of key controls that we consider significant in terms of allocation, accounting and reclassification, derecognition of factoring receivables and determination of impairment and the accounting of the impairment calculations in accordance with the related legislation.</p> <p>Based on our audit methodology and professional experience, we have tested the factoring receivables by sampling method in order to determine whether they have an impairment loss. In addition, we have tested whether the specific provisions, which are made for assets classified as non-performing loans, are calculated on time and in accordance with the related legislation.</p> |

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting 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.



5) 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 ("TCC") No. 6102, 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 the 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 the 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 Hasan Kılıç.

Additional Paragraph for English Translation

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

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



Hasan Kılıç
Partner

İstanbul, 28 February 2019

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as of 31 December 2018

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

| ASSETS | Notes | Audited 31 December 2018 | | |
|---|------------|-----------------------------|---------------|------------------|
| | | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 89.706 | 36.647 | 126.353 |
| 1.1 Cash and Cash Equivalents | 3.1 | 30.570 | 36.647 | 67.217 |
| 1.2 Financial Assets at Fair Value Through Profit and Loss | | - | - | - |
| 1.3 Financial Assets at Fair Value Through Other Comprehensive Income | 3.2 | 53.835 | - | 53.835 |
| 1.4 Financial Assets at Amortised Cost | | - | - | - |
| 1.5 Derivative Financial Assets | 3.3 | 5.301 | - | 5.301 |
| 1.6 Non-Performing Financial Assets | | - | - | - |
| 1.7 Specific Provisions / Expected Loss Provision (-) | | - | - | - |
| II. LOANS (Net) | | 867.409 | 16.492 | 883.901 |
| 2.1 Factoring Receivables | 4.1 | 848.659 | 16.492 | 865.151 |
| 2.1.1 Discounted Factoring Receivables (Net) | | 576.013 | 11.364 | 587.377 |
| 2.1.2 Other Factoring Receivables | | 272.646 | 5.128 | 277.774 |
| 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 | | - | - | - |
| 2.3.1 Receivables From Leasing Activities (Net) | | - | - | - |
| 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 Leasing Activities | | - | - | - |
| 2.4 Non-Performing Loans (Net) | 4.2 | 18.750 | - | 18.750 |
| 2.4.1 Non-Performing Factoring Receivables | | 79.492 | - | 79.492 |
| 2.4.2 Non-Performing Financial Loans | | - | - | - |
| 2.4.3 Non-Performing Loans from Leasing Activities | | - | - | - |
| 2.4.4 Special Provisions (-) | | (60.742) | - | (60.742) |
| 2.5 Expected Credit Losses (-) | | - | - | - |
| III. EQUITY INVESTMENTS (Net) | | - | - | - |
| 3.1 Associates (Net) | | - | - | - |
| 3.1.1 Associates Under Equity Accounting | | - | - | - |
| 3.1.2 Unconsolidated Associates | | - | - | - |
| 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 Under Equity Accounting | | - | - | - |
| 3.3.2 Unconsolidated Joint-Ventures | | - | - | - |
| IV. TANGIBLE ASSETS (Net) | 5 | 4.307 | - | 4.307 |
| V. INTANGIBLE ASSETS (Net) | 6 | 256 | - | 256 |
| VI. INVESTMENT PROPERTIES (Net) | 7 | 16.444 | - | 16.444 |
| VII. CURRENT TAX ASSETS | 8 | 7.826 | - | 7.826 |
| VIII. DEFERRED TAX ASSETS | 8 | 6.287 | - | 6.287 |
| IX. OTHER ASSETS | 9 | 7.039 | 34 | 7.073 |
| SUBTOTAL | | 999.274 | 53.173 | 1.052.447 |
| X. ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 10.1 Held for Sale | | - | - | - |
| 10.2 Related to Discontinued Operations | | - | - | - |
| TOTAL ASSETS | | 999.274 | 53.173 | 1.052.447 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as of 31 December 2017

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

| ASSETS | Notes | Audited 31 December 2017 | | |
|--|-------|-----------------------------|---------------|------------------|
| | | TL | FC | Total |
| I. CASH AND CASH EQUIVALENTS and CENTRAL BANK | | 3 | - | 3 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net) | | 6.717 | - | 6.717 |
| 2.1 Financial Assets Held for Trading | | - | - | - |
| 2.2 Financial Assets Designated at Fair Value Through Profit or Loss | | - | - | - |
| 2.3 Derivative Financial Assets Held for Trading Purpose | 3.3 | 6.717 | - | 6.717 |
| III. BANKS | 3.1 | 6.196 | 8.197 | 14.393 |
| IV. RECEIVABLES FROM REVERSE REPO TRANSACTIONS | | - | - | - |
| V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net) | 3.2 | 58.990 | 26.938 | 85.928 |
| VI. FACTORING RECEIVABLES | 4.1 | 1.231.458 | 19.102 | 1.250.560 |
| 6.1 Discounted Factoring Receivables | | 814.127 | 1.280 | 815.407 |
| 6.1.1 Domestic | | 849.577 | - | 849.577 |
| 6.1.2 Foreign | | - | 1.285 | 1.285 |
| 6.1.3 Unearned Revenue (-) | | (35.450) | (5) | (35.455) |
| 6.2 Other Factoring Receivables | | 417.331 | 17.822 | 435.153 |
| 6.2.1 Domestic | | 417.331 | - | 417.331 |
| 6.2.2 Foreign | | - | 17.822 | 17.822 |
| VII. FINANCING LOANS | | - | - | - |
| 7.1 Consumer Loans | | - | - | - |
| 7.2 Credit Cards | | - | - | - |
| 7.3 Installment Based Commercial Loans | | - | - | - |
| VIII. LEASING ACTIVITIES | | - | - | - |
| 8.1 Receivables From Leasing Activities | | - | - | - |
| 8.1.1 Finance Lease Receivables | | - | - | - |
| 8.1.2 Operating Lease Receivables | | - | - | - |
| 8.1.3 Unearned Revenue (-) | | - | - | - |
| 8.2 Investment in Progress Subject to Leases | | - | - | - |
| 8.3 Advances Given due to Leasing Activities | | - | - | - |
| IX. OTHER RECEIVABLES | | - | - | - |
| X. NON-PERFORMING RECEIVABLES | 4.2 | 7.165 | - | 7.165 |
| 10.1 Non-Performing Factoring Receivables | | 52.338 | - | 52.338 |
| 10.2 Non-Performing Financial Loans | | - | - | - |
| 10.3 Non-Performing Receivables from Leasing Activities | | - | - | - |
| 10.4 Special Provisions (-) | | (45.173) | - | (45.173) |
| XI. HEDGING DERIVATIVE FINANCIAL ASSETS | | - | - | - |
| 11.1 Fair Value Hedges | | - | - | - |
| 11.2 Cash Flow Hedges | | - | - | - |
| 11.3 Hedges of Net Investment in Foreign Operations | | - | - | - |
| XII. HELD-TO-MATURITY INVESTMENTS (Net) | | - | - | - |
| XIII. SUBSIDIARIES (Net) | | - | - | - |
| XIV. INVESTMENTS IN ASSOCIATES (Net) | | - | - | - |
| XV. JOINT-VENTURES (Net) | | - | - | - |
| XVI. TANGIBLE ASSETS (Net) | 5 | 4.150 | - | 4.150 |
| XVII. INTANGIBLE ASSETS (Net) | 6 | 113 | - | 113 |
| 17.1 Goodwill | | - | - | - |
| 17.2 Other Intangibles | | 113 | - | 113 |
| XVIII. PREPAID EXPENSES | | 824 | - | 824 |
| IXX. CURRENT PERIOD TAX ASSETS | | - | - | - |
| XX. DEFERRED TAX ASSETS | 8 | 4.286 | - | 4.286 |
| XXI. OTHER ASSETS | 9 | 20.909 | - | 20.909 |
| SUBTOTAL | | 1.340.811 | 54.237 | 1.395.048 |
| XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 22.1 Assets Held For Sale | | - | - | - |
| 22.2 Assets of Discontinued Operations | | - | - | - |
| TOTAL ASSETS | | 1.340.811 | 54.237 | 1.395.048 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as of 31 December 2018

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

| LIABILITIES AND EQUITY | | Audited 31 December 2018 | | |
|---|-------------|-----------------------------|-----------|------------------|
| | | TL | FC | Total |
| I. FUNDS BORROWED | 10 | 790.300 | - | 790.300 |
| II. FACTORING PAYABLES | 4.1 | 1.997 | 16 | 2.013 |
| III. FINANCE LEASE PAYABLES (Net) | | - | - | - |
| 3.1 Finance Lease Obligations | | - | - | - |
| 3.2 Operating Lease Obligations | | - | - | - |
| 3.3 Other | | - | - | - |
| 3.4 Deferred Finance Lease Expenses (-) | | - | - | - |
| IV. SECURITIES ISSUED (Net) | | 57.395 | - | 57.395 |
| 4.1 Bonds | 11 | 57.395 | - | 57.395 |
| 4.2 Asset Backed Securities | | - | - | - |
| 4.3 Bills | | - | - | - |
| V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS | | - | - | - |
| VI. DERIVATIVE FINANCIAL LIABILITIES | 3.4 | 9.915 | - | 9.915 |
| VII. PROVISIONS | 12 | 3.374 | - | 3.374 |
| 7.1 Restructuring Reserves | | - | - | - |
| 7.2 Reserve for Employee Benefits | | 3.374 | - | 3.374 |
| 7.3 General Provisions | | - | - | - |
| 7.4 Other Provisions | | - | - | - |
| VIII. CURRENT PERIOD TAX LIABILITY | | - | - | - |
| IX. DEFERRED TAX LIABILITY | | - | - | - |
| X. SUBORDINATED DEBT INSTRUMENTS | | - | - | - |
| XI. OTHER LIABILITIES | 13.1 | 4.736 | 67 | 4.803 |
| SUBTOTAL | | 867.717 | 83 | 867.800 |
| XII. PAYABLES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 12.1 Held For Sale | | - | - | - |
| 12.2 Related to Discontinued Operations | | - | - | - |
| XIII. SHAREHOLDERS' EQUITY | | 184.647 | - | 184.647 |
| 13.1 Paid-in Capital | 14.1 | 81.110 | - | 81.110 |
| 13.2 Capital Reserves | 14.2 | 2.295 | - | 2.295 |
| 13.2.1 Share Premiums | | - | - | - |
| 13.2.2 Share Cancellation Profits | | - | - | - |
| 13.2.3 Other Capital Reserves | 14.2 | 2.295 | - | 2.295 |
| 13.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss | | 129 | - | 129 |
| 13.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss | | - | - | - |
| 13.5 Profit Reserves | | 44.242 | - | 44.242 |
| 13.5.1 Legal Reserves | 14.3 | 41.289 | - | 41.289 |
| 13.5.2 Statutory Reserves | | - | - | - |
| 13.5.3 Extraordinary Reserves | | - | - | - |
| 13.5.4 Other Profit Reserves | 14.3 | 2.953 | - | 2.953 |
| 13.6 Profit or Loss | | 56.871 | - | 56.871 |
| 13.6.1 Prior Years' Profit or Loss | | 19.436 | - | 19.436 |
| 13.6.2 Net Profit or Loss for the Period | | 37.435 | - | 37.435 |
| TOTAL LIABILITIES AND EQUITY | | 1.052.364 | 83 | 1.052.447 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as of 31 December 2017

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

| LIABILITIES AND EQUITY | | Notes | Audited | | |
|------------------------|--|-------------|------------------|----------------|------------------|
| | | | 31 December 2017 | | |
| | | | TL | FC | Total |
| I. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | 3.4 | 4.401 | - | 4.401 |
| II. | BORROWINGS | 10 | 792.795 | 142.389 | 935.184 |
| III. | FACTORING PAYABLES | 4.1 | 373 | - | 373 |
| IV. | LEASE OBLIGATIONS | | - | - | - |
| 4.1 | Finance Lease Obligations | | - | - | - |
| 4.2 | Operating Lease Obligations | | - | - | - |
| 4.3 | Other | | - | - | - |
| 4.4 | Deferred Finance Lease Expenses (-) | | - | - | - |
| V. | SECURITIES ISSUED (Net) | | 216.845 | - | 216.845 |
| 5.1 | Bonds | 11 | 216.845 | - | 216.845 |
| 5.2 | Asset Backed Securities | | - | - | - |
| 5.3 | Bills | | - | - | - |
| VI. | OTHER LIABILITIES | 13.2 | 196 | 44 | 240 |
| VII. | OTHER MISCELLANEOUS PAYABLES | 13.2 | 448 | 6 | 454 |
| VIII. | HEDGING DERIVATIVE FINANCIAL LIABILITIES | | - | - | - |
| 8.1 | Fair Value Hedges | | - | - | - |
| 8.2 | Cash Flow Hedges | | - | - | - |
| 8.3 | Hedges of Net Investment in Foreign Operations | | - | - | - |
| IX. | TAXES AND DUTIES PAYABLES | 13.3 | 1.988 | - | 1.988 |
| X. | PROVISIONS FOR PAYABLES AND EXPENSES | 12 | 2.680 | - | 2.680 |
| 10.1 | Restructuring Reserves | | - | - | - |
| 10.2 | Reserve for Employee Benefits | | 2.680 | - | 2.680 |
| 10.3 | Other Provisions | | - | - | - |
| XI. | DEFERRED INCOME | | - | - | - |
| XII. | CURRENT PERIOD TAX LIABILITY | | 3.515 | - | 3.515 |
| XIII. | DEFERRED TAX LIABILITY | | - | - | - |
| XIV. | SUBORDINATED LOANS | | - | - | - |
| | SUBTOTAL | | 1.023.241 | 142.439 | 1.165.680 |
| XV. | PAYABLES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 15.1 | Held For Sale | | - | - | - |
| 15.2 | Related to Discontinued Operations | | - | - | - |
| XVI. | SHAREHOLDERS' EQUITY | 14 | 229.033 | 335 | 229.368 |
| 16.1 | Paid-in Capital | 14.1 | 81.110 | - | 81.110 |
| 16.2 | Capital Reserves | 14.2 | 2.295 | - | 2.295 |
| 16.2.1 | Share Premiums | | - | - | - |
| 16.2.2 | Share Cancellation Profits | | - | - | - |
| 16.2.3 | Other Capital Reserves | 14.2 | 2.295 | - | 2.295 |
| 16.3 | Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss | | - | - | - |
| 16.4 | Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss | | - | 335 | 335 |
| 16.5 | Profit Reserves | 14.3 | 94.332 | - | 94.332 |
| 16.5.1 | Legal Reserves | 14.3 | 41.289 | - | 41.289 |
| 16.5.2 | Statutory Reserves | | - | - | - |
| 16.5.3 | Extraordinary Reserves | | - | - | - |
| 16.5.4 | Other Profit Reserves | 14.3 | 53.043 | - | 53.043 |
| 16.6 | Profit or Loss | | 51.296 | - | 51.296 |
| 16.6.1 | Prior Periods' Profit or Loss | | 29.182 | - | 29.182 |
| 16.6.2 | Net Profit or Loss for the Period | | 22.114 | - | 22.114 |
| | TOTAL LIABILITIES AND EQUITY | | 1.252.274 | 142.774 | 1.395.048 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
Off-Balance Sheet Items as of 31 December 2018

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

| OFF-BALANCE SHEET ITEMS | | Notes | Audited 31 December 2018 | | |
|--------------------------------------|--|-------------|-----------------------------|----------------|-------------------|
| | | | TL | FC | Total |
| I. | RECOURSE FACTORING TRANSACTIONS | | 1.038 | 255 | 1.293 |
| II. | NON-RECOURSE FACTORING TRANSACTIONS | | 421.554 | 1.158 | 422.712 |
| III. | COLLATERALS RECEIVED | 23.1 | 10.813.918 | 416.714 | 11.230.632 |
| IV. | COLLATERALS GIVEN | 23.2 | 688.902 | - | 688.902 |
| V. | COMMITMENTS | | - | - | - |
| 5.1 | Irrevocable Commitments | | - | - | - |
| 5.2 | Revocable Commitments | | - | - | - |
| 5.2.1 | Lease Commitments | | - | - | - |
| 5.2.1.1 | Financial Lease Commitments | | - | - | - |
| 5.2.1.2 | Operating Lease Commitments | | - | - | - |
| 5.2.2 | Other Revocable Commitments | | - | - | - |
| VI. | DERIVATIVE FINANCIAL INSTRUMENTS | 23.3 | 99.241 | 109.821 | 209.062 |
| 6.1 | Hedging Derivative Financial Instruments | | - | - | - |
| 6.1.1 | Fair Value Hedges | | - | - | - |
| 6.1.2 | Cash Flow Hedges | | - | - | - |
| 6.1.3 | Net Foreign Investment Hedges | | - | - | - |
| 6.2 | Trading Transactions | | 99.241 | 109.821 | 209.062 |
| 6.2.1 | Forward Buy/Sell Transactions | | 27.721 | 34.196 | 61.917 |
| 6.2.2 | Swap Buy/Sell Transactions | | 71.520 | 75.625 | 147.145 |
| 6.2.3 | Options Buy/Sell Transactions | | - | - | - |
| 6.2.4 | Futures Buy/Sell Transactions | | - | - | - |
| 6.2.5 | Others | | - | - | - |
| VII. | ITEMS HELD IN CUSTODY | 23.4 | 656.419 | 54.519 | 710.938 |
| TOTAL OFF-BALANCE SHEET ITEMS | | | 12.681.072 | 582.467 | 13.263.539 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
Off-Balance Sheet Items as of 31 December 2017

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

| OFF-BALANCE SHEET ITEMS | | Notes | Audited 31 December 2017 | | |
|--------------------------------------|--|-------------|-----------------------------|----------------|-------------------|
| | | | TL | FC | Total |
| I. | RECOURSE FACTORING TRANSACTIONS | | 8.923 | 2.001 | 10.924 |
| II. | NON-RECOURSE FACTORING TRANSACTIONS | | 270.294 | 8.906 | 279.200 |
| III. | COLLATERALS RECEIVED | 23.1 | 7.605.253 | 399.169 | 8.004.422 |
| IV. | COLLATERALS GIVEN | 23.2 | 557.782 | - | 557.782 |
| V. | COMMITMENTS | | - | - | - |
| 5.1 | Irrevocable Commitments | | - | - | - |
| 5.2 | Revocable Commitments | | - | - | - |
| 5.2.1 | Lease Commitments | | - | - | - |
| 5.2.1.1 | Financial Lease Commitments | | - | - | - |
| 5.2.1.2 | Operating Lease Commitments | | - | - | - |
| 5.2.2 | Other Revocable Commitments | | - | - | - |
| VI. | DERIVATIVE FINANCIAL INSTRUMENTS | 23.3 | 311.307 | 294.527 | 605.834 |
| 6.1 | Hedging Derivative Financial Instruments | | - | - | - |
| 6.1.1 | Fair Value Hedges | | - | - | - |
| 6.1.2 | Cash Flow Hedges | | - | - | - |
| 6.1.3 | Net Foreign Investment Hedges | | - | - | - |
| 6.2 | Trading Transactions | | 311.307 | 294.527 | 605.834 |
| 6.2.1 | Forward Buy/Sell Transactions | | 54.924 | 48.792 | 103.716 |
| 6.2.2 | Swap Buy/Sell Transactions | | 256.383 | 245.735 | 502.118 |
| 6.2.3 | Options Buy/Sell Transactions | | - | - | - |
| 6.2.4 | Futures Buy/Sell Transactions | | - | - | - |
| 6.2.5 | Others | | - | - | - |
| VII. | ITEMS HELD IN CUSTODY | 23.4 | 855.147 | 52.436 | 907.583 |
| TOTAL OFF-BALANCE SHEET ITEMS | | | 9.608.706 | 757.039 | 10.365.745 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Income for the Period 1 January - 31 December 2018

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

| INCOME AND EXPENSE ITEMS | | Notes | Audited 1 January - 31 December 2018 |
|--------------------------|---|-----------|---|
| I. | OPERATING INCOME | | 284.494 |
| | FACTORING INCOME | 15 | 284.494 |
| 1.1 | Interest from Factoring Receivables | | 271.939 |
| 1.1.1 | Discounted | | 177.065 |
| 1.1.2 | Other | | 94.874 |
| 1.2 | Fees and Commissions from Factoring Receivables | | 12.555 |
| 1.2.1 | Discounted | | 5.016 |
| 1.2.2 | Other | | 7.539 |
| | INCOME FROM FINANCING LOANS | | - |
| 1.3 | Interest Received from Financing Loans | | - |
| 1.4 | Fees and Commissions Received from Financing Loans | | - |
| | LEASE INCOME | | - |
| 1.5 | Finance Lease Income | | - |
| 1.6 | Operating Lease Income | | - |
| 1.7 | Fees and Commission Income on Lease Operations | | - |
| II. | FINANCIAL EXPENSES (-) | 16 | (169.445) |
| 2.1 | Interest on Funds Borrowed | | (141.210) |
| 2.2 | Interest on Factoring Payables | | - |
| 2.3 | Financial Lease Expenses | | - |
| 2.4 | Interest on Securities Issued | | (21.881) |
| 2.5 | Other Interest Expenses | | - |
| 2.6 | Fees and Commissions Paid | | (6.354) |
| III. | GROSS PROFIT / LOSS (I+II) | | 115.049 |
| IV. | OPERATING EXPENSES (-) | 17 | (28.985) |
| 4.1 | Personnel Expenses | | (20.466) |
| 4.2 | Employee Severance Indemnity Expense | | (687) |
| 4.3 | Research and Development Expenses | | - |
| 4.4 | General Administrative Expenses | | (7.832) |
| 4.5 | Other | | - |
| V. | GROSS OPERATING PROFIT / LOSS (III+IV) | | 86.064 |
| VI. | OTHER OPERATING INCOME | 18 | 88.286 |
| 6.1 | Interest on Bank Deposits | | 5.436 |
| 6.2 | Interest on Reverse Repurchase Agreements | | - |
| 6.3 | Interest on Securities Portfolio | | 114 |
| 6.3.1 | Financial Assets at Fair Value Through Profit or Loss | | - |
| 6.3.2 | Financial Assets at Fair Value Through Other Comprehensive Income | | 114 |
| 6.3.4 | Financial Assets Measured at Amortized Cost | | - |
| 6.4 | Dividend Income | | 11.586 |
| 6.5 | Capital Market Transaction Profit | | - |
| 6.6 | Income From Derivative Financial Instruments | | 23.584 |
| 6.7 | Foreign Exchange Gains | | 45.535 |
| 6.8 | Other | | 2.031 |
| VII. | PROVISION | 19 | (30.104) |
| 7.1 | Special Provisions | | (30.104) |
| 7.2 | Expected Loss Provisions | | - |
| 7.3 | General Provisions | | - |
| 7.4 | Other | | - |
| VIII. | OTHER OPERATING EXPENSES (-) | 20 | (95.783) |
| 8.1 | Impairment Losses on Securities Portfolio | | - |
| 8.1.1 | Financial Assets at Fair Value Through Profit or Loss | | - |
| 8.1.2 | Financial Assets at Fair Value Through 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 | | (39.560) |
| 8.4 | Foreign Exchange Losses | | (36.318) |
| 8.5 | Other | | (19.905) |
| IX. | NET OPERATING PROFIT / LOSS (V+.....+VIII) | | 48.463 |
| X. | MERGER PROFIT | | - |
| XI. | PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY | | - |
| XII. | GAIN/LOSS ON NET MONETARY POSITION | | - |
| | PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX (IX+...XII) | | 48.463 |
| XIII. | TAX PROVISION FOR CONTINUING OPERATIONS (±) | 8 | (11.028) |
| 14.1 | Current Tax Provision | | (12.966) |
| 14.2 | Deferred Tax Expense Effect (+) | | - |
| 14.3 | Deferred Tax Income Effect (-) | | 1.938 |
| XV. | NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV) | | 37.435 |
| XVI. | INCOME FROM DISCONTINUED OPERATIONS | | - |
| 16.1 | Income from Assets Held for Sale | | - |
| 16.2 | Gain on Sale of Associates, Subsidiaries and Joint Ventures | | - |
| 16.3 | Other Income from Discontinued Operations | | - |
| XVII. | EXPENSES FROM DISCONTINUED OPERATIONS BEFORE TAX (-) | | - |
| 17.1 | Expense on Assets Held for Sale | | - |
| 17.2 | Loss on Sale of Associates, Subsidiaries and Joint Ventures | | - |
| 17.3 | Other Expenses from Discontinued Operations | | - |
| | CURRENT PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XV-XVII) | | - |
| XVIII. | TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | | - |
| 19.1 | Current Tax Provision | | - |
| 19.2 | Deferred Tax Expense Effect (+) | | - |
| 19.3 | Deferred Tax Income Effect (-) | | - |
| XX. | NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX) | | - |
| XXI. | NET PROFIT/LOSS FOR THE PERIOD (XV+XX) | | 37.435 |
| | EARNINGS PER SHARE | | - |
| | Earning Per Share from Continuing Operations | | - |
| | Earning Per Share from Discontinued Operations | | - |
| | DILUTED EARNINGS PER SHARE | | - |
| | Diluted Earnings Per Share from Continuing Operations | | - |
| | Diluted Earnings Per Share from Discontinued Operations | | - |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Profit or Loss for the Period 1 January - 31 December 2017

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

| INCOME AND EXPENSE ITEMS | | Notes | Audited | |
|--------------------------|--|-----------|------------------------------|------------------|
| | | | 1 January - 31 December 2017 | |
| I. | OPERATING INCOME | | | 188.195 |
| | FACTORING INCOME | 15 | | 188.195 |
| 1.1 | Interest from Factoring Receivables | | | 183.805 |
| 1.1.1 | Discounted | | | 128.984 |
| 1.1.2 | Other | | | 54.821 |
| 1.2 | Fees and Commissions from Factoring Receivables | | | 4.390 |
| 1.2.1 | Discounted | | | 1.505 |
| 1.2.2 | Other | | | 2.885 |
| | INCOME FROM FINANCING LOANS | | | - |
| 1.3 | Interest Received from Financing Loans | | | - |
| 1.4 | Fees and Commissions Received from Financing Loans | | | - |
| | LEASE INCOME | | | - |
| 1.5 | Finance Lease Income | | | - |
| 1.6 | Operating Lease Income | | | - |
| 1.7 | Fees and Commission Income on Lease Operations | | | - |
| II. | FINANCIAL EXPENSES (-) | 16 | | (107.175) |
| 2.1 | Interest on Funds Borrowed | | | (88.824) |
| 2.2 | Interest on Factoring Payables | | | - |
| 2.3 | Financial Lease Expenses | | | - |
| 2.4 | Interest on Securities Issued | | | (14.144) |
| 2.5 | Other Interest Expenses | | | - |
| 2.6 | Fees and Commissions Paid | | | (4.207) |
| III. | GROSS PROFIT / LOSS (I+II) | | | 81.020 |
| IV. | OPERATING EXPENSES (-) | 17 | | (25.343) |
| 4.1 | Personnel Expenses | | | (17.995) |
| 4.2 | Employee Severance Indemnity Expense | | | (574) |
| 4.3 | Research and Development Expenses | | | - |
| 4.4 | General Administrative Expenses | | | (6.774) |
| 4.5 | Other | | | - |
| V. | GROSS OPERATING PROFIT / LOSS (III+IV) | | | 55.677 |
| VI. | OTHER OPERATING INCOME | 18 | | 74.304 |
| 6.1 | Interest on Bank Deposits | | | 173 |
| 6.2 | Interest on Reverse Repurchase Agreements | | | - |
| 6.3 | Interest on Securities Portfolio | | | 3.035 |
| 6.3.1 | Financial Assets Measured as Held for Trading | | | - |
| 6.3.2 | Financial Assets at Fair Value Through Other Comprehensive Income | | | - |
| 6.3.3 | Financial Assets Measured as Available for Sale | | | 3.035 |
| 6.3.4 | Financial Assets Measured as Held to Maturity | | | - |
| 6.4 | Dividend Income | | | - |
| 6.5 | Profit from Capital Market Operations | | | 17.217 |
| 6.5.1 | Derivative Financial Transactions | | | 17.217 |
| 6.5.2 | Other | | | - |
| 6.6 | Foreign Exchange Gains | | | 50.280 |
| 6.7 | Other | | | 3.599 |
| VII. | PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-) | 19 | | (6.995) |
| VIII. | OTHER OPERATING EXPENSES (-) | 20 | | (92.999) |
| 8.1 | Impairment Losses on Securities Portfolio | | | (9.188) |
| 8.1.1 | Impairment Losses on Financial Assets at Fair Value Through Profit or Loss | | | - |
| 8.1.2 | Financial Assets Available for Sale | | | (9.188) |
| 8.1.3 | Investments to be Held to Maturity | | | - |
| 8.2 | Impairment Losses on 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 Goodwill | | | - |
| 8.2.4 | Impairment Losses on Intangible Assets | | | - |
| 8.2.5 | Impairment Losses on Subsidiaries, Associates and Joint Ventures | | | - |
| 8.3 | Losses From Derivative Financial Instruments | | | (43.929) |
| 8.4 | Foreign Exchange Losses | | | (37.370) |
| 8.5 | Other | | | (2.512) |
| IX. | NET OPERATING PROFIT / LOSS (V+.....+VIII) | | | 29.987 |
| X. | MERGER PROFIT | | | - |
| XI. | GAIN/LOSS ON NET MONETARY POSITION | | | - |
| XII. | PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX (IX+...XII) | | | 29.987 |
| XIII. | TAX PROVISION FOR CONTINUING OPERATIONS (±) | 8 | | (7.873) |
| 13.1 | Current Tax Provision | | | (7.823) |
| 13.2 | Deferred Tax Expense Effect (+) | | | (50) |
| 13.3 | Deferred Tax Income Effect (-) | | | - |
| XIV. | NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XII±XIV) | | | 22.114 |
| XV. | INCOME FROM DISCONTINUED OPERATIONS | | | - |
| 15.1 | Income from Assets Held for Sale | | | - |
| 15.2 | Gain on Sale of Associates, Subsidiaries and Joint Ventures | | | - |
| 15.3 | Other Income from Discontinued Operations | | | - |
| XVI. | EXPENSES FROM DISCONTINUED OPERATIONS BEFORE TAX (-) | | | - |
| 16.1 | Expense on Assets Held for Sale | | | - |
| 16.2 | Loss on Sale of Associates, Subsidiaries and Joint Ventures | | | - |
| 16.3 | Other Expenses from Discontinued Operations | | | - |
| XVII. | CURRENT PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XV-XVII) | | | - |
| XVIII. | TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | | | - |
| 18.1 | Current Tax Provision | | | - |
| 18.2 | Deferred Tax Expense Effect (+) | | | - |
| 18.3 | Deferred Tax Income Effect (-) | | | - |
| XIX. | NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX) | | | - |
| XX. | NET PROFIT/LOSS FOR THE PERIOD (XV+XX) | | | 22.114 |
| | EARNINGS PER SHARE | | | - |
| | Earning Per Share from Continuing Operations | | | - |
| | Earning Per Share from Discontinued Operations | | | - |
| | DILUTED EARNINGS PER SHARE | | | - |
| | Diluted Earnings Per Share from Continuing Operations | | | - |
| | Diluted Earnings Per Share from Discontinued Operations | | | - |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
Statement of Income and Expenses and Other Comprehensive Income
for the Period 1 January - 31 December 2018

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

| | | Audited 1 January - 31 December 2018 |
|-------------|---|---|
| I. | CURRENT PERIOD PROFIT/LOSS | 37.435 |
| II. | OTHER COMPREHENSIVE INCOME | 129 |
| 2.1 | Items that will not be Reclassified to Profit or Loss | 129 |
| 2.1.1 | Tangible Assets Revaluation Increases/Decreases | - |
| 2.1.2 | Intangible Assets Revaluation Increases/Decreases | - |
| 2.1.3 | Defined Benefit Plans Remeasurement Gains / Losses | 161 |
| 2.1.4 | Other Comprehensive Income Items that will not be Reclassified to Profit or Loss | - |
| 2.1.5 | Taxes Related to Other Comprehensive Income that will not be Reclassified to Profit or Loss | (32) |
| 2.1.5.1 | Period Tax Expense / Benefit | - |
| 2.1.5.2 | Deferred Tax Expense / Benefit | (32) |
| 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 | Revaluation and/or Reclassification Income/Expenses of Available-for-Sale Financial Assets | - |
| 2.2.3 | Cash Flow Hedge Income/Expenses | - |
| 2.2.4 | Investment Hedge Income/Losses Related to Foreign Entity | - |
| 2.2.5 | Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss | - |
| 2.2.6 | Taxes related to Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss | - |
| 2.2.6.1 | Current Tax Expense / Benefit | - |
| 2.2.6.2 | Deferred Tax Expense / Benefit | - |
| III. | TOTAL COMPREHENSIVE INCOME (I+II) | 37.564 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
Statement of Income and Expenses and Other Comprehensive Income
for the Period 1 January - 31 December 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

| | | Audited 1 January - 31 December 2017 |
|-------------|---|---|
| I. | CURRENT PERIOD PROFIT/LOSS | 22.114 |
| II. | OTHER COMPREHENSIVE INCOME | (430) |
| 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 Benefit Plans Remeasurement Gains / Losses | - |
| 2.1.4 | Other Comprehensive Income Items that will not be Reclassified to Profit or Loss | - |
| 2.1.5 | Taxes Related to Other Comprehensive Income that will not be Reclassified to Profit or Loss | - |
| 2.1.5.1 | Period Tax Expense / Benefit | - |
| 2.1.5.2 | Deffered Tax Expense / Benefit | - |
| 2.2 | Items that may be Reclassified subsequently to Profit or Loss | (430) |
| 2.2.1 | Foreign Exchange Differences for Foreign Currency Transactions | - |
| 2.2.2 | Revaluation and/or Reclassification Income/Expenses of Available-for-Sale Financial Assets | (430) |
| 2.2.3 | Cash Flow Hedge Income/Expenses | - |
| 2.2.4 | Investment Hedge Income/Losses Related to Foreign Entity | - |
| 2.2.5 | Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss | - |
| 2.2.5 | Taxes related to Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss | - |
| 2.2.6 | Loss | 95 |
| 2.2.6.1 | Current Tax Expense / Benefit | - |
| 2.2.6.2 | Deffered Tax Expense / Benefit | 95 |
| III. | TOTAL COMPREHENSIVE INCOME (I+II) | 21.684 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Changes in Equity for the Period 1 January - 31 December 2018

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

| CHANGES IN EQUITY | Notes | Paid in Capital | Capital Reserves | Share Premium | Share Cancellation Profits | Other Capital Reserves | Accumulated Gain/Loss on Revaluation of Fixed Assets | Accumulated Remeasurement Gain / Loss of Defined Benefit Plan | Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income not Reclassified Subsequent to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items not Reclassified as Other Profit or Loss) | Accumulated Other Comprehensive Income or Expenses Not Reclassified Subsequent to Profit or Loss | Foreign Currency Translation Differences | Accumulated Other Comprehensive Income or Expenses Reclassified Subsequent to Profit or Loss | Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method In Other Comprehensive Income that will be Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified as Other Profit or Loss) | Accumulated Other Comprehensive Income or Expenses Reclassified Subsequent to Profit or Loss | Profit Reserves | Prior Periods' Profit / (Loss) | Net Profit/ Loss for the Period | Non-Controlling Shares | Total Equity | |
|--|-------|-----------------|------------------|---------------|----------------------------|------------------------|--|---|--|--|--|--|---|--|-----------------|--------------------------------|---------------------------------|------------------------|--------------|---|
| AUDITED CURRENT PERIOD (01/01/2018-31/12/2018) | | | | | | | | | | | | | | | | | | | | |
| I. Balance at the Beginning of the Period | 14 | 81.110 | - | - | - | 2.295 | - | - | - | - | - | 335 | - | 335 | 94.332 | 29.182 | 22.114 | - | 229.368 | |
| II. Changes in Accounting Policies TAS 8 According to TAS 8 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Effect of Correction of Errors | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. New Balance (I+II) | | 81.110 | - | - | - | 2.295 | - | - | - | - | - | 335 | - | 335 | 94.332 | 29.182 | 22.114 | - | 229.368 | |
| IV. Total Comprehensive Income | | - | - | - | - | - | 129 | - | 129 | - | (335) | - | - | (335) | - | - | - | - | (206) | |
| V. Cash Capital Increase | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase from Internal Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Capital Reserves From Inflation Adjustments | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Bonds Convertible to Shares | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Borrowing Instruments | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increases / Decreases due to Other Changes | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. Net Profit or Loss for the Period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 37.435 | - | 37.435 | |
| XII. Profit Distribution | | - | - | - | - | - | - | - | - | - | - | - | - | - | (50.090) | (9.746) | (22.114) | - | (81.950) | |
| 12.1 Dividend Paid | | - | - | - | - | - | - | - | - | - | - | - | - | - | (50.090) | (31.860) | - | - | (81.950) | |
| 12.2 Transfer to Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 12.3 Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 22.114 | (22.114) | - | - | |
| Balance of the End of the Period (I+II+III+...+XV+XVI+XVII) | 14 | 81.110 | - | - | - | 2.295 | - | 129 | - | 129 | - | - | - | - | 44.242 | 19.436 | 37.435 | - | 184.647 | |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Changes in Equity for the Period 1 January - 31 December 2017

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

| CHANGES IN EQUITY | Notes | Paid in Capital | Capital Reserves | Share Premium | Share Cancellation Profits | Other Capital Reserves | Accumulated Gain/Loss on Revaluation of Fixed Assets | Accumulated Remeasurement Gain / Loss of Defined Benefit Plan | Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income not Reclassified Subsequent to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items not Reclassified as Other Profit or Loss) | Accumulated Other Comprehensive Income or Expenses Not Reclassified Subsequent to Profit or Loss | Foreign currency translation differences | Accumulated other comprehensive income or expenses reclassified subsequent to profit or loss | Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income that will be Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified as Other Profit or Loss) | Accumulated Other Comprehensive Income or Expenses Reclassified Subsequent to Profit or Loss | Profit Reserves | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Profit Reserves | Profit / (Loss) for the Period | Prior Periods' Profit / (Loss) | Net Profit/ Loss for the Period | Non-Controlling Shares | Total Equity | |
|---|-------|-----------------|------------------|---------------|----------------------------|------------------------|--|---|--|--|--|--|---|--|-----------------|----------------|-----------------|------------------------|-----------------------|--------------------------------|--------------------------------|---------------------------------|------------------------|--------------|----------|
| AUDITED PRIOR PERIOD (01/01/2017-31/12/2017) | | | | | | | | | | | | | | | | | | | | | | | | | |
| I. Balance at the Beginning of the Period | 14 | 81.110 | 2.295 | - | - | - | - | - | - | - | - | 2 | - | 2 | - | 41.289 | - | - | 83.043 | 29.182 | 9.864 | 19.318 | - | - | 236.921 |
| II. Changes in Accounting Policies according to TAS | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Effect of Correction of Errors | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. New Balance (I+II) | | 81.110 | 2.295 | - | - | - | - | - | - | - | - | 2 | - | 2 | - | 41.289 | - | - | 83.043 | 29.182 | 9.864 | 19.318 | - | - | 236.921 |
| IV. Total Comprehensive Income | | - | - | - | - | - | - | - | - | - | - | 333 | - | 333 | - | - | - | - | - | - | - | - | - | - | 333 |
| V. Cash Capital Increase | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase from Internal Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Capital Reserves From Inflation Adjustments | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Bonds Convertible to Shares | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Loans | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increases / Decreases due to Other Changes | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. Net Profit or Loss for the Period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 22.114 | - | 22.114 | - | 22.114 |
| XII. Profit Distribution | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.1 Dividend Paid | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (30.000) | - | 19.318 | (19.318) | - | (30.000) |
| 12.2 Transfer to Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (30.000) | - | - | - | - | (30.000) |
| 12.3 Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 19.318 | (19.318) | - | - |
| Balance of the End of the Period (I+II+III+...+XV+XVI+XVII) | 14 | 81.110 | 2.295 | - | - | - | - | - | - | - | - | 335 | - | 335 | - | 41.289 | - | - | 53.043 | 51.296 | 29.182 | 22.114 | - | - | 229.368 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ**Statement of Cash Flows for the Period 1 January - 31 December 2018**

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

| | Notes | Audited 1 January - 31 December 2018 |
|---|---------|---|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 1.1 Operating Profit Before Changes in Operating Assets And Liabilities | | 66.069 |
| 1.1.1 Interests Received/Lease Income | | 269.519 |
| 1.1.2 Interest Paid / Lease Expenses | | (163.012) |
| 1.1.3 Lease Expenses | | - |
| 1.1.4 Dividends Received | | 11.586 |
| 1.1.5 Fees and Commissions Received | | 13.974 |
| 1.1.6 Other Income | | - |
| 1.1.7 Collections from Non-Performing Receivables | 4 | 1.384 |
| 1.1.8 Payments to Personnel and Service Suppliers | | (27.592) |
| 1.1.9 Taxes Paid | 8 | (24.272) |
| 1.1.10 Others | | (15.518) |
| 1.2 Changes in Operating Assets and Liabilities | | 189.496 |
| 1.2.1 Net (Increase) Decrease in Factoring Receivables | | 346.140 |
| 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 | | (9.655) |
| 1.2.5 Net Increase (Decrease) in Factoring Payables | | 1.640 |
| 1.2.6 Net Increase (Decrease) in Lease Payables | | - |
| 1.2.7 Net Increase (Decrease) in Loans Borrowed | | (157.120) |
| 1.2.8 Net Increase (Decrease) in Matured Payables | | - |
| 1.2.9 Net Increase (Decrease) in Other Liabilities | | 8.491 |
| I. Net Cash Flow Provided from Operating Activities | | 255.565 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 2.1 Acquisition of Subsidiaries, Associates and Joint Ventures | | - |
| 2.2 Disposal of Subsidiaries, Associates and Joint-Ventures | | - |
| 2.3 Purchases of Tangible and Intangible Assets | 5 | (418) |
| 2.4 Sale of Tangible and Intangible Assets | | - |
| 2.5 Cash Paid for Purchase of Financial Assets at FVTOCI | | - |
| 2.6 Proceeds From Sale of Financial Assets AT FVTOCI | | 30.838 |
| 2.7 Acquisition of Financial Assets Measured at Amortized Cost | | - |
| 2.8 Disposal of Financial Assets Measured at Amortized Cost | | - |
| 2.9 Other | | (372) |
| II. Net Cash Flow Provided from Investing Activities | | 30.048 |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| 3.1 Cash Obtained From Funds Borrowed and Securities Issued | | 54.738 |
| 3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued | | (208.385) |
| 3.3 Equity Instruments Issued | | - |
| 3.4 Dividends Paid | 14.5 | (81.950) |
| 3.5 Payments for Finance Leases | | - |
| 3.6 Other | | - |
| III. Net Cash Flow Generated from Financing Activities | | (235.597) |
| IV. Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents | | 2.793 |
| V. Net Increase in Cash and Cash Equivalents | | 52.809 |
| VI. Cash and Cash Equivalents at the Beginning of the Period | 2.5 (o) | 14.394 |
| VII. Cash and Cash Equivalents at the End of the Period | 2.5 (o) | 67.203 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Cash Flows for the Period 1 January - 31 December 2017

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

| | | Audited | |
|-----------|---|---------|------------------------------|
| | | Notes | 1 January - 31 December 2017 |
| A. | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 1.1 | Operating Profit Before Changes in Operating Assets And Liabilities | | 108.917 |
| 1.1.1 | Interests Received/Lease Income | | 191.764 |
| 1.1.2 | Interest Paid / Lease Expenses | | (71.328) |
| 1.1.3 | Lease Expenses | | - |
| 1.1.4 | Dividends Received | | - |
| 1.1.5 | Fees and Commissions Received | | 4.390 |
| 1.1.6 | Other Income | | - |
| 1.1.7 | Collections from Non-Performing Receivables | 4 | 2.887 |
| 1.1.8 | Payments to Personnel and Service Suppliers | | (24.077) |
| 1.1.9 | Taxes Paid | 8 | (4.343) |
| 1.1.10 | Others | | 9.624 |
| 1.2 | Changes in Operating Assets and Liabilities | | (284.218) |
| 1.2.1 | Net (Increase) Decrease in Factoring Receivables | | (266.641) |
| 1.2.1 | Net (Increase) Decrease in Financing Loans | | - |
| 1.2.1 | Net (Increase) Decrease in Lease Receivables | | - |
| 1.2.2 | Net (Increase) Decrease in Other Assets | | (1.305) |
| 1.2.3 | Net Increase (Decrease) in Factoring Payables | | (1.667) |
| 1.2.3 | Net Increase (Decrease) in Lease Payables | | - |
| 1.2.4 | Net Increase (Decrease) in Loans Borrowed | | (14.751) |
| 1.2.5 | Net Increase (Decrease) in Matured Payables | | - |
| 1.2.6 | Net Increase (Decrease) in Other Liabilities | | 146 |
| I. | Net Cash Flow (Used in) Provided from Operating Activities | | (175.301) |
| B. | CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 2.1 | Acquisition of Subsidiaries, Associates and Joint Ventures | | - |
| 2.2 | Disposal of Subsidiaries, Associates and Joint-Ventures | | - |
| 2.3 | Purchases of Properties | 5 | (262) |
| 2.4 | Sale of Properties | | 8 |
| 2.5 | Cash Paid for Purchase of Financial Assets Available for Sale | | (1.248) |
| 2.6 | Proceeds From Sale of Financial Assets Available for Sale | | 18.261 |
| 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 | | (150) |
| II. | Net Cash Flows Provided from Investing Activities | | 16.609 |
| C. | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| 3.1 | Cash Obtained From Funds Borrowed and Securities Issued | | 312.722 |
| 3.2 | Cash Used for Repayment of Funds Borrowed and Securities Issued | | (182.390) |
| 3.3 | Equity Instruments Issued | | - |
| 3.4 | Dividends Paid | 14.5 | (30.000) |
| 3.5 | Payments for Finance Leases | | - |
| 3.6 | Other | | - |
| III. | Net Cash Flow (Used in) Provided from Financing Activities | | 100.332 |
| IV. | Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents | | 693 |
| V. | Net Increase in Cash and Cash Equivalents | | (57.667) |
| VI. | Cash and Cash Equivalents at the Beginning of the Period | 2.5 (o) | 72.061 |
| VII. | Cash and Cash Equivalents at the End of the Period | 2.5 (o) | 14.394 |

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Profit Distribution for the Period 1 January - 31 December 2018

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

| | Notes | Audited | |
|--|-------|--------------|---------------|
| | | 1 January-31 | December 2018 |
| I. DISTRIBUTION OF CURRENT YEAR PROFIT (*) | | | |
| 1.1 CURRENT PERIOD PROFIT | | | 48.463 |
| 1.2 TAXES AND LEGAL DUTIES PAYABLE (-) | | | 11.028 |
| 1.2.1 Corporate Tax (Income Tax) | | | 12.966 |
| 1.2.2 Withholding Tax | | | - |
| 1.2.3 Other Taxes and Duties (**) | | | (1.938) |
| A. NET PROFIT FOR THE PERIOD (1.1-1.2) | | | 37.435 |
| 1.3 ACCUMULATED LOSSES (-) | | | - |
| 1.4 FIRST LEGAL RESERVES (-) | | | - |
| 1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-) | | | 1.938 |
| B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)] | | | 35.497 |
| 1.6 FIRST DIVIDEND TO SHAREHOLDERS (-) | | | - |
| 1.6.1 To Owners of Ordinary Shares | | | - |
| 1.6.2 To Owners of Privileged Shares | | | - |
| 1.6.3 To Owners of Redeemed Shares | | | - |
| 1.6.4 To Profit Sharing Bonds | | | - |
| 1.6.5 To Holders of Profit and Loss Sharing Certificates | | | - |
| 1.7 DIVIDENDS TO PERSONNEL (-) | | | - |
| 1.8 DIVIDENDS TO BOARD OF DIRECTORS (-) | | | - |
| 1.9 SECOND DIVIDEND TO SHAREHOLDERS (-) | | | - |
| 1.9.1 To Owners of Ordinary Shares | | | - |
| 1.9.2 To Owners of Privileged Shares | | | - |
| 1.9.3 To Owners of Redeemed Shares | | | - |
| 1.9.4 To Profit Sharing Bonds | | | - |
| 1.9.5 To Holders of Profit and Loss Sharing Certificates | | | - |
| 1.10 SECOND LEGAL RESERVES (-) | | | - |
| 1.11 STATUS RESERVES (-) | | | - |
| 1.12 EXTRAORDINARY RESERVES | | | - |
| 1.13 OTHER RESERVES | | | - |
| 1.14 SPECIAL FUNDS | | | - |
| II. DISTRIBUTION FROM RESERVES | | | - |
| 2.1 APPROPRIATED 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 (-) | | | - |
| III. EARNINGS PER SHARE | | | - |
| 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 (%) | | | - |
| IV. DIVIDEND PER SHARE | | | - |
| 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 (%) | | | - |

(*) The decision on the distribution of profit will be made at the General Assembly.

(**) Deferred tax expense is presented under other tax and legal liabilities.

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Profit Distribution for the Period 1 January - 31 December 2017

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

| | Notes | Audited | |
|--|-------|--------------|---------------|
| | | 1 January-31 | December 2017 |
| I. DISTRIBUTION OF CURRENT YEAR PROFIT (*) | | | |
| 1.1 CURRENT PERIOD PROFIT | | | 29.987 |
| 1.2 TAXES AND LEGAL DUTIES PAYABLE (-) | | | 7.873 |
| 1.2.1 Corporate Tax (Income Tax) | | | 7.823 |
| 1.2.2 Withholding Tax | | | - |
| 1.2.3 Other Taxes and Duties (**) | | | 50 |
| A. NET PROFIT FOR THE PERIOD (1.1-1.2) | | | 22.114 |
| 1.3 ACCUMULATED LOSSES (-) | | | - |
| 1.4 FIRST LEGAL RESERVES (-) | | | - |
| 1.5 OTHER STATUTORY RESERVES (-) | | | - |
| B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)] | | | 22.114 |
| 1.6 FIRST DIVIDEND TO SHAREHOLDERS (-) | | | 8.111 |
| 1.6.1 To Owners of Ordinary Shares | | | 8.111 |
| 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 (-) | | | 23.749 |
| 1.9.1 To Owners of Ordinary Shares (***) | | | 23.749 |
| 1.9.2 To Owners of Privileged Shares | | | - |
| 1.9.3 To Owners of Redeemed Shares | | | - |
| 1.9.4 To Profit Sharing Bonds | | | - |
| 1.9.5 To Holders of Profit and Loss Sharing Certificates | | | - |
| 1.10 SECOND LEGAL RESERVES (-) | | | - |
| 1.11 STATUS RESERVES (-) | | | - |
| 1.12 EXTRAORDINARY RESERVES | | | - |
| 1.13 OTHER RESERVES | | | - |
| 1.14 SPECIAL FUNDS | | | - |
| II. DISTRIBUTION FROM RESERVES (****) | | | 50.090 |
| 2.1 APPROPRIATED RESERVES | | | - |
| 2.2 SECOND LEGAL RESERVES (-) | | | - |
| 2.3 DIVIDENDS TO SHAREHOLDERS (-) | | | 50.090 |
| 2.3.1 To Owners of Ordinary Shares | | | 50.090 |
| 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 (-) | | | - |
| III. EARNINGS PER SHARE | | | - |
| 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 (%) | | | - |
| IV. DIVIDEND PER SHARE | | | 1,01 |
| 4.1 TO OWNERS OF ORDINARY SHARES | | | 1,01 |
| 4.2 TO OWNERS OF ORDINARY SHARES (%) | | | 101% |
| 4.3 TO OWNERS OF PRIVILEGED SHARES | | | - |
| 4.4 TO OWNERS OF PRIVILEGED SHARES (%) | | | - |

(*) The decision on the distribution of profit will be made at the General Assembly.

(**) Deferred tax expense is presented under other tax and legal liabilities.

(***) As a result of the Extraordinary General Assembly Meetings held on 9 August 2018 and 21 September 2018, TL 31,860 Thousand, which is kept in the prior years' profit, has been distributed.

(****) As a result of the Extraordinary General Assembly Meetings held on 21 February 2018 and 9 August 2018, TL 50,090 Thousand, which is kept in other reserves, has been distributed.

Note: The financial statements and the notes for the prior period have not been restated in accordance with the transition provisions of TFRS 9. Since the financial statements for 2017 and 2018 were prepared on different principles, financial statements for 2017 are presented separately.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Fiba Faktoring A.Ş. (“the Company”) maintains its operations in accordance with “Regulation on Establishment and Operation Principles of Financial Leasing, Factoring and Financing Companies” by BRSA numbered 28627 dated 24 April 2013 and with the “Financial Leasing, Factoring and Financing Companies” Law No: 6361 published in the Official Gazette dated 13 December 2012 and numbered 28496.

The capital of Fiba Faktoring A.Ş. and the distribution of the capital to the shareholders are as follows:

| (Total TL) | 31 December 2018 | | 31 December 2017 | |
|-------------------|-------------------|------------------|-------------------|------------------|
| | Shares | Shareholding (%) | Shares | Shareholding (%) |
| Fiba Holding A.Ş. | 46.197.480 | 56,96 | 46.197.480 | 56,96 |
| Fina Holding A.Ş. | 34.912.025 | 43,04 | 34.912.025 | 43,04 |
| Other | 195 | <1 | 195 | <1 |
| | 81.109.700 | 100,00 | 81.109.700 | 100,00 |

The Company has 107 employees as of 31 December 2018 (31 December 2017: 109).

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

Büyükdere Caddesi, 1. Levent Plaza A Blok No: 173, Kat: 2 34330 1. Levent / İstanbul. The Company continues its factoring operations predominantly in single geographical region (Turkey).

Approval of Financial Statements

Financial statements are approved at 28 February 2019 by the Company’s management. The General Assembly and/or related legal entities have the right to amend the accompanying financial statements.

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Applied Accounting Standards

The Company prepares its financial statements in accordance with the communique on the Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies dated 24 December 2013 and numbered 28861 and Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies and “BRSA Accounting and Reporting Legislation” which include (“BRSA”)’s disclosures and Turkish Accounting Standards (TAS) provisions for the matters which are not regulated by these disclosures.

The preparation of the financial statements is based on TAS and their appendixes and interpretations, which are promulgated by Public Oversight Accounting and Auditing Standards Authority (“POA”).

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.1.2 Functional and Presentation Currency

Company’s functional and presentation currency is TL.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.1.3 Restatement of Financial Statements in Hyperinflationary Periods

The financial statements of the Company have been adjusted for the effects of inflation in accordance with ‘Financial Reporting in Hyperinflationary Economies’ (“TAS 29”) until 31 December 2004. By a Circular issued on 28 April 2005, BRSA declared that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

2.1.4 Offsetting

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior financial statements are restated. The Company has applied its accounting policies consistent with the previous financial year.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. If any significant accounting errors are found out, changes are applied retrospectively and prior year’s financial statements are restated. There has been no significant change in the accounting estimates of the Company in the current period.

The preparation of financial statements in accordance with Reporting Standards requires managements to apply the policies and make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected from these revisions. Notes in which the estimates are used are as follows:

Note 3.3 – Derivative financial assets

Note 4 – Loans

Note 5 – Property, plant and equipment

Note 6 – Intangible assets

Note 8 – Tax assets and liabilities

Note 12 – Provisions

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards

a) Amendments and interpretations that are effective as of 2018

| | |
|--|--|
| TFRS 9 | <i>Financial Instruments</i> |
| TFRS 15 | <i>Revenue from Contracts with Customers</i> |
| 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> |
| TFRS Interpretation 22 | <i>Foreign Currency Transactions and Advance Consideration¹</i> |
| Amendments to TAS 40 | <i>Transfers of Investment Property¹</i> |
| Annual Improvements to 2014–2016 Cycle | <i>TFRS 1, TMS 28</i> |

TFRS 9 *Financial Instruments*

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting, and supersedes TAS 39 Financial Instruments: Recognition and Measurement.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 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 TFRS 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.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards (cont’d)

a) Amendments and interpretations that are effective as of 2018 (cont’d)

TFRS 9 *Financial Instruments* (cont’d)

Key requirements of TFRS 9 (cont’d):

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 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, TFRS 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.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 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.

The Company recognizes impairment provision in accordance with specific provisions and free provisions are reserved for factoring receivables in accordance with the “Regulation on Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette No. 28861 dated 24 December 2013 by BRSA, and with other regulation provisions on the modifications to the related regulations. As in previous periods, the Company continues to recognize impairment losses in accordance with the related legislation.

In accordance with the “Regulation On Amendments Related To Regulations On Establishment and Operation Principles Of Financial Leasing, Factoring and Financing Companies” that was issued on 2 May 2018 by BRSA, the Company did not apply TFRS 9. Within this scope, the Company continues to apply the present regulation.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards (*cont’d*)

a) Amendments and interpretations that are effective as of 2018 (*cont’d*)

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 does not have a material effect on the Company’s financial statements.

Amendments to IFRS 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 IFRS 10 and TAS 28 have no impact on the Company’s financial statements.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards (cont’d)

a) Amendments and interpretations that are effective as of 2018 (cont’d)

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.

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 have no impact on the Company’s financial statements.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards (*cont’d*)

a) Amendments and interpretations that are effective as of 2018 (*cont’d*)

Annual Improvements to 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 organization, 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 TFRS Standards 2014-2016 cycle have no impact on the Company’s financial statements.

b) Amendments and interpretations to new and revised standards that have been issued but not yet effective

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

| | |
|--|--|
| TFRS 16 | <i>Leases</i> ¹ |
| Amendments to TAS 28 | <i>Long-term Interests in Associates and Joint Ventures</i> ¹ |
| TFRS Interpretation 23 | <i>Uncertainty over Income Tax Treatments</i> ¹ |
| 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 TAS 19 | <i>Amendments to Employee Benefits</i> |
| Annual Improvements to 2015–2017 Cycle 2015-2017 | <i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i> |

¹ Effective for annual periods beginning on or after 1 January 2019.

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. TFRS 16 is effective for annual periods beginning on or after 1 January 2019 although early application is also permitted. The adoption of this amendment to TFRS 16 is not expected to have a material impact on the Company's financial statements.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards (cont'd)

- b) Amendments and interpretations to new and revised standards that have been issued but not yet effective (cont'd)

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 bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

The Company evaluates the effects of these standards, amendments and improvements on the Company's position and performance.

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 TAS 19 *Employee Benefits Plan*

The Amendments to TAS 19 *Employee Benefits* address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards (cont’d)

- b) Amendments and interpretations to new and revised standards that have been issued but not yet effective (cont’d)

Annual Improvements to 2015–2017 Cycle

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

The Company assesses the possible impacts of the aforementioned standards, adjustments and improvements on its financial position and performance.

2.5 Summary of Significant Accounting Policies

(a) Financial instruments

(i) Financial assets

A financial assets is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity. Financial assets are classified in three categories; financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

(a) Financial instruments (cont'd)

(i) Financial assets (cont'd)

2) Financial assets at fair value through other comprehensive (cont'd)

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. The difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the shareholders' equity are reflected to the income statement.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

3) Financial assets at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using internal rate of return. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

(ii) Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months. Cash equivalents are convertible to cash and correspond short-term highly liquid investments with maturities less than three-months and which have no risk of impairment.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

2.5 Summary of Significant Accounting Policies (cont’d)

(a) Financial instruments (cont’d)

(iii) Factoring receivables and impairment

Factoring receivables and payables are recognized at fair value with their transaction costs and net amounts. Subsequent to initial recognition, the difference between the amount at the initial recognition and the present value of the reimbursement amounts is recognized in the financial statements by being amortized in profit or loss.

Factoring receivables and portions of other receivables which cannot be collected or which meet the criteria stated in “Regulation on Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette No. 28861 dated 24 December 2013 by BRSA and regulations which brings amendments or additions to this regulation are transferred to tracking doubtful accounts and recognized in financial statements at remaining amount less provision amounts. A doubtful factoring receivable is derecognized upon completion of all relevant legal procedures and the determination of net loss.

According to the “Regulation On Amendments Related To Regulations On Establishment and Operation Principles Of Financial Leasing, Factoring and Financing Companies” that was issued on 2 May 2018 by BRSA, factoring, leasing and finance companies have not applied TFRS 9. In this context, the Company continues to apply the current legislation.

(iv) Other assets and liabilities

Other assets and liabilities are carried at cost value due to their short-term nature.

(v) Loans received and securities issued

At their initial recognition, loans received and securities issued are recognized at fair value with their transaction costs and net amounts. Subsequent to initial recognition, they are recognized at present value of reimbursement amounts which is calculated by using effective interest method and the difference between the initial amount and the present value of reimbursement amount is recognized in profit or loss during the maturity period of payables.

(vi) Derivative financial instruments

Exchange differences arising from fair value changes of all derivative financial instruments are recognized in the capital market transactions profit / loss accounts. Fair value is derived from quoted market prices and, where appropriate, discounted cash flow models. The fair values of off-exchange foreign currency forward contracts are determined by comparing the initial maturity rate with the calculated maturity rate of the related currency for the remaining period of the contract and by capitalizing in closing balance. All derivative financial instruments are recognized as assets at derivative financial assets if the fair value is positive and as liabilities at derivative financial liabilities if the fair value is negative.

The fair value of derivative financial instruments that are not traded in the market are estimated by taking into consideration the counterparty's reliability, Company's receivables and liabilities if the contract expires at the end of the reporting period and current market conditions.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies (*cont'd*)

(b) Property, plant and equipment and depreciation

(i) Property, plant and equipment

Property, plant and equipment are recognized by deducting accumulated depreciation and permanent value loss from inflation adjusted cost value as of 31 December 2004 for items purchased before 1 January 2005, and from cost values of acquisition for items purchased after 31 December 2004. (see Note 2.5 (f))

(ii) Subsequent costs

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

(iii) Depreciation

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

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

| <u>Definition</u> | <u>Year</u> |
|--------------------------|--------------------|
| Buildings | 50 years |
| Furnitures and fixtures | 5 years |
| Vehicles | 5 years |

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

Gains and losses on disposals of property, plant and equipment are included in other income and expenses from operating activities.

(c) Intangible assets

Intangible assets consist of computer software licenses. Computer software licenses are recognized by deducting accumulated amortisation and permanent value loss from inflation adjusted cost value as of 31 December 2004 for items purchased before 1 January 2005, and from cost values of acquisition for items purchased after 31 December 2004. Amortization for intangible assets is calculated using the straight-line method over their estimated useful lives (3 years) starting from the acquisition date.

(d) Leasing

Assets acquired through leases where the risks and benefits related to ownership of the leased asset are owned by the Company are classified to related asset accounts. Assets acquired under finance leases are recognized at the lower of the fair value of the asset and the present value of the minimum lease payments. After initial recognition, the asset is recognized in accordance with the accounting policies of the related asset group in which it is included.

Rent payments made for operating leases are recognized as expense in equal amounts during the lease period.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

(e) Investment properties

Investment properties are properties held to earn rentals and / or for capital appreciation and are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. In the event that a property used by the owner becomes an investment property at fair value, the entity applies the accounting policy applied to the “Property, Plant and Equipment” until the change in use occurs.

(f) Impairment of 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 impairment loss recognized in the context of cash generating units is initially deducted from the carrying value of goodwill allocated to the units and then from the carrying value of other assets in the unit (unit group).

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

Impairment losses recognised in prior years 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.

(g) Capital increases

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

(h) Provision for retirement pay liability

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

TAS 19 “Employee Benefits” provides the calculation of the present value of the Company’s possible liabilities using actuarial valuation methods

The Company management has evaluated the effect of actuarial gains/losses on current financial statements concerning the calculation of retirement pay liability and has recognized the after-tax amount in profit or loss as it is below the materiality level.

The principal assumption is that the maximum liability of employment termination benefits for each year of service will increase in line with inflation. As of 31 December 2018, the provision for retirement pay liability is 6.017,60 TL that is effective as of 1 January 2019 since the maximum liability is revised semi-annually (31 December 2017: TL 5.007,76 as of 1 January 2018).

(i) Provisions, contingent assets and liabilities

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

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

(j) Income and expense recognition

(ii) Factoring income

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

(ii) Other operating income and expenses

Other income and expenses are recognized on accrual basis.

(iii) Finance income and expenses

Finance income and expenses recognized on accrual basis using effective interest method.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

(k) *Taxation on income*

Income tax includes current year tax (corporate tax) and deferred tax. Current year tax liability includes the tax liability calculated based on taxable profit for the year and by using the tax rates effective in the reporting period and adjustments related to tax liabilities in previous years.

Deferred tax is calculated by determining tax effects of temporary differences between the recognized values of assets and liabilities and the amounts of assets and liabilities used in the statutory tax assessment account. Based on the tax laws enacted at the end of the reporting period, deferred tax is calculated at the tax rates expected to be applied when temporary differences are reversed and recognized as an expense or income in profit or loss.

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

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

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

(l) *Related parties*

In accordance with TAS 24, 'Related Party Disclosures ' shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies or considered and referred to as related parties. Related parties also include investors and the Company management. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as 'related parties'

(m) *Earnings per share*

The balance of the earnings per share is calculated by dividing period net profit by weighted average number of the shares. Weighted average number of shares is number of ordinary shares at the beginning of the period and the number of shares issued during the period or taken back to a time-weight factor multiplied by the number of shares. The time weight factor is the ratio of the number of days where a certain number of shares issued and total number of days in the period.

In accordance with TAS 33 “*Earnings per Share*”, companies of which shares are not traded on the stock exchange are not obliged to disclose earnings per share. Since the Company's shares are not traded on the stock exchange, earnings per share is not calculated in the accompanying financial statements.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies (cont’d)

(n) Events after the reporting period

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

(o) Statement of cash flows

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

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

As of 31 December 2018 and 31 December 2017, the cash and cash equivalents in the statement of cash flows are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|-------------------------|-------------------------|
| Cash on hand / Effective | - | 3 |
| Banks (Note 3.1) | 67.217 | 14.393 |
| Less: | | |
| - Blocked deposits (Note 3.1) | - | - |
| - Interest income rediscount | (14) | (2) |
| Cash and cash equivalents in the statement of cash flow | 67.203 | 14.394 |

(p) Reporting financial information according to operating segments

Since the Company does not have separate segments of which financial performances are followed separately, no reporting has been made according to the operating segments.

(r) The effect of changes in foreign exchange rates

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. Foreign exchange differences arising from these transactions are stated in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are carried at fair value, are expressed in TL at the exchange rates ruling at the date at which their fair value are determined.

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

| | 31 December 2018 | 31 December 2017 |
|-----|-------------------------|-------------------------|
| USD | 5,2609 | 3,7719 |
| EUR | 6,0280 | 4,5155 |
| GBP | 6,6528 | 5,0803 |

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2.5 Summary of Significant Accounting Policies *(cont’d)*

(s) Disclosures on prior period’s accounting policies that are not applicable in the current period

Financial instruments

Non-derivative financial instruments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Quoted equity instruments and certain debt securities held by the Company and that are traded in an active market are classified as available-for-sale financial assets and are measured at fair value. The Company has unquoted equity instruments that are not traded in an active market but classified as available-for-sale financial assets and they are stated at cost value since their fair value cannot be measured reliably. Gains and losses arising from changes in the fair value other than the impairment loss recognized in profit or loss and foreign exchange gain or loss related to interest and monetary assets calculated using the effective interest method are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

3 FINANCIAL ASSETS (Net)

3.1 Cash and Cash Equivalents

As of 31 December 2018 and 31 December 2017, the details of banks are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|------------------|------------------|---------------|------------------|--------------|
| | TL | YP | TL | YP |
| - Demand deposit | 8.557 | 18.181 | 2.944 | 6.311 |
| - Time deposit | 22.013 | 18.466 | 3.252 | 1.886 |
| Total | 30.570 | 36.647 | 6.196 | 8.197 |

Time deposits consist of TL, USD and EUR denominated bank balances with a maturity of less than one month and the average interest rate applied to time deposits amounting to TL 22.000 Thousand is 21,50%, interest rate applied to time deposits amounting to USD 2.490 Thousand is 3,17% and interest rate applied to time deposits amounting to EUR 890 is 0,10%. (31 December 2017: The average interest rate applied to time deposits amounting to TL 3.250 Thousand is 6,00% and the interest rate applied to time deposits amounting to USD 500 Thousand is 1,50%).

As of 31 December 2018, there are no blocked deposits (31 December 2017: None).

Total amount of banks with original maturity of less than three months and which are not blocked, excluding the income accruals which form a basis for cash flow statement, is TL 67.203 Thousand (31 December 2017: TL 14.394).

Foreign currency risk and sensitivity analysis of the Company as of 31 December 2018 and 31 December 2017 have been disclosed in Note 24.

3.2 Financial Assets at Fair Value Through Other Comprehensive Income

As of 31 December 2018, the details of shares classified as financial assets at fair value through other comprehensive income are as follows:

| | 31 December 2018 | |
|---|------------------|-----------|
| | Amount | Share (%) |
| Credit Europe Group N.V. ("Credit Europe") | 62.283 | 1,29 |
| Fiba Alışveriş Mer. Gel. İnş. ve Paz. Tic. A.Ş. | 728 | 0,16 |
| Kapital Holding A.Ş. | 10 | - |
| Other | 2 | - |
| Total | 63.023 | |
| Provision for impairment | (9.188) | |
| Total | 53.835 | |

As of 31 December 2018, an impairment provision of TL 9,188 Thousand has been made for the Company's equity instruments classified as available-for-sale financial assets that are not traded in an active market and that are unlisted, details of which are given in the tablo above.

FİBA FAKTORİNG ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

3.2 Financial Assets at Fair Value Through Other Comprehensive Income Varlıklar (cont'd)

As of 31 December 2017, the details of financial assets classified as available-for-sale securities are as follows:

| 31 December 2017 | |
|--------------------------|---------|
| <u>Debt securities</u> | |
| Private bank bonds | 26.938 |
| <u>Stocks</u> | |
| Unlisted | 68.178 |
| Provision for impairment | (9.188) |
| <hr/> | |
| 85.928 | |

As of 31 December 2017, the details of shares classified as available-for-sale securities are as follows:

| 31 December 2017 | | |
|---|---------------|------------------|
| | Amount | Share (%) |
| Credit Europe Group N.V. ("Credit Europe") | 67.438 | 1,29 |
| Fiba Alışveriş Mer. Gel. İnş. ve Paz. Tic. A.Ş. | 728 | 0,16 |
| Kapital Holding A.Ş. | 10 | - |
| Other | 2 | - |
| Total | 68.178 | |
| <hr/> | | |
| Provision for impairment | (9.188) | |
| Total | 58.990 | |

As of 31 December 2017, an impairment provision of TL 9,188 Thousand has been made for the Company's equity instruments classified as available-for-sale financial assets that are not traded in an active market and that are unlisted, details of which are given in the table above.

The maturity analysis of the debt securities classified as available-for-sale financial assets as of 31 December 2017 is as follows:

| 31 December 2017 | |
|-------------------------|--------|
| <u>Short term</u> | |
| Up to 1 year | 26.938 |
| <hr/> | |
| 26.938 | |

As at 31 December 2017, annual interest rates of available-for-sale long-term bonds denominated in foreign currency are 8.00%.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

3.3 Derivative Financial Assets

Derivative financial instruments are carried at fair value, and positive fair values are presented in derivative financial assets held for trading, negative fair values are presented in derivative financial liabilities held for trading.

As of 31 December 2018 and 31 December 2017, details of held-for-trading derivative financial assets consisting of currency swap and forward purchase-sale agreements are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Derivative financial assets held for trading | | | | |
| Currency swaps | - | - | 4.757 | - |
| Currency forwards | 5.301 | - | 1.960 | - |
| Total | 5.301 | - | 6.717 | - |

3.4 Derivative Financial Liabilities

As of 31 December 2018 and 31 December 2017, details of held-for-trading derivative financial liabilities consisting of currency swap and forward purchase-sale agreements are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Derivative financial liabilities held for trading | | | | |
| Currency swaps | 8.638 | - | 911 | - |
| Currency forwards | 1.277 | - | 3.490 | - |
| Total | 9.915 | - | 4.401 | - |

4 LOANS (Net)

4.1 Factoring Receivables and Payables

As of 31 December 2018 and 31 December 2017, the details of factoring receivables are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|-----------------------------------|------------------|---------------|------------------|---------------|
| | TL | FC | TL | FC |
| Domestic factoring receivables | 881.377 | 14.565 | 1.266.908 | - |
| Export factoring receivables | - | 2.244 | - | 19.107 |
| Unearned interest income | (32.718) | (317) | (35.450) | (5) |
| Factoring receivables, net | 848.659 | 16.492 | 1.231.458 | 19.102 |

As of 31 December 2018, TL 28.791 Thousand of factoring receivables consists of factoring receivables with maturity more than one year (31 December 2017: TL 57.689 Thousand).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

4 LOANS (Net) (cont’d)

4.1 Factoring Receivables and Payables (cont’d)

The amount of the Company’s factoring receivables past due but not impaired is TL 2.870 Thousand (31 December 2017: TL 9.256 Thousand) and their aging is as follows:

| | 31 December 2018 | 31 December 2017 |
|---------------------|-------------------------|-------------------------|
| Past due 1 month | 2.682 | 9.256 |
| Past due 1-3 months | 188 | - |
| Total | 2.870 | 9.256 |

Factoring Payables

As of 31 December 2018 and 31 December 2017, details of short-term factoring payables are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--------------------|-------------------------|-----------|-------------------------|-----------|
| | TL | FC | TL | FC |
| Factoring payables | 1.997 | 16 | 373 | - |
| Total | 1.997 | 16 | 373 | - |

Factoring payables are collected for factoring customers and represent the amounts which have not been deposited in the accounts of the related factoring customers.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

4 LOANS (Net)

4.2 Non-Performing Factoring Receivables

As of 31 December 2018 and 31 December 2017, details of the Company’s non-performing factoring receivables are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--------------------------------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Non-performing factoring receivables | 79.492 | - | 52.338 | - |
| Special provision | (60.742) | - | (45.173) | - |
| Non-performing loans, net | 18.750 | - | 7.165 | - |

As of 31 December 2018 and 31 December 2017, aging and special provision distribution of non-performing factoring receivables are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|----------------------|---|---------------|---|---------------|
| | Total factoring receivables under follow up | Provision | Total factoring receivables under follow up | Provision |
| Not overdue | - | - | 64 | 26 |
| 1-3 months past due | 246 | 246 | 2.170 | 2.170 |
| 3-6 months past due | 15.148 | 3.501 | 1.205 | 29 |
| 6-12 months past due | 3.023 | 1.242 | 3.481 | 1.362 |
| Past due over a year | 61.075 | 55.753 | 45.418 | 41.586 |
| Total | 79.492 | 60.742 | 52.338 | 45.173 |

Movements of special provisions during the period is as follows:

| | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| 1 January 2018 | 45.173 | 41.065 |
| Transferred to asset management company (*) | (10.100) | - |
| Written off | (3.051) | - |
| Provision allocated during the period (Note 19) | 30.104 | 6.995 |
| Provision released during the period (Note 18) | (1.384) | (2.887) |
| Closing balances, 31 December | 60.742 | 45.173 |

(*) As of 31 December 2018, the Company transferred its non-performing receivable portfolio amounting to TL 10.100 Thousand with net carrying value of zero to Sümer Varlık Yönetim A.Ş., a related party, for TL 20 Thousand (31 December 2017: None).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

5 PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the periods ended at 31 December 2018 and 31 December 2017 are as follows:

| | Buildings | Furniture and fixtures | Vehicles | Leasehold improvements | Other tangible assets (*) | Total |
|---|------------------|-------------------------------|-----------------|-------------------------------|----------------------------------|--------------|
| Cost | | | | | | |
| Opening balance, 1 January 2017 | 2.762 | 1.216 | - | 1.920 | 1.531 | 7.429 |
| Additions | - | 262 | - | - | - | 262 |
| Disposals | - | (12) | - | - | - | (12) |
| Closing balances, 31 December 2017 | 2.762 | 1.466 | - | 1.920 | 1.531 | 7.679 |
| Opening balance, 1 January 2018 | 2.762 | 1.466 | - | 1.920 | 1.531 | 7.679 |
| Additions | - | 86 | 332 | - | - | 418 |
| Disposals | - | - | - | - | - | - |
| Written off | - | (48) | - | - | - | (48) |
| Closing balances, 31 December 2018 | 2.762 | 1.504 | 332 | 1.920 | 1.531 | 8.049 |
| Accumulated amortization | | | | | | |
| Opening balance, 1 January 2017 | 633 | 925 | - | 1.719 | - | 3.277 |
| Current year depreciation expense | 81 | 108 | - | 67 | - | 256 |
| Disposals | - | (4) | - | - | - | (4) |
| Closing balances, 31 December 2017 | 714 | 1.029 | - | 1.786 | - | 3.529 |
| Opening balance, 1 January 2018 | 714 | 1.029 | - | 1.786 | - | 3.529 |
| Current year depreciation expense | 81 | 117 | 15 | 48 | - | 261 |
| Written off | - | (48) | - | - | - | (48) |
| Closing balances, 31 December 2018 | 795 | 1.098 | 15 | 1.834 | - | 3.742 |
| Net book value | | | | | | |
| 1 January 2017 | 2.129 | 291 | - | 201 | 1.531 | 4.152 |
| 31 December 2017 | 2.048 | 437 | - | 134 | 1.531 | 4.150 |
| 31 December 2018 | 1.967 | 406 | 317 | 86 | 1.531 | 4.307 |

As of 31 December 2018, insurance coverage on property, plant and equipment amounts to TL 29.681 Thousand (31 December 2017: TL 16.896 Thousand), insurance premium amounts to TL 50 Thousand (31 December 2017: TL 45 Thousand). As of 31 December 2018, buildings with net carrying value of TL 1.840 Thousand were purchased through financial leasing (31 December 2017: TL 1.890 Thousand). There is no lien on property, plant and equipment, such as pledge, mortgage, and etc.

(*) Other property, plant and equipment consists of pictures with artistic values that are not subject to depreciation.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

6 INTANGIBLE ASSETS

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

| | Computer software |
|---|--------------------------|
| Cost | |
| Opening balance, 1 January 2017 | 912 |
| Additions | 150 |
| Written off | (427) |
| Closing balances, 31 December 2017 | 635 |
| Opening balance, 1 January 2018 | 635 |
| Additions | 372 |
| Closing balances, 31 December 2018 | 1.007 |
| Accumulated amortization | |
| Opening balance, 1 January 2017 | 500 |
| Current year amortization | 204 |
| Written off | (182) |
| Closing balances, 31 December 2017 | 522 |
| Opening balance, 1 January 2018 | 522 |
| Current year amortization | 229 |
| Closing balances, 31 December 2018 | 751 |
| Net book value | |
| 1 January 2017 | 412 |
| 31 December 2017 | 113 |
| 31 December 2018 | 256 |

The Company has no intangible asset created within the entity.

7 INVESTMENT PROPERTY

The Company's investment property consists of land acquired for receivables. Investment properties consist of assets acquired for receivables. As of 31 December 2018, fair value of investment properties is TL 52.900 Thousand (31 December 2017: TL 41.950 Thousand). The fair value has been determined by an independent appraisal company and the fair value hierarchy level is 3.

Fair value measurements of investment property

As of 31 December 2018 and 31 December 2017, the fair value of the investment property has been determined by Som Kurumsal Gayrimenkul Değerleme ve Danışmanlık Hizmetleri A.Ş., an independent appraisal company. The appraisal company is authorized by the CMB and provides real estate appraisal services in accordance with the capital market legislation and has sufficient experience and qualifications in the fair value measurement of properties in the relevant regions. The fair value of the land has been determined using a market comparative approach that reflects current transaction prices for similar properties.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

7 INVESTMENT PROPERTY (*cont’d*)

Fair value measurements of investment property (*cont’d*)

| | Book value | Fair value as of reporting date | | |
|---------------------|-------------------------|--|----------------|----------------|
| | 31 December 2018 | Level 1 | Level 2 | Level 3 |
| Investment property | 16.444 | - | - | 52.900 |

| | Book value | Fair value as of reporting date | | |
|---------------------|-------------------------|--|----------------|----------------|
| | 31 December 2018 | Level 1 | Level 2 | Level 3 |
| Investment property | 16.444 | - | - | 41.950 |

In the current period, no different valuation method was used.

8 TAX ASSETS AND LIABILITIES

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and deducting exempt income, non-taxable income and other incentives (prior years’ losses, if any, and investment incentives utilized, if preferred).

The effective tax rate in 2018 is 22% (2017: 20%). Whereas the corporate income were subject to corporate tax rate of 20%, effective as of 1 January 2006, it will be applied as 22% for the corporate income for 2018, 2019 and 2020 in accordance with provisional clause of article 10 of the Law numbered 7061 on “Amendment of Certain Taxes and Laws and Other Acts” that was published on the Official Gazette dated 5 December 2017 and numbered 30261. The Council of Ministers is authorized to reduce the rate of 22% to 20%.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

8 TAX ASSETS AND LIABILITIES (*cont’d*)

In Turkey, advance tax returns are filed on a quarterly basis and the taxes are being accrued. Advance corporate income tax rate applied in 2018 for temporary tax periods is 22%. (2017: 20%). This rate has been determined as 22% for 2018, 2019 and 2020 with the law amendment.

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be offsetted retrospectively against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April (between 1-25 April following the end of the period for special accounting periods) following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Minister’s’ Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

For the periods ended 31 December 2018 and 31 December 2017, the income tax provision in the statement of profit or loss is different from the amounts calculated by applying the statutory tax rate before tax as stated below:

| | 31 December 2018 | 31 December 2017 |
|---|-------------------------|-------------------------|
| Profit before tax reported | 48.463 | 29.987 |
| Tax calculated on reported profit (22% - 20%) | (10.662) | (5.997) |
| Non-deductible expenses (*) | (360) | (1.830) |
| Deferred tax rate differences (22% - 20%) | (6) | (46) |
| Tax (expense) / income | (11.028) | (7.873) |

(*) Includes non-deductible expenses such as donation, aid, impairment provision for available-for-sale financial assets, special communication tax, and etc.

FİBA FAKTORİNG ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

8 TAX ASSETS AND LIABILITIES (cont'd)

As of 31 December 2018 and 31 December 2017, the corporate tax payable and prepaid taxes are as follows:

| | 31 December 2018 | 31 December 2017 |
|------------------------------|-------------------------|-------------------------|
| Provision for corporate tax | 12.966 | 7.823 |
| Advance tax | (20.792) | (4.308) |
| Total | (7.826) | 3.515 |
| Withholding amount paid | (410) | (35) |
| Corporate Tax Payable | (8.236) | 3.480 |

Tax expenses in the statement of profit or loss for the periods ended 31 December are as follows:

| | 31 December 2018 | 31 December 2017 |
|-------------------------------|-----------------------------|-----------------------------|
| Deferred tax benefit/(charge) | 1.938 | (50) |
| Current tax charge | (12.966) | (7.823) |
| Total | (11.028) | (7.873) |

The Company calculates deferred income tax assets and liabilities considering the effects of temporary differences arising from different assessments between the Reporting Standards and the Tax Procedural Code in the balance sheet items. The tax rate used in the calculation of deferred tax assets and liabilities is 22% for 2018-2020 and 20% for the subsequent taxable income (31 December 2017: 20%).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

8 TAX ASSETS AND LIABILITIES (cont’d)

As of 31 December 2018 and 31 December 2017, details of temporary differences and deferred tax assets and liabilities prepared in accordance with the applicable tax rates are as follows:

| | Temporary differences | | Deferred tax assets/(liabilities) | |
|---|-----------------------|------------------|-----------------------------------|------------------|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Provision for factoring receivables | 19.951 | 20.506 | 3.990 | 4.102 |
| Derivative financial instruments | 9.915 | 4.401 | 2.182 | 968 |
| Provision for impairment of available for sale financial assets | 2.297 | 2.297 | 459 | 459 |
| Provision for severance pay | 2.376 | 1.850 | 475 | 370 |
| Unused vacation accruals | 999 | 830 | 220 | 183 |
| Commission rediscounts | 2.287 | 453 | 503 | 100 |
| Deferred tax assets | 37.825 | 30.337 | 7.829 | 6.182 |
| Derivative financial instruments | 5.301 | 6.717 | 1.166 | 1.478 |
| Accrual expenses on borrowings | 1.386 | 1.130 | 305 | 249 |
| Temporary differences on tangible and intangible assets | 185 | 177 | 37 | 35 |
| Securities | 155 | 175 | 34 | 39 |
| Revaluation differences of available for sale financial assets | - | 430 | - | 95 |
| Deferred tax liabilities | 7.027 | 8.629 | 1.542 | 1.896 |
| Deferred tax asset, net | 30.798 | 21.708 | 6.287 | 4.286 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

8 TAX ASSETS AND LIABILITIES (cont’d)

Movement of deferred tax asset during the period is as follows:

| | 31 December 2018 | 31 December 2017 |
|------------------------------------|------------------|------------------|
| Balance at 1 January | 4.286 | 4.431 |
| Recognized in profit or loss | 1.938 | (50) |
| Recognized under equity | 63 | (95) |
| Closing balance 31 December | 6.287 | 4.286 |

As of 31 December 2018 and 31 December 2017, the Company has no deductible financial loss.

All of the changes occurred in deferred tax assets and liabilities for the accounting periods ended 31 December 2018 and 31 December 2017 have been recognized in the statement of profit or loss and there is no deferred tax asset or liability that has not been recognized as of 31 December 2018 and 31 December 2017.

9 OTHER ASSETS

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

| | 31 December 2018 | |
|-------------------------------|------------------|-----------|
| | TL | FC |
| Receivables from BTT accruals | 4.997 | - |
| Prepaid expenses | 1.333 | - |
| Other | 429 | 34 |
| Advances and guarantees given | 280 | - |
| Total | 7.039 | 34 |

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

| | 31 December 2017 | |
|-------------------------------|------------------|----------|
| | TL | FC |
| Receivables from BTT accruals | 4.174 | - |
| Advances and guarantees given | 238 | - |
| Other | 53 | - |
| Investment properties (*) | 16.444 | - |
| Total | 20.909 | - |

(*) Investment properties consist of assets acquired for receivables. As of 31 December 2017, fair value of investment properties is TL 41.950 Thousand. The fair value has been determined by an independent appraisal company and its hierarchy level is 3.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

10 BORROWINGS

As of 31 December 2018 and 31 December 2017, the details of loans received are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--------------|------------------|----------|------------------|----------------|
| | TL | FC | TL | FC |
| Borrowings | 790.300 | - | 792.795 | 142.389 |
| Total | 790.300 | - | 792.795 | 142.389 |

| | 31 December 2018 | | | | 31 December 2017 | | | |
|--------------|------------------|-----------------------|----------------|------------------|------------------|-----------------------|----------------|------------------|
| | Original Amount | Interest rate (%) (*) | TL equivalent | | Original Amount | Interest Rate (%) (*) | TL equivalent | |
| | | | Up to 1 year | More than 1 Year | | | Up to 1 year | More than 1 Year |
| TL | 790.300 | 16,28-36,23 | 790.300 | - | 792.795 | 13,60-16,70 | 792.795 | - |
| US Dollar | - | - | - | - | 23.237 | 4,10-4,80 | 87.647 | - |
| Euro | - | - | - | - | 11.838 | 1,80-2,95 | 53.456 | - |
| Pound | - | - | - | - | 253 | 1,07-1,08 | 1.286 | - |
| Total | | | 790.300 | - | | | 935.184 | - |

(*) These rates represent the interest rate range of fixed-rate loans received available as of 31 December 2018 and 31 December 2017.

As of 31 December 2018, loans amounting to TL 225.456 Thousand has Fiba Holding A.Ş. guarantee (31 December 2017: Loans amounting to TL 356.436 Thousand, USD 22.500 Thousand and EUR 10.000 Thousand has Fiba Holding A.Ş. guarantee).

FİBA FAKTORİNG ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

11 SECURITIES ISSUED

As of 31 December 2018, details of securities issued are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|-----------------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Financial bond issued | 60.000 | - | 223.120 | - |
| Issue differences | (2.605) | - | (6.275) | - |
| Total | 57.395 | - | 216.845 | - |

As at 30 October 2018, the Company issued discounted finance bond with a nominal value of TL 60.000 Thousand with 121 days maturity.

| 31 December 2018 | Currency unit | Maturity | Interest type | Interest rate (*) | Nominal amount | Carrying value |
|------------------|---------------|------------------|---------------|-------------------|----------------|----------------|
| TRFFBFK51814 | TL | 28 February 2019 | Fixed | 29,00% | 60.000 | 57.395 |
| Total | | | | | | 57.395 |

(*) Annual nominal interest rate.

The Company issued discounted finance bond with a nominal value of TL 130.000 Thousand with a maturity of 6 months on 15 August 2017 and another bond with a nominal value of TL 93.120 Thousand with a nominal amount of TRY 93.120 Thousand on 6 November 2017.

| 31 December 2017 | Currency unit | Maturity | Interest type | Interest rate (*) | Nominal amount | Carrying value |
|------------------|---------------|-----------------|---------------|-------------------|----------------|----------------|
| TRFFBFK21817 | TL | 9 February 2018 | Fixed | 14,50% | 130.000 | 128.019 |
| TRFFBFK51814 | TL | 3 May 2018 | Fixed | 14,50% | 93.120 | 88.826 |
| Total | | | | | | 216.845 |

(*) Annual nominal interest rate.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

12 PROVISIONS

As of 31 December 2018 and 31 December 2017, the details of provisions are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Provision for employee termination benefits | 2.376 | - | 1.850 | - |
| Unused vacation accruals | 998 | - | 830 | - |
| Provision for employee benefits | 3.374 | - | 2.680 | - |

Provision for retirement pay liability

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women, 60 for men). After the amendment of the legislation on 23 May 2002, certain transitional provisions relating to length of service before retirement were issued. The amount payable consists of one month's salary limited to a maximum of TL 6.017,60 (full) effective from 1 January 2019 as of 31 December 2018 (31 December 2017: 5.001,76 effective from 1 January 2018). (full) TL).

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9,50% and a discount rate of 14,00%, resulting in a real discount rate of approximately 4,11% (31 December 2017: real discount rate of 3,31%).

Movement of provision for retirement pay liability is as follows:

| | 31 December 2018 | 31 December 2017 |
|------------------------------------|------------------|------------------|
| Balance at 1 January | 1.850 | 1.276 |
| Interest cost | 61 | 42 |
| Service cost | 674 | 654 |
| Payments | (48) | (122) |
| Actuarial differences | (161) | - |
| Closing balance 31 December | 2.376 | 1.850 |

Unused vacation accruals

In accordance with the existing labour law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation days over the prevailing wage at the date the contract is terminated.

Movement of unused vacation accruals during the period is as follows:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Balance at 1 January | 830 | 720 |
| Accrual / (reversal) during the period | 168 | 110 |
| Closing balance 31 December | 998 | 830 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

13 OTHER LIABILITIES

13.1 Other Liabilities

As of 31 December 2018, the details of other liabilities are as follows:

| | 31 December 2018 | |
|---------------------|-------------------------|-----------|
| | TL | FC |
| Taxes payable | 2.719 | - |
| Prepaid commissions | 1.865 | 8 |
| Due to suppliers | 117 | 56 |
| Other | 35 | 3 |
| Total | 4.736 | 67 |

13.2 Other Payables and Other Liabilities

As of 31 December 2017, the details of the miscellaneous payables are as follows:

| | 31 December 2017 | |
|-----------------------|-------------------------|-----------|
| | TL | FC |
| Payables to suppliers | 118 | 10 |
| Other | 78 | 34 |
| Total | 196 | 44 |

Payables to suppliers consist of payables related to services received in relation to the Company's operations.

As of 31 December 2017, other liabilities amounting to TL 454 Thousand consist of unearned commission income.

13.3 Taxes and Liabilities Payable

As of 31 December 2017, the details of the taxes and liabilities payable are as follows:

| | 31 December 2017 | |
|----------------------------------|-------------------------|-----------|
| | TL | FC |
| BTT payable | 1.350 | - |
| Income tax payable | 310 | - |
| Social security premiums payable | 300 | - |
| Stamp tax payable | 26 | - |
| VAT payable | 2 | - |
| Total | 1.988 | - |

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

14 SHAREHOLDER'S EQUITY

14.1 Paid-in Capital

As of 31 December 2018, share capital of the Company is TL 81.110 Thousand (31 December 2017: TL 81.110 Thousand) and the issued capital of the Company comprises of 81.109.700 Thousand (31 December 2017: 81.109.700) unprivileged shares with a nominal value of TL 1 (full) each (31 December 2017: TL 1 (full) each).

"Inflation adjustment to equity" for all equity items will be used only for bonus capital increase or loss offsetting, and the carrying values of extraordinary reserves will be used for bonus capital increase, cash profit distribution or loss offsetting.

14.2 Capital Reserves

The effect of the business combination subject to common control is recognized in capital reserves under equity. Since the capital and participation amounts have been offset as a result of the combination transaction due to the mutual participation of the companies, the combination ratio has been calculated by taking into consideration the equity values deducted from participation costs.

As of 31 December 2018, capital reserves amounting to TL 2.295 Thousand (31 December 2017: TL 2.295 Thousand) include inflation adjustments related to the Company's paid-in capital.

14.3 Profit Reserves

According to the tax legislation, 75% of the profits arising from the sale of subsidiaries are exempt from corporate tax provided that they are kept in a special fund account in liabilities for at least five full years. The exception cannot be transferred to any other account or withdrawn from the enterprise in any way other than the addition to capital within five years.

As of 31 December 2018, the Company's profit reserves amounting to TL 41.289 Thousand (31 December 2017: TL 41.289 Thousand) consist of first and second legal reserves and exemptions of gains on sale of equity investments amounting to TL 2.953 Thousand (31 December 2017: TL 53.043 Thousand).

14.4 Accumulated Losses

The Company has no accumulated losses as of 31 December 2018 and (31 December 2017: None).

14.5 Profit Distribution

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement as explained below.

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.

As a result of the Extraordinary General Assembly Meetings held on 21 February 2018, 9 August 2018 and 21 September 2018, the Company has distributed TL 50.090 Thousand other reserves and TL 31.860 Thousand retained earnings.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

15 OPERATING INCOME

Details of operating income for the periods ended 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|---|----------------|----------------|
| Interest received from factoring receivables | 271.939 | 183.805 |
| Fees and commissions received from factoring receivables, (net) | 12.555 | 4.390 |
| - <i>Commission income</i> | 12.693 | 4.564 |
| - <i>Commission expenses</i> | (138) | (174) |
| Total | 284.494 | 188.195 |

16 FINANCE EXPENSES

Details of finance expenses for the periods ended 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|-------------------------------|----------------|----------------|
| Interest on borrowings | 141.210 | 88.824 |
| Interest on securities issued | 21.881 | 14.144 |
| Fees and commissions given | 6.354 | 4.207 |
| Total | 169.445 | 107.175 |

17 OPERATING EXPENSES

Details of operating expenses for the periods ended 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|--|---------------|---------------|
| Personnel expenses | 20.466 | 17.995 |
| Office expenses | 2.321 | 2.042 |
| Travel, vehicle rent and other transportation expenses | 1.836 | 1.495 |
| Consulting expenses | 795 | 676 |
| Provision for employment termination benefits (<i>Note 12</i>) | 687 | 574 |
| Litigation expenses | 986 | 497 |
| Depreciation and amortization expenses (<i>Note 5,6</i>) | 490 | 460 |
| Communication expenses | 469 | 429 |
| Taxes, duties, fees and funds | 374 | 336 |
| Advertising expenses | 65 | 37 |
| Notary expenses | 11 | 10 |
| Information technology maintenance and contract expenses | 17 | 10 |
| Other | 468 | 782 |
| Total | 28.985 | 25.343 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

17 OPERATING EXPENSES *(continued)*

The details of personnel expenses included in operating expenses for the periods ended as of 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|---|---------------|---------------|
| Salary and wages | 14.012 | 12.595 |
| Social security employer share | 2.178 | 1.947 |
| Premiums | 2.518 | 1.855 |
| Health expenses | 614 | 591 |
| Personnel meal subsidies | 452 | 415 |
| Compensation paid and other employee rights | 61 | 122 |
| Unused vacation accruals <i>(Note 12)</i> | 168 | 110 |
| Other | 463 | 360 |
| Total | 20.466 | 17.995 |

18 OTHER OPERATING INCOME

The details of other operating incomes for the periods ended as of 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|---|---------------|---------------|
| Foreign exchange transactions income | 45.535 | 50.280 |
| Derivative financial transactions income | 23.584 | 17.217 |
| Interest received from securities | 114 | 3.035 |
| Provision released for factoring receivables under follow-up <i>(Note 4)</i> | 1.384 | 2.887 |
| Sales profit of financial assets at fair value through other comprehensive income / Available for sale financial assets | 451 | 390 |
| Interest from banks | 5.436 | 173 |
| Dividend income | 11.586 | - |
| Other | 196 | 322 |
| Total | 88.286 | 74.304 |

19 PROVISIONS

The details of provisions for non-performing receivables for the periods ended as of 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|---|---------------|--------------|
| Specific provision expenses <i>(Note 4)</i> | 30.104 | 6.995 |
| Total | 30.104 | 6.995 |

FİBA FAKTORİNG ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

20 OTHER OPERATING EXPENSES

Details of other operating expenses for the periods ended as of 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|---|---------------|---------------|
| Derivative financial transactions losses | 39.560 | 43.929 |
| Foreign exchange losses | 36.318 | 37.370 |
| Provision for impairment on financial assets at fair value through profit and loss / available for sale financial assets (Note 5) | - | 9.188 |
| Donations | 18.533 | 1.975 |
| Bank expenses | 326 | 353 |
| Other | 1.046 | 184 |
| Total | 95.783 | 92.999 |

21 EARNINGS PER SHARE

According to TAS 33 “Turkish Accounting Standard Regarding Earnings Per Share”, companies, whose stocks are not traded on stock market, are not required to disclose their earnings per share.

22 RELATED PARTY DISCLOSURES

Details of receivables from related parties and payables to related parties for the periods ended 31 December 2018 and 31 December 2017 are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|----------------------------|------------------|------------|------------------|------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| Credit Europe Bank Holland | | | | |
| - Demand deposit | - | - | - | 2 |
| | - | - | - | 2 |
| Fibabanka A.Ş. | | | | |
| - Demand deposit | 4.270 | 680 | 542 | 122 |
| Total | 4.270 | 680 | 542 | 124 |

Details of receivables from related parties for the periods ended 31 December 2018 and 31 December 2017 are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Financial assets at fair value through other comprehensive income | | | | |
| -Stock | | | | |
| Credit Europe Bank Holland | 53.095 | - | 58.250 | - |
| Fiba Alışveriş Mrk. Gel. İnş. Paz. ¹ | 728 | - | 728 | - |
| Total | 53.823 | - | 58.978 | - |

FİBA FAKTORİNG ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

22 RELATED PARTY DISCLOSURES (continued)

Details of payables to related parties as of 31 December 2018 and 31 December 2017 are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--------------------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Other liabilities | | | | |
| Fiba Holding A.Ş. | 21 | - | 31 | - |
| Total | 21 | - | 31 | - |

Details of incomes and expenses arising from related party transactions for the periods ended 31 December 2018 and 31 December 2017 are as follows:

| | 2018 | 2017 |
|--|---------------|--------------|
| Interest from banks | | |
| Fibabanka - <i>Time deposit interest income</i> | 745 | 24 |
| Total | 745 | 24 |
| Other operating income | | |
| Credit Europe Bank Hollanda | | |
| - <i>Financial assets at fair value through other comprehensive income</i> | 114 | 3.035 |
| Güven Varlık Yönetimi A.Ş. - <i>Other</i> | 113 | 116 |
| Total | 227 | 3.151 |
| General operating expenses | | |
| Ofishane Ofis Yatırımları ve Kiralama Hizmetleri A.Ş. | 280 | 214 |
| Fiba Holding A.Ş. | 102 | 127 |
| Fibabanka A.Ş. | 62 | 46 |
| Fina Holding A.Ş. | 42 | 8 |
| Fiba Gayrimenkul Gel. İnş. ve Yat. A.Ş. | 7 | 8 |
| Fiba Ticari Gayrimenkul Yatırımları A.Ş. | 7 | - |
| Total | 500 | 403 |
| Other operating expenses | | |
| Hüsnü Özyeğin Vakfı – <i>Donation</i> | 3.005 | 1.801 |
| Hüsnü Özyeğin Üniversitesi – <i>Donation</i> | 15.118 | 41 |
| Fiba Emeklilik ve Hayat A.Ş. – <i>Other</i> | 28 | 27 |
| Fibabanka - <i>Other expenses</i> | 34 | 26 |
| Marka Mağazacılık A.Ş. – <i>Other</i> | 6 | 10 |
| Florence Nightingale İş Sağlığı ve Güvenliği Hiz. Tic. A.Ş. | - | 9 |
| Credit Europe Bank Hollanda - <i>Other expenses</i> | - | 7 |
| Credit Europe Bank İsviçre - <i>Other expenses</i> | - | 1 |
| Total | 18.191 | 1.922 |

Salary and other benefits provided to board members and other executives:

The key management and the Board of Directors received remuneration and fees amounting to TL 2.377 Thousand for the period ended 31 December 2018 (31 December 2017: TL 1.816 Thousand).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

23 CONTINGENT ASSETS AND LIABILITIES

23.1 Guarantees received

As of 31 December 2018 and 31 December 2017, collaterals obtained for the factoring receivables of the Company are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|-------------------------------|-------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Factoring contract guarantees | 7.633.979 | 226.770 | 4.410.990 | 84.295 |
| Pledged securities | 1.828.318 | 58.198 | 1.882.442 | 124.476 |
| Other assets | 1.004.587 | 105.442 | 895.710 | 60.375 |
| Suretyships | 230.456 | 26.304 | 356.436 | 130.023 |
| Mortgages | 87.775 | - | 41.985 | - |
| Business pledge | 17.690 | - | 17.690 | - |
| Securities pledge | 11.113 | - | - | - |
| Total | 10.813.918 | 416.714 | 7.605.253 | 399.169 |

As of 31 December 2018, the accommodation bonds amounting to TL 1.886.516 Thousand obtained by the Company from its customers as per operating activities are presented in pledged assets (31 December 2017: back bonds TL 1.998.418 Thousand, accommodation bonds TL 8.500 Thousand).

Accommodation bonds and checks that the Company holds to be returned to customers due to operations and that are presented in other securities as of 31 December 2018 amount respectively to TL 1.068.981 Thousand and TL 34.232 Thousand (31 December 2017: back bonds TL 947.032 Thousand).

23.2 Guarantees Given

As at 31 December 2018 and 31 December 2017, the guarantees given consist of letters of guarantees given to the following institutions:

| | 31 December 2018 | | 31 December 2017 | |
|--------------------------------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Istanbul Settlement and Custody Bank | 681.000 | - | 550.000 | - |
| Courts | 7.902 | - | 7.782 | - |
| Total | 688.902 | - | 557.782 | - |

23.3 Derivative Financial Instruments

Currency Swap Purchase-Sale Agreements

The details of the currency swap purchase-sale agreements as of 31 December 2018 and 31 December 2017 are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|-------------------------------------|------------------|---------------|------------------|----------------|
| | TL | FC | TL | FC |
| Currency swap purchase transactions | 71.520 | - | 108.528 | 144.180 |
| Currency swap sell transactions | - | 75.625 | 147.855 | 101.555 |
| Total | 71.520 | 75.625 | 256.383 | 245.735 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

23 CONTINGENT ASSETS AND LIABILITIES (*cont’d*)

23.3 Derivative Financial Instruments (*cont’d*)

Forward purchase-sales agreements

As at 31 December 2018 and 31 December 2017, the details of forward purchase and sale agreements are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|-----------------------------|------------------|---------------|------------------|---------------|
| | TL | FC | TL | FC |
| Forward purchase operations | 6.639 | 26.305 | 20.970 | 30.175 |
| Forward sell operations | 21.082 | 7.891 | 33.954 | 18.617 |
| Total | 27.721 | 34.196 | 54.924 | 48.792 |

23.4 Items held in custody

As of 31 December 2018 and 31 December 2017, the details of the items held in custody are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--------------------------------|------------------|---------------|------------------|---------------|
| | TL | FC | TL | FC |
| Checks obtained for collection | 608.067 | 22.010 | 787.399 | 33.783 |
| Trade bills collected | 48.352 | 32.509 | 67.748 | 18.653 |
| Total | 656.419 | 54.519 | 855.147 | 52.436 |

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

24.1 Financial Risk Management Objectives and Policies

The Company is exposed to the following risks during the course of its operations:

Credit risk

Liquidity risk

Market risk

This note provides information about the Company's objectives, policies and processes in the management of such risks.

The Company’s Board of Directors has the 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 analyse the risks exposed by the Company. The objective of risk management policies is to set appropriate risk limit controls, to monitor and adhere to the limits. The Company, through various training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

FİBA FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

24.1 Financial Risk Management Purposes and Policies (cont'd)

24.1.1 Credit Risk

The Company is mainly subject to credit risk through its factoring operations. The Company's Credit Monitoring and Loans departments are responsible for managing credit risk. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not start loan relations with the clients who do not meet the credit policy requirements. All loan proposals evaluated in accordance with Credit Committee approval limits. Further an early warning system is developed aiming to monitor loans, on a periodical basis related work is conducted to measure the credibility of the clients. The credit committee evaluates credit valuations routinely on a weekly basis. On the other hand, the Company uses a computer program to follow the credit risk.

As of the end of the reporting date, there has been no significant concentrations of credit risk in a specific industry or region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

24.1.2 Liquidity risk

Liquidity risk arises in the general funding of the Company's activities. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company's funding is based on bank loans. To reach the goals, the Company monitors the asset structure to ensure efficient management of liquidity risk.

24.1.3 Market risk

All trading financial instruments are exposed to market risk. The changes in the market prices can impair the value of the financial assets which is why it is classified as risky. All trading financial instruments are recorded at fair value and the price changes in the market affect commercial income.

The Company protects itself against changing market conditions by using trading instruments. Market risk is managed by buying and selling derivative instruments and taking risk preventive positions within the limits set by the Company's top management.

(i) Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring activities and bank loans) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by fluctuations in the exchange rates against TL. The Company undertakes derivative transactions to hedge foreign currency risk.

(ii) Interest rate risk

The Company's activities are exposed to the risk of interest rate fluctuations when interest bearing assets and liabilities are amortized or re-priced at different times or amounts. In addition, the Company is exposed to interest rate risk through the repricing of assets and liabilities that contain Libor rate or similar variable interest rates. Considering market interest rates consistent with the Company's core strategies, risk management activities aim to optimize net interest income.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

24.2 Disclosures on Risk Management

24.2.1 Interest rate risk

Interest rate sensitivity analysis

As of 31 December 2018 and 31 December 2017, the interest rate profile of the interest-bearing financial instruments are as follows:

| | Carrying value | |
|-------------------------------------|------------------|------------------|
| | 31 December 2018 | 31 December 2017 |
| Fixed rate | | |
| Factoring receivables | 634.243 | 784.868 |
| Banks - time deposit | 40.479 | 5.138 |
| Available for sale financial assets | - | 26.938 |
| Factoring payables | (2.013) | (373) |
| Borrowings | (790.300) | (935.184) |
| Securities issued | (57.395) | (216.845) |
| Variable rate | | |
| Factoring receivables | 230.908 | 465.692 |

The interest rate sensitivity of the statement of profit or loss is the effect of the interest rate changes given in the below ratios, and of the financial assets and liabilities with variable interest rates that are not held for trading for the periods ended 31 December 2018 and 31 December 2017 on the net interest income. During this analysis, other variables, especially exchange rates, are assumed to be constant. The effects of changes in interest rates on income statement and shareholders' equity in the ratios given below are shown without considering tax effects of related gains and losses.

| | Profit or loss statement | | Equity ^(*) | |
|--|--------------------------|-----------------|-----------------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| 31 December 2018 | | | | |
| Financial instruments with variable interest | 2.309 | (2.309) | 2.309 | (2.309) |
| | 2.309 | (2.309) | 2.309 | (2.309) |
| 31 December 2017 | | | | |
| Financial instruments with variable interest | 4.657 | (4.657) | 4.926 | (4.926) |
| | 4.657 | (4.657) | 4.926 | (4.926) |

(*) Effect of shareholder's equity includes the effect of change of interest rates within the ratios given above on the statement of profit or loss.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (*cont'd*)

24.2 Disclosures on Risk Management (*cont'd*)

24.2.2 Credit Risk

| 31 December 2018 | Factoring receivables | | Non-performing assets | | Other assets | | Banks | Derivative financial assets held for trading | Financial assets at FVTOCI |
|---|-----------------------|----------------|-----------------------|---------------|------------------|--------------------|---------------|---|-------------------------------|
| | Related party | Other party | Related party | Other party | Related party | Other party (*) | | | |
| Maximum exposure to credit risk at the end of the reporting date (A+B+C+D+E) | - | 865.151 | - | 18.750 | - | 463 | 67.217 | 5.301 | 53.835 |
| A. Net carrying value of financial assets which are neither impaired nor overdue | - | 838.069 | - | - | - | 463 | 67.217 | 5.301 | - |
| B. Net carrying value of financial assets that are restructured/renegotiated, otherwise which will be regarded as overdue or impaired | - | 24.212 | - | - | - | - | - | - | - |
| C. Net carrying value of financial assets which are overdue but not impaired | | | | | | | | | - |
| - Net book value | - | 2.870 | - | - | - | - | - | - | - |
| - Secured portion of net carrying value (with letter of guarantee etc) | - | 2.870 | - | - | - | - | - | - | - |
| D. Net carrying value of impaired assets | - | - | - | 18.750 | - | - | - | - | 53.835 |
| - Overdue (gross carrying value) | - | - | - | 79.492 | - | - | - | - | - |
| - Impairment (-) | - | - | - | (60.742) | - | - | - | - | - |
| -Secured portion of net carrying value (with letter of guarantee etc) | - | - | - | 18.750 | - | - | - | - | 53.835 |
| - Not due (gross carrying value) | - | - | - | - | - | - | - | - | 63.023 |
| - Impairment (-) | - | - | - | - | - | - | - | - | (9.188) |
| -Secured portion of net carrying value (with letter of guarantee etc) | - | - | - | - | - | - | - | - | - |
| E. Off balance sheet items with credit risks | - | - | - | - | - | - | - | - | - |

(*) Non-financial assets such as advances given in other assets, BTT receivables and assets obtained against receivables are not included in this analysis.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

24.2 Disclosures on Risk Management (cont'd)

24.2.2 Credit risk (cont'd)

| 31 December 2017 | Factoring receivables | | Non-performing assets | | Other assets | | Banks | Derivative financial assets held for trading | Available for sale financial assets |
|--|-----------------------|------------------|-----------------------|--------------|---------------|-----------------|---------------|--|-------------------------------------|
| | Related party | Other party | Related party | Other party | Related party | Other party (*) | | | |
| Maximum exposure to credit risk at the end of the reporting date (A+B+C+D+E) | - | 1.250.560 | - | 7.165 | - | 53 | 14.393 | 6.717 | 85.928 |
| A. Net carrying value of financial assets which are neither impaired nor overdue | - | 1.235.622 | - | - | - | 53 | 14.393 | 6.717 | 26.938 |
| B. Net carrying value of financial assets that are restructured/renewed, otherwise which will be regarded as overdue or impaired | - | 5.682 | - | - | - | - | - | - | - |
| C. Net carrying value of financial assets which are overdue but not impaired | - | - | - | - | - | - | - | - | - |
| - Net book value | - | 9.256 | - | - | - | - | - | - | - |
| - Secured portion of net carrying value (with letter of guarantee etc) | - | 9.256 | - | - | - | - | - | - | - |
| D. Net carrying value of impaired assets | - | - | - | 7.165 | - | - | - | - | 58.990 |
| - Overdue (gross carrying value) | - | - | - | 52.274 | - | - | - | - | - |
| - Impairment (-) | - | - | - | (45.147) | - | - | - | - | - |
| -Secured portion of net carrying value (with letter of guarantee etc) | - | - | - | 7.127 | - | - | - | - | 58.990 |
| - Not due (gross carrying value) | - | - | - | 64 | - | - | - | - | 68.178 |
| - Impairment (-) | - | - | - | (26) | - | - | - | - | (9.188) |
| -Secured portion of net carrying value (with letter of guarantee etc) | - | - | - | 38 | - | - | - | - | - |
| E. Off balance sheet items with credit risks | - | - | - | - | - | - | - | - | - |

(*) Non-financial assets such as advances given in other assets, BTT receivables and assets obtained against receivables are not included in this analysis.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont’d)

24.2 Disclosures on Risk Management (cont’d)

24.2.3 Foreign currency risk

Foreign currency risk is a result of changes in the value of a financial instrument based on changes in foreign currencies. The Company has a foreign currency risk due to its foreign currency denominated payables. The foreign currencies mainly creating the risk are US Dollar and Euro. The financial statements are not affected by the fluctuations of foreign currencies against TL since the Company’s financial statements are prepared in TL. As of 31 December 2018 and 31 December 2017, the Company's net short position is attributable to the following assets, liabilities and derivative instruments denominated in foreign currencies:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| | (TL Amount) | (TL Amount) |
| A. Assets in foreign currency | 56.794 | 97.813 |
| B. Liabilities in foreign currency | (381) | (142.653) |
| C. Derivative financial instruments | (57.211) | 54.183 |
| Net foreign currency position (A+B+C) | (798) | 9.343 |

As of 31 December 2018 and 31 December 2017, the table below summarizes the Company’s foreign currency position risk in detailed. The carrying amounts of the assets and liabilities denominated in foreign currency and held by the Company are as follows according to their currency types:

| 31 December 2018 | US Dollar | Euro | Other | Total |
|--|---------------|----------------|--------------|---------------|
| Assets | | | | |
| Banks | 13.534 | 20.904 | 2.209 | 36.647 |
| Factoring receivables (*) | 13.874 | 6.239 | - | 20.113 |
| Other assets | 30 | 4 | - | 34 |
| Total assets | 27.438 | 27.147 | 2.209 | 56.794 |
| Liabilities | | | | |
| Funds borrowed | - | - | - | - |
| Factoring payables (*) | 298 | 16 | - | 314 |
| Other payables | 11 | 48 | - | 59 |
| Other liabilities | 8 | - | - | 8 |
| Total liabilities | 317 | 64 | - | 381 |
| Net foreign currency position | 27.121 | 27.083 | 2.209 | 56.413 |
| Derivative financial instruments (net) | (21.043) | (36.168) | - | (57.211) |
| Net position | 6.078 | (9.085) | 2.209 | (798) |

(*) Foreign currency indexed factoring receivables amounting to TRY 3.621 Thousand and foreign currency indexed factoring liabilities amounting to TRY 298 Thousand are included in the balance sheet.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

24.2 Disclosures on Risk Management (cont'd)

24.2.3 Foreign currency risk (cont'd)

| 31 December 2017 | US Dollar | Euro | Other | Total |
|--|------------------|-----------------|--------------|-----------------|
| Assets | | | | |
| Banks | 4.412 | 3.138 | 647 | 8.197 |
| Available for sale financial assets | 26.938 | - | - | 26.938 |
| Factoring receivables (*) | 36.061 | 25.553 | 1.064 | 62.678 |
| Other assets | - | - | - | - |
| Total assets | 67.411 | 28.691 | 1.711 | 97.813 |
| Liabilities | | | | |
| Funds borrowed | 87.647 | 53.456 | 1.286 | 142.389 |
| Factoring payables (*) | 214 | - | - | 214 |
| Other payables | - | 43 | 1 | 44 |
| Other liabilities | - | - | 6 | 6 |
| Total liabilities | 87.861 | 53.499 | 1.293 | 142.653 |
| Net foreign currency position | (20.450) | (24.808) | 418 | (44.840) |
| Derivative financial instruments (net) | 44.206 | 9.977 | - | 54.183 |
| Net position | 23.756 | (14.831) | 418 | 9.343 |

(*) The amounts are stated in the TL column of the balance sheet including factoring receivables amounting to TL 43.576 and factoring liabilities amounting to TL 214 Thousand that are foreign currency indexed.

As of 31 December 2018, the depreciation of TL by 10% against the following foreign currencies will decrease the pre-tax period profit by TL 80 Thousand (31 December 2017: it will increase by TL 935 Thousand).

As of 31 December 2018 and 31 December 2017, this analysis is based on the assumption that all variables remain constant. If the TL gains 10% against the relevant currencies, the effect will be the same amount but in the opposite direction.

| 31 December 2018 | Profit/(Loss) | Equity (*) |
|-------------------------|----------------------|-------------------|
| US Dollar | 608 | 608 |
| Euro | (909) | (909) |
| Other | 221 | 221 |
| Total | (80) | (80) |
| 31 December 2017 | Profit/(Loss) | Equity (*) |
| US Dollar | 2.376 | 2.376 |
| Euro | (1.483) | (1.483) |
| Other | 42 | 42 |
| Total | 935 | 935 |

(*) The equity effect includes the effect of income statement arising from the impairment of TL against the related foreign currency by 10%.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

24.2 Disclosures on Risk Management (cont'd)

24.2.4 Liquidity risk

The following table provides the analysis of the Company's financial liabilities by appropriate maturity grouping based on the remaining period of the contract until the maturity date as of the end of the reporting period. The amounts stated in the table are contractual undiscounted cash flows:

| 31 December 2018 | | | | | | |
|---|-----------------|---------------------------------|-------------------|----------------|-----------|-------------------|
| Contractual maturities | Carrying amount | Total contractual cash outflows | Less than 3 month | 3-12 months | 1-5 years | More than 5 years |
| Non derivative financial liabilities | 849.919 | 897.274 | 465.653 | 431.621 | - | - |
| Funds borrowed | 790.300 | 835.050 | 403.429 | 431.621 | - | - |
| Securities issued | 57.395 | 60.000 | 60.000 | - | - | - |
| Factoring payables | 2.013 | 2.013 | 2.013 | - | - | - |
| Other payables | 211 | 211 | 211 | - | - | - |

| 31 December 2017 | | | | | | |
|---|------------------|---------------------------------|-------------------|----------------|-----------|-------------------|
| Contractual maturities | Carrying amount | Total contractual cash outflows | Less than 3 month | 3-12 months | 1-5 years | More than 5 years |
| Non derivative financial liabilities | 1.152.642 | 1.200.184 | 238.339 | 961.845 | - | - |
| Funds borrowed | 935.184 | 976.451 | 237.726 | 738.725 | - | - |
| Securities issued | 216.845 | 223.120 | - | 223.120 | - | - |
| Factoring payables | 373 | 373 | 373 | - | - | - |
| Other payables | 240 | 240 | 240 | - | - | - |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

24.2 Disclosures on Risk Management (cont'd)

24.2.4 Liquidity risk (cont'd)

| Derivative financial assets and liabilities | 31 December 2018 | | | | |
|---|------------------|------------|----------------|-----------|----------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Total |
| Currency swap transactions | | | | | |
| Purchases | - | - | 71.520 | - | 71.520 |
| Sales | - | - | 75.625 | - | 75.625 |
| Forward currency transactions | | | | | |
| Purchases | 32.944 | - | - | - | 32.944 |
| Sales | 28.973 | - | - | - | 28.973 |
| Total purchases | 32.944 | - | 71.520 | - | 104.464 |
| Total sales | 28.973 | - | 75.625 | - | 104.598 |
| Total | 61.917 | - | 147.145 | - | 209.062 |

| Derivative financial assets and liabilities | 31 December 2017 | | | | |
|---|------------------|---------------|----------------|-----------|----------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Total |
| Currency swap transactions | | | | | |
| Purchases | 51.877 | 42.589 | 158.242 | - | 252.708 |
| Sales | 52.612 | 41.258 | 155.540 | - | 249.410 |
| Forward currency transactions | | | | | |
| Purchases | 47.301 | - | 3.844 | - | 51.145 |
| Sales | 49.042 | - | 3.529 | - | 52.571 |
| Total purchases | 99.178 | 42.589 | 162.086 | - | 303.853 |
| Total sales | 101.654 | 41.258 | 159.069 | - | 301.981 |
| Total | 200.832 | 83.847 | 321.155 | - | 605.834 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

24 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (*cont'd*)

24.2 Disclosures on Risk Management (*cont'd*)

Capital Management

The Company aims to balance the debt to equity ratio in the normal course of the business, in the most effective way and aims to increase its profitability. Company's capital structure consists of payables, cash and cash equivalents and equity items disclosed in Note 14 including issued capital, capital reserves and profit reserves.

The Company's cost of capital and the risks associated with each class of capital are evaluated by the Company's key management. During these evaluations, the key management evaluates the cost of capital and the risks associated with each class of capital, and submits those depending on the decision of the Board of Directors to the Board of Directors.

There has been no change in the overall strategy of the Company in the current period.

As per the decision of the Banking Regulation and Supervision Board dated 29 November 2018 and numbered 8122 and the second paragraph of Article 5 of the Law on Financial Leasing, Factoring and Financing Companies ("Law") numbered 6361, the share capital of the companies subject to the Law shall be increased within the scope of the increase in producer prices index and determined as TL 30.000.000 (full) and as of 29 November 2018 and the companies shall be given a one year period as of 29 November 2018 regarding the capital increase.

As of the report date, the Company's paid-in capital is above the limit specified in the Law.

As of the 31 December 2018 and 31 December 2017, net debt to equity ratios are as follows:

| | 31 December 2018 | 31 December 2017 |
|---------------------------------|-------------------------|-------------------------|
| Total liabilities | 867.800 | 1.165.680 |
| Less: Cash and cash equivalents | (67.217) | (14.396) |
| Net debt | 800.583 | 1.151.284 |
| Total equity | 184.647 | 229.368 |
| Net debt / equity | 4,34 | 5,02 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

25 FINANCIAL INSTRUMENTS

The fair value of financial instruments

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicators of the amounts the Company could realize in a current market exchange. The carrying amounts of the bank receivables, other financial assets, short-term bank loans denominated in TL and securities issued which are carried at cost value discounted with effective interest rates are considered to be approximating their fair values by the Company management, due to their short-term nature, considering no significant change in market conditions and probable losses to be immaterial.

| | 31 December 2018 | | 31 December 2017 | |
|---|------------------------|-------------------|------------------------|-------------------|
| | <u>Carrying amount</u> | <u>Fair Value</u> | <u>Carrying amount</u> | <u>Fair Value</u> |
| <i>Financial assets</i> | | | | |
| Banks | 67.217 | 67.217 | 14.393 | 14.393 |
| Available for sale financial assets (*) | - | - | 26.938 | 26.938 |
| Factoring receivables | 883.901 | 883.901 | 1.257.725 | 1.257.725 |
| Derivative financial assets | 5.301 | 5.301 | 6.717 | 6.717 |
| <i>Financial liabilities</i> | | | | |
| Funds received | 790.300 | 790.006 | 935.184 | 935.445 |
| Securities issued | 57.395 | 57.395 | 216.845 | 216.845 |
| Derivative financial liabilities | 9.915 | 9.915 | 4.401 | 4.401 |
| Factoring payables | 2.013 | 2.013 | 373 | 373 |

(*) The equity investments included in the financial assets at fair value through other comprehensive income amounting to TL 68.178 is shown at cost value since the fair value can not be measured reliably. As of 31 December 2018, provision for impairment amounting to TL 9.188 is not included in the table above (31 December 2017: TL 58.990).

Fair Value Level of Financial Assets

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

Level 1: Financial assets and liabilities are valued at the stock exchange price (unadjusted) in an active market for exactly the same assets and liabilities.

Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.

Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

| | 31 December 2018 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|------------------|---------|--------------|---------|--------------|
| Derivative financial assets | | - | 5.301 | - | 5.301 |
| | | - | 5.301 | - | 5.301 |
| Derivative financial liabilities | | - | 9.915 | - | 9.915 |
| | | - | 9.915 | - | 9.915 |

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

25 FINANCIAL INSTRUMENTS (*cont’d*)

Fair value level of financial assets (cont’d)

| 31 December 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|---------------|
| Available for sale financial assets | 26.938 | - | - | 26.938 |
| Derivative financial assets held for trading | - | 6.717 | - | 6.717 |
| | 26.938 | 6.717 | - | 33.655 |
| Derivative financial liabilities held for trading | - | 4.401 | - | 4.401 |
| | - | 4.401 | - | 4.401 |

26 EVENTS AFTER THE REPORTING PERIOD

None.