

FİBA FAKTORİNG A.Ş.

2019

ANNUAL REPORT



Company's annual reports are prepared in Turkish in line with *Regulation on Determination of the Minimum Content of the Annual Activity Report of the Companies* of the Ministry of Customs and Trade published on the Official Gazette dated August 28, 2012, numbered 28395.

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of Fiba Faktoring A.Ş.

1) Opinion

As we have audited the full set financial statements of Fiba Faktoring A.Ş. ("the Company") for the period between 1/1/2019 – 31/12/2019, we have also audited the annual report for the same period.

In our opinion, the financial information provided in the Management's annual report and the Management's discussions on the Company's financial performance, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standarts on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Company in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other 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 audit opinion.

3) Auditor's Opinion for the Full Set Financial Statements

We have presented unqualified opinion for the Company's full set financial statements for the period between 1/1/2019–31/12/2019 in our Auditor's Report dated 24/02/2020.

4) Management's Responsibility for the Annual Report

The Company Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communique on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communique"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Company's flow of operations for that year and the Company's financial performance accurately, completely, directly and fairly. In this report, the financial position is assessed in accordance with the financial statements. The Company's development and risks that the Company may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Company's activities subsequent to the financial year end,
 - The Company's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar benefits.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and financial information in the annual report within the scope of the provisions of the TCC and the Communique are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Company's financial performance, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit.

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

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



Hasan Kılıç
Partner

İstanbul, 24 February 2020

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I. CORPORATE PROFILE

Fiba Factoring, a member of the Fiba Group, a strong and respected player in the financial services industry, was founded in 1992. Formulating its strategies in line with its mission of being a pioneering company in the factoring sector, Fiba Factoring has maintained an exemplary corporate identity since the day it was founded with a strong financial structure, a balanced client portfolio, and a brand image synonymous with trustworthiness. Company activities are regulated according to “Financial Leasing ,Factoring and Financing Companies Law” published on the Official Gazette No. 28496, dated 12/13/2012 and the "Regulation of Establishment and Operation Principles of Financial Leasing, Factoring and Finance Companies" of the Banking Regulation and Supervision Agency ("BRSA").

High credibility in financial markets gives Fiba Factoring access to extensive sources of funding while the company's membership in Factors Chain International (FCI) and strong international relations further reinforce its market position.

The number of employees of the Company as at 31 December 2019 is 90.

The address of the registered office of Fiba Faktoring is as follows:

1. Levent Plaza A Blok Kat: 2, Büyükdere Caddesi No: 173 1. Levent 34330 İstanbul-Turkey. The Company's principal activity is to provide factoring services substantially in one geographical segment (Turkey).

Trade Name	: FİBA FAKTORİNG A.Ş
Trade Register Number	: 292152
Annual Report Period	: year of 2019
Head Office Address	: Büyükdere Cad. 1.Levent Plaza, No:173/A Kat:2 34330 1.Levent - İstanbul
Phone Number	: 0212 385 14 00
Fax Number	: 0212 385 14 60
Website	: www.fibafactoring.com.tr
Electronic mail	: info@fibafactoring.com.tr

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As of 31.12.2019 Branches

Head Office / Branch	Address	Phone	Fax
Head Office	Büyükdere Cad. 1. Levent Plaza, No:173/A Kat:2 34330 Levent - İSTANBUL	(212) 385 1400	(212) 385 1460
Güneşli Branch	Ataköy 7-8-9-10. Kısım Mahallesi, Çobançeşme E-5 Yan Yol Caddesi Selenium Retro İş Merkezi Kapı No:18 1/A Blok No:85 Bakırköy - İSTANBUL	(212) 630 1255	(212) 630 1201
Kozyatağı Branch	Sahrayıcedit Mah. Güzide Sk. Şişikler Plaza D Blok No:14 Kat:3 D:7 Kadıköy - İSTANBUL	(216) 411 0044	(216) 411 0700
Ankara Branch	Turan Güneş Bulvarı Hollanda Caddesi No: 3/2 Çankaya – ANKARA	(312) 439 6444	(312) 439 6463

Capital Structure

At 31 December 2019, paid-in capital of the Company TL 81,110 thousand. The nominal paid-in capital of the Company comprises 81,109,700 unprivileged shares of TL 1 each.

31.12.2019		
	Number of shares	Share (%)
Fiba Holding A.Ş.	46,197,480	56.96
Fina Holding A.Ş.	34,912,025	43.04
Others	195	0.00
	81,109,700	100.00

Company has no privileged shares. In relation to the voting rights of shareholders of our Company, there are no different regulations other than the ones regulated in the relevant provisions of Turkish Commercial Code. Therefore, each one the shares has one voting right.

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Vision

To be the factoring company that first come to mind as a pioneering institution in the factoring sector.

Mission

To be a leading member of the factoring sector that contributes to its growth and development and to achieve the highest possible level of satisfaction for our employees, our customers, and our investors.

Our strategies

Produce products and services at world standards of quality and deliver these to clients exactly, quickly, and effectively.

Play a leading role in the sector with employing dynamic and expert personnel to develop new products and meet clients' changing needs.

Offer products that have been structured in line with the clients' requirements.

Secure competitive advantages in the sector with innovative and speedy solutions that make us the factoring company clients prefer to work with.

Serve as a consultant for clients on financial issue, with the synergy of Fiba Group.

Familiarize companies everywhere in Turkey with how factoring services can enhance business volumes in both domestic and international trade so as to raise the overall business volume of factoring in Turkey.

Increase its market share in the factoring sector.

Be a creative and leading factoring company that adapts with easy to changing economic conditions and makes effective, productive, and rational use of its resources.

Service Approach

Proficient Staff

The experienced and competent staff of Fiba Factoring brings a new understanding to the business of factoring through their abilities to perceive, analyze, and assess customers' needs.

Challenging Ideas

In line with their goals of providing service based on customer satisfaction and playing a key role in their sector, Fiba Factoring deliver structured products that meet customers' changing needs while also developing new products that have been shaped by challenging ideas.

Effective Consultancy

Fiba Factoring's approach to customer relations focuses on building long term business relationships and on providing not just financing but also financial advice to support customers' sustainable growth and development.

Dynamic Processes

Fiba Factoring develops rapid and effective business processes to meet customers' needs correctly and in a timely manner by employing a team of specialists, their knowledge and experience, and insightful analysis.

Untapped Fields

Adhering to the approach of having a presence in any business line in which commercial receivables may exist and paralleling other examples around the world, it is a fundamental element of Fiba Factoring's strategy to develop and diversify products so as to enter and do business in new sectors.

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Board of Directors

Name-Surname	Position	Date of Appointment	Educational Background	Professional Experience
Mehmet Güleşçi	Chairman of Board of Directors	2018	Master's Degree	36 years
Murat Özyeğin	Vice-Chairman of Board of Directors	2018	Master's Degree	22 years
F. Özge Yılmaz	Member of Board of Directors (General Manager)	2018	Bachelor Degree	25 years

Mehmet GÜLEŞÇİ - Vice Chairman



Following his graduation from the Business Administration department of Boğaziçi University, he completed his master degree in the same department. He worked in Istanbul and Boston offices of Ernst & Young between the years of 1984 and 1996 and got CPA license from Turkey and Massachusetts, USA. While he was a partner responsible from the financial sector, he joined to Finansbank as Assistant General Manager at the beginning of 1997 and he worked as Managing Director in the Board of Directors of Finansbank until the end of year 2009. He is member of Board of Directors and Executive Committee Fiba Holding and Fina Holding, besides he is board member of group financial and non-financial investments both domestic and international.

Murat ÖZYEĞİN- Board Member



Murat Özyeğin is the Chairman of the Board and Executive Committee of Fiba and Fina Holding. He began his career in 1998 as a financial analyst in the New York office of the Merger and Acquisition Group of Bear Stearns & Co., a New York-based global investment bank and transferred to the company's London office as a Senior Analyst in 2000. He returned to Turkey in 2003 to take an active role in the management of Fiba Group, founded by his father Hüsnü Özyeğin. He established the Strategic Planning and Business Development divisions at Finansbank (owned by Fiba Group until 2005) and Fiba Holding. Before assuming the role of Chairman of Fiba Holding and Fina Holding companies, Murat Özyeğin served as a member of the Board of Directors of Fiba Holding and Fina Holding during 2003-2019 and Chairman of all non-financial subsidiaries. He is also Vice Chairman of Credit Europe Bank, the group's largest subsidiary in finance. Murat Özyeğin also serves as Vice President of the Turkish Industrialists and Businessmen Association (TÜSİAD), President of DEİK/Turkey-The Netherlands Business Council, Chairman of the Advisory Board of Women on Board Association Turkey, Vice President of Energy Efficiency Association, Trustee of Özyeğin University, Trustee of Hüsnü M. Özyeğin Foundation, member of Harvard University Global Advisory Board, member of Endeavor Board of Directors, Trustee of WWF Turkey and member of Global Relations Forum. He has been serving as Honorary Consul – General of the Republic of Singapore since 2016. He graduated Carnegie Mellon University with a double major in Industrial Management and Economics and holds an MBA from Harvard Business School. He is 43 years old and has three children.

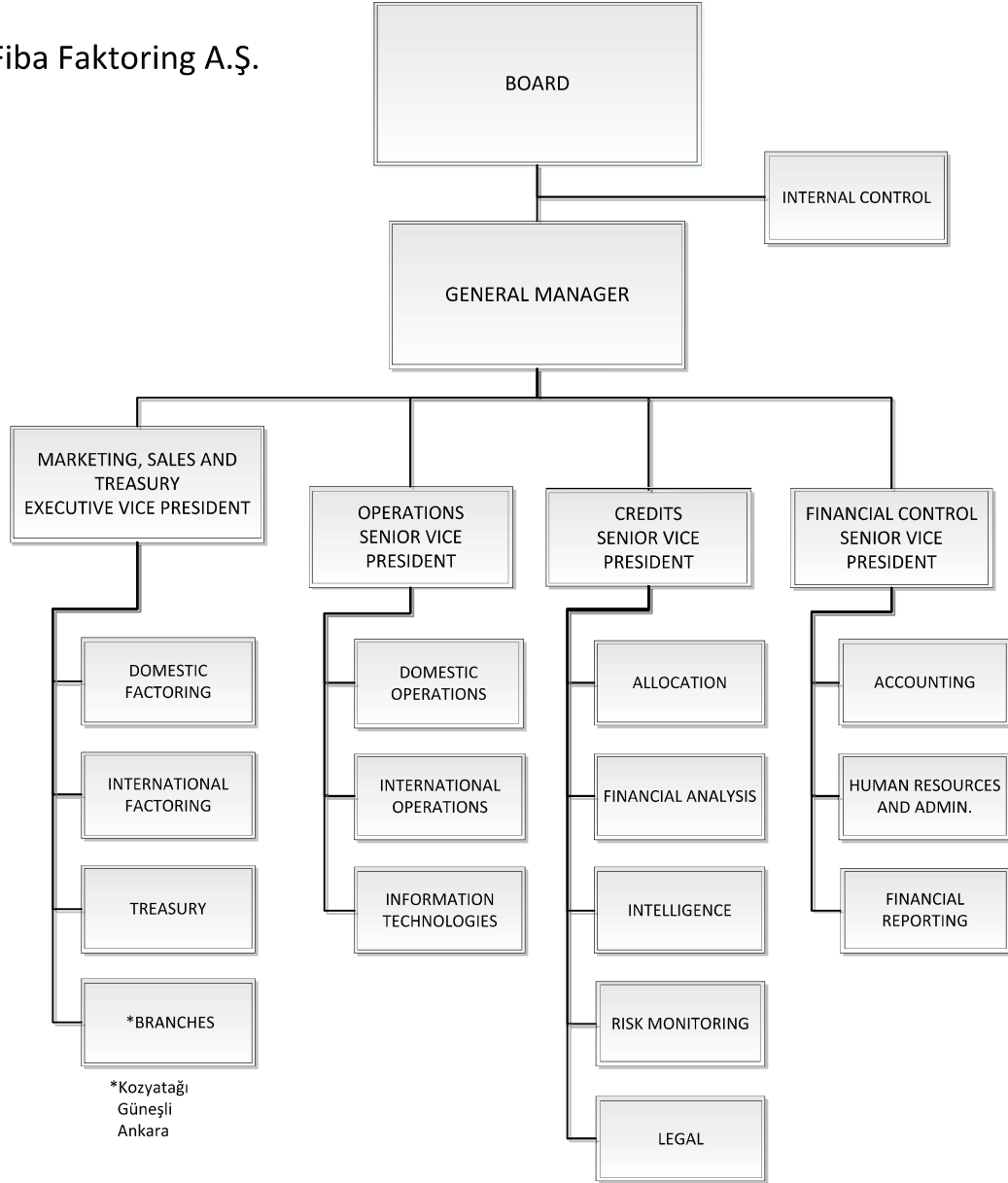
F. Özge YILMAZ - Member of Board of Directors & General Manager



Özge Yılmaz was graduated from Economics Department of Middle East Technical University and in 1995 she commenced her professional business life in Deloitte. During years 1996-2000 she worked in Finansbank, and during years 2000-2001 she worked in Osmanlı Bankası and during years 2002-2004 she worked as Corporate Banking Manager in Akbank. She worked as Assistant General Manager responsible from Sales & Marketing during years 2004-2013 in Fiba Faktoring A.Ş. During years 2013-2014 she worked as a General Manager and Member of Board of Directors in ING Faktoring A.Ş. and ING Finansal Kiralama A.Ş. She has been working as the General Manager and Member of Board of Directors in Fiba Faktoring A.Ş. since 2014.

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Fiba Faktoring A.Ş.



II. REAL AND CASH ALLOWANCES GRANTED TO SENIOR MANAGERS AND REPRESENTATION EXPENSES

The amount of financial benefits like salary, bonus, dividend is TL 4,478 thousand and benefits like food and transportation allowances, life and health insurance provided to the key management by the Company for the period ended as of 31 December 2019 is TL 206 thousand.

III. RESEARCH & DEVELOPMENT STUDIES of our COMPANY

Since the date we commenced our activities, we have adopted providing the high quality service understanding and our main target was always to meet the requirements of our customers at maximum levels. For this purpose, we have been continuing our various development and research studies in relation to develop innovative products and services concerning to meet financing requirements, collection and recording of receivable accounts and factoring guarantee services. In line with these objectives, necessary actions are being taken within shortest periods, by following-up the expectations of our customers at maximum levels.

IV. ACTIVITIES AND SIGNIFICANT PROGRESS IN THE ACTIVITIES

a) In the 2019 accounting period, there are no significant company investments.

b) Opinions of Management Organ of our Company in relation to the internal control system and internal audit activities within our Company are as follows;

Internal Control Department of our Company has been conducting its control and audit studies on a regular basis and by working independently as affiliated to the Board of Directors in order to control the compliance of company activities to the applicable legislations and to the internal procedures and policies of our Company as well as to enable efficient and productive control activities and to enable the reports to be issued reliable and complete and to preserve the assets of our company.

c) Fiba Faktoring A.Ş. has no direct or indirect subsidiaries nor any respective share ratios.

d) Fiba Faktoring A.Ş. has no own shares it acquired.

e) Our Company was audited during year 2019 activity period by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. trade named independent audit company. Within the scope of “Year 2019 Corporate Tax Return Attestation” the relevant audits are being conducted by Güreli Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. trade named independent audit company. Furthermore, our Company is subject to regular and permanent supervision and audits of the Banking Regulation and Supervision Agency within the scope of “Regulation concerning the Rules of Establishment and Activities of Financial Leasing, Factoring and Finance Companies”.

f) In the 2019 operational period, no lawsuit was filed against Fiba Faktoring A.Ş. which might have an impact on the financial status and activities of Fiba Faktoring.

g) No administrative or civil sanction was imposed on the Company and the Members of its Management Body in the operational period of 2019.

h) Our Company has accomplished its objectives during year 2019 and it has fulfilled the decisions of its General Assembly.

i) During the Activity Period of year 2019; there was Ordinary General Assembly meeting held for year 2018 and one other Extraordinary General Assembly meeting were held as well.

Extraordinary General Assembly Meeting Agenda of Fiba Faktoring A.Ş. held on 5 February 2019

1. Opening and forming the presidency of the meeting,
2. Authorization of the Board of Directors, pursuant to Article 505 of TCC for fifteen (15) months of period, following after the date of General Assembly Meeting date in order to issue borrowing instruments by way of sales to the qualified investors, with various maturity dates and not to exceed TL 500,000,000 worth of amount and denominated in Turkish Liras with one time or more than one time, without making any offerings to the public,
3. Invitation and presence of the Ministry Commissioner in order to represent the Ministry of Customs and Trade, during the Extraordinary General Assembly Meeting,
4. Wishes and closing.

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***2018 Ordinary General Assembly Meeting Agenda of
Fiba Faktoring A.Ş. held on 25 March 2019***

1. Opening and forming the presidency of the meeting,
2. Reading and negotiating of Activity Report prepared by the Board of Directors related with the accounts and activities of the company, belonging to year 2018,
3. Reading and negotiating of Audit Report belonging to accounting year of 2018,
4. Reading, negotiating and submitting to the approval of Balance Sheet and Profit and Loss Accounts (Financial) Statements belonging to activity year of 2018,
5. Taking decisions regarding the release of debt and acquittance of members of board of directors individually and separately for their activities performed in year 2018,
6. Determination the number of the Board of Directors members,
7. Determination wages of the Board of Directors members,
8. Determination of utilization type of the profits earned during year 2018,
9. Election of Independent Audit Company in relation to the auditing of accounts belonging to 2019 accounting year,
10. Reading and negotiating of Affiliation Report belonging to year 2018,
11. Authorization and granting of permit to the Members of Board of Directors as specified in Articles 395 and 396 of Turkish Commercial Code,
12. Wishes and closing.

j) Total amount of the expenditures made for the donations and aids made by the Company within the framework of social responsibility projects is TL 6,613 thousand.

k) With regard to the transactions realized with direct parent company of our Company, which is Fiba Holding A.Ş. and its other subsidiary companies; there are no precautions required to be taken or required to be avoided in favor of the company. In all of such legal transactions performed, the relevant agreements were made as if they are made with other persons outside of the group companies in accordance with the same kind of procedures, rules and principles thereon. There were no actions taken against the benefit of our company pursuant to any initiatives or interests of the parent company or its subsidiary companies.

l) According to the circumstances and conditions within our knowledge with regard to the legal transactions realized with the parent company and subsidiary companies of the parent company as specified in detail in the said Affiliation Report, a proper and convenient counter performance was gained by our company in each and all of such transactions. Within this framework, there are no precautions required to be taken or required to be avoided and there are no losses or damages for our company thereof. As a result of examinations and audits conducted for the financial transactions realized by our company together with its parent company and subsidiary companies of the parent company pursuant to Article 199 of Turkish Commercial Code, it was understood and seen that overall transactions performed by our company are compliant with the then date market conditions, precedents and market prices valid during such transaction dates and they were made as if they were executed with third parties.

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V. FINANCIAL STATUS

Assessments of the Board of Directors on the Financial Year and Their Future Expectations

As of January, the signing of the first phase of the trade agreement between the USA and China has enabled global markets to make a positive start to 2020. The risk perception in respect of Turkey has maintained its positive course. Turkey's 5-year CDS premium, which had been exhibiting a downward trend since the last quarter of 2019, closed January at the level of 240 basis points.

The major central banks, which have maintained their supportive monetary policies, have begun the year of 2020 by keeping the interest rates unchanged. The funds rate set by FED, which has decided to maintain its monetary policy without revision during its meeting held in January, has remained within 1.5% and 1.75%. European Central Bank as well the Bank of England and the Bank of Japan, too, have decided to maintain their respective existing monetary policies without revision during their meetings in January. On the other hand, the Central Bank of the Republic of Turkey has decided to decrease its policy rate by 75 basis points to 11.25% during its meeting in January, which represents a decrease in policy rates by the Central Bank of the Republic of Turkey by 1,275 basis points in total, decreasing the policy rate to 11.25% from 24%, since July 2019.

The Factoring industry, the overall transaction volume of which has amounted to TRY 129 bio in 2019, has generated some TRY 1.4 bio net profit. On the other hand, the overall year-end factoring receivables of the factoring industry, in which some 56 companies operate, has amounted to TRY 34 bio.

We, being Fiba Faktoring, have, by the end of 2019, mediated factoring transactions in the amount of TRY 2.9 bio with 1,300 active customers. The size of our receivables has amounted to TRY 1 bio while our net profit has amounted to TRY 35 mio. The SME segment has accounted for 80% of our active customers.

In 2020, we continue supporting companies from all segments, primarily including the SMEs, through out guarantee, collection and financing services. We continue delivering effective services rapidly that fully address and meet the needs of our customers within the framework of our total quality concept. To that end, we are preparing to activate a variety of digital solutions with a view to establishing contacts with more companies.

We are confident that, in 2020, we will once again manage to accomplish our goals thanks to our highly competent, well-experienced and devoted staff, our esteemed shareholders, who grace us with their confidence and support, and our much valued customers.

Mehmet GÜLEŞCİ
Chairman

F. Özge YILMAZ
Board of Directors Member/ General Manager

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Sectorial Developments

At the end of year 2019 there were 56 factoring companies of which had obtained operating licenses from the BRSA in Turkey. At the end of year 2019, branch number was 352 and personnel number was realized as 4,269 persons in the sector.

When we look at the balance sheet sizes of our Company on sectorial basis; total assets had diminished by 7% at the year end of 2019 when compared with the previous year. The factoring receivables constitute the most important balance sheet item in the assets section. At the end of year 2019, the factoring receivables became 92% of the total assets.

Factoring Sector Key Balance Sheet Items	<i>(million TL)</i>	
	2019	2018
Factoring Receivables	34,026	31,410
Non-Performing Receivables	2,140	2,096
Specific Provisions (-)	1,730	1,717
Banks	624	1,148
Total Assets	37,017	34,608
Funds Borrowed	25,590	23,048
Marketable Securities Issued (Net)	1,852	3,508
Shareholders' Equity	8,136	6,770
Off-Balance Sheet Items	651,545	581,980

Source: BRSA monthly bulletin informations

Factoring income as being the most weighted item among the income items, realized TL 7,457 million, was lessened by 14%. Factoring interest expenses were increased by 21%, and actualized TL 4,391 million. During 2019 with TL 1,126 million operating expenses, TL 580 million net non-factoring income and TL 775 million non-performing loan expenses, sector net income reached to TL 1,374 million.

2019 Turkey's factoring sector turnover was TL 129,154 million, 85% of turnover is comprised of domestic factoring. Besides in 2018 the factoring turnover realized as TL 146,346 million.

Factoring Sector Key Income Statement Items	<i>(million TL)</i>	
	2019	2018
Factoring Income	7,457	8,689
<i>Factoring Interest Income</i>	6,859	8,170
<i>Factoring Commission Income</i>	597	519
Financial Expenses (-)	(4,391)	(5,581)
Operating Expenses (-)	(1,126)	(1,091)
Other Operational Income/Expense (Net)	580	421
Provision for Non-Performing Receivables (-)	(775)	(725)
Tax Provision (±)	(371)	(470)
Net Period Profit/Loss	1,374	1,306

Source: BRSA monthly bulletin informations

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Key indicators of Fiba Faktoring A.Ş. as of the year ends were given in the below table.

As of December 31st, 2019, our factoring receivables were realized as TL 966 million.

Fiba Faktoring's Key Indicators	<i>(thousand TL)</i>	
	2019	2018
Total Assets	1,073,265	1,052,447
Factoring Receivables	966,430	865,151
Non-Performing Receivables (Net)	-	18,750
Funds Borrowed	840,101	790,300
Securities issued	-	57,395
Shareholders' Equity	220,020	184,647
Net Period Profit/Loss	35,373	37,435

Fiba Faktoring A.Ş.'s income statement's selected items are summarized as follows;

Fiba Faktoring Key Income Statement Items	<i>(thousand TL)</i>	
	2019	2018
Factoring Income	240,119	284,494
<i>Factoring Interest Income</i>	<i>227,713</i>	<i>271,939</i>
<i>Factoring Commission Income</i>	<i>12,406</i>	<i>12,555</i>
Financial Expenses (-)	(147,388)	(169,445)
Operating Expenses (-)	(36,979)	(28,985)
Other Operational Income/Expense (Net)	9,619	(7,497)
Specific Provision for Non-Performing Receivables (-)	(19,685)	(30,104)
Tax Provision (±)	(10,313)	(11,028)
Net Period Profit/Loss	35,373	37,435

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Summary Financial Information for the year ended 31 December 2019

Balance Sheet Summary (thousand TL)

Assets	31/12/2019	31/12/2018	(%)
Cash, Cash Equivalents	19,635	67,217	(71)
Derivative Financial Assets	5	5,301	(100)
Financial Assets Measured at Fair Value through Other Comprehensive Income	53,835	53,835	-
Financial Assets at Amortised Cost (Net)	966,430	883,901	9
Faktoring Receivables	966,430	865,151	12
Other Financial Assets at Amortised Cost	-	-	-
Non-Performing Receivables	76,196	79,492	(4)
Allowances for Expected Credit Loss/Specific Provisions	(76,196)	(60,742)	25
Tangible Assets (Net)	6,894	4,307	60
Intangible Assets (Net)	282	256	10
Investment Property (Net)	16,444	16,444	-
Current Tax Assets	-	7,826	(100)
Deferred Tax Assets	4,736	6,287	(25)
Other Assets	5,004	7,073	(29)
Total Assets	1,073,265	1,052,447	2
Liabilities	31/12/2019	31/12/2018	(%)
Funds Borrowed	840,101	790,300	6
Factoring Payables	671	2,013	(67)
Lease Obligations	2,960	-	-
Securities Issued	-	57,395	(100)
Derivative Financial Liabilities	445	9,915	(96)
Provisions	3,756	3,374	11
Current Tax Liabilities	427	-	-
Other Liabilities	4,885	4,803	2
Shareholders' Equity	220,020	184,647	19
Total Liabilities and Equity	1,073,265	1,052,447	2

Income Statement Summary (thousand TL)

Income and Expense Items	31/12/2019	31/12/2018	(%)
Operating Income	240,119	284,494	(16)
Financial Expenses (-)	(147,388)	(169,445)	(13)
Operating Expenses (-)	(36,979)	(28,985)	28
Other Operational Income	37,707	88,286	(57)
Provision Expenses (-)	(19,685)	(30,104)	(35)
Other Operational Expenses (-)	(28,088)	(95,783)	(71)
Tax Provision for Continuing Operations (±)	(10,313)	(11,028)	(6)
Net Period Profit Loss for Continuing Operations	35,373	37,435	(6)

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Capital Management

Regarding the capital management, our Company has been sustaining the continuity of its activities and on the other hand, utilized its ratio of debt to equity in the most efficient manner and targets to increase its overall profits accordingly. Capital structure of our Company composed of equity capital items which are namely as follows: liabilities, cash and cash equivalents and issued capital, capital reserves and profit reserves.

Capital costs of our Company along with the risks connecting with each one of the capital items are being evaluated and considered by the top management of Fiba Faktoring A.Ş.. During such examinations, top management of our Company evaluates the capital costs as well as the risks attributable and connecting with each one of the capital items and submits the relevant items to the evaluation of Board of Directors which are dependent upon the decisions of Board of Directors.

It was resolved through the resolution No. 8122, dated November 29, 2018, of the Banking Regulation and Supervision Board that the minimum required amount of the paid-in capital of any company, which is subject to and regulated under the Act No. 6361 on Financial Leasing, Factoring and Financial Companies (the "Act"), be increased in line with the increase in the producer prices up to TL 30,000,000 (full) pursuant to the second paragraph of Article 5 of the Act, and that the relevant companies be granted a period of one year as of November 29, 2018 for the satisfaction of the requirement of capital increase. The amount of the Company's paid-in capital as of December 31, 2019 is already larger than the minimum required amount as provided by the Act.

As at 31 December 2019 and 2018, ratio of net debt to equity is presented below:

<i>(thousand TL)</i>	2019	2018
Total liabilities	853,245	867,800
Cash and cash equivalents	(19,635)	(67,217)
Net debt	833,610	800,583
Total equity	220,020	184,647
Net debt/equity ratio	3.79	4.34

a) Evaluations regarding the capital is not an uncovered capital and whether or not there is a circumstance of deep in debt status

There are no circumstances in question for our Company that its capital is an uncovered capital or is in a deep debt status as specified in Article 376 of the Turkish Commercial Code.

b) Actions taken in order to improve the financial structure of our Company

Since our Company does not have an uncovered capital or deep debt status, there is no need for taking additional actions in order to improve the financial structure of our Company.

Profit Distribution

The Company's dividend policy is defined in line with Turkish Commercial Code taking into account the Turkish economy, sector conditions and the Company strategies and financial plans. The company's profit policy aims to distribute the maximum amount of dividend. The profit distribution decision will be set in the General Assembly Meeting.

VI. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks during the course of its operations, credit risk, liquidity risk and market risk. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

The Company is subject to credit risk through its factoring operations. Risk Management and Analysis Department is responsible to manage the 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. Credit evaluations are performed on all customers requiring credit.

At reporting date, there were no significant concentrations of credit risk on customer basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Typically, the Company ensures that it has sufficient liquid assets to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To manage liquidity risk arising from financial liabilities, the Company holds liquid assets mainly comprising cash and cash equivalents and investments in debt securities for which there is an active market.

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Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

(ii) Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company is also exposed to basis risk which is the difference in repricing characteristics of the various floating rate indices, such as year-end libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

VII. OTHER ISSUES

Other Issues

There is no other particular issue in the reporting period.

Amendments of Articles of Association during the period

None.