

**FİBA FAKTORİNG A.Ş.**

**2018**

**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 01/01/2018–31/12/2018, 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 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 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 01/01/2018–31/12/2018 in our Auditor's Report dated 28/02/2019.

## **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 "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- 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 ends,
  - 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 guarantees.

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

#### 4) 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 Communiqué 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, 28 February 2019

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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 2018 is 108.

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 2018
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	: <a href="http://www.fibafactoring.com.tr">www.fibafactoring.com.tr</a>
Electronic mail	: <a href="mailto:info@fibafactoring.com.tr">info@fibafactoring.com.tr</a>

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**As of 31.12.2018 Branches**

<b>Head Office / Branch</b>	<b>Address</b>	<b>Phone</b>	<b>Fax</b>
<b>Head Office</b>	Büyükdere Cad. 1. Levent Plaza, No:173/A Kat:2 34330 Levent - İSTANBUL	(212) 385 1400	(212) 385 1460
<b>SME Branch</b>	Merkez Mah. Cendere Cad. No:22/3 Ofishane Plaza Kat:2 Kağıthane - İSTANBUL	(212) 347 2928	(212) 347 4610
<b>Güneşli Branch</b>	Evren Mah. Koçman Cad. Ziyal Plaza İş Merkezi B Blok No:54 Kat: 6 Güneşli – İSTANBUL	(212) 630 1255	(212) 630 1201
<b>Kozyatağı Branch</b>	Sahrayıcedit Mah. Güzide Sk. Şişikler Plaza D Blok No:14 Kat:3 D:7 Kadıköy - İSTANBUL	(216) 411 0044	(216) 411 0700
<b>Ankara Branch</b>	Turan Güneş Bulvarı Hollanda Caddesi No: 3/2 Çankaya – ANKARA	(312) 439 6444	(312) 439 6463
<b>Bursa Branch</b>	Fevzi Çakmak Cad. Doğanbey Mah. Doğanbey Sk. No:1 Berk2 Plaza Kat:5 Osmangazi – BURSA	(224) 222 4101	(224) 224 4140

**Capital Structure**

At 31 December 2018, 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.

	<b>31.12.2018</b>	
	<b>Number of shares</b>	<b>Share (%)</b>
Fiba Holding A.Ş.	46,197,480	56.96
Fina Holding A.Ş.	34,912,025	43.04
Others	195	0.00
	<b>81,109,700</b>	<b>100.00</b>

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**

<b>Name-Surname</b>	<b>Position</b>	<b>Date of Appointment</b>	<b>Educational Background</b>	<b>Professional Experience</b>
<b>Mehmet Güleşci</b>	Chairman of Board of Directors	2018	Master's Degree	35 years
<b>Murat Özyeğin</b>	Vice-Chairman of Board of Directors	2018	Master's Degree	21 years
<b>F. Özge Yılmaz</b>	Member of Board of Directors (General Manager)	2018	Bachelor Degree	24 years

**Mehmet GÜLEŞCİ - 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 in year 1997 and he worked as Deputy General Manager responsible from Financial Control and Planning and later Managing Director in the Board of Directors of Finansbank until the end of year 2009. As Fiba Group Managing Director, he is Group CFO and Member of the Board of Directors of group financial and non-financial investments both domestic and international.



**Murat ÖZYEĞİN- Board Member**

Mr. Murat Özyeğin was graduated with a major BS degree in Industrial Management and Economics Faculties of Carnegie Mellon University in year 1998. Mr. Özyeğin had started to his professional career in year 1998 by working as a Financial Analyst in New York Office of Bear Stearns & Co. Investment Bank in the Mergers and Acquisition Group of the said Bank. He then transferred to the London Office of the same Bank, within the same year as the Senior Analyst of Mergers and Acquisition Group. He completed his MBA degree in year 2003, in Harvard University and then returned back to Turkey and assumed an active role during the management of his family companies. Mr. Özyeğin had established Strategic Planning and Business Development Departments in Fiba Holding -which is the holding company of the Group Companies- and in Finansbank. He has been currently holding the positions of Member of Board of Directors in Fina and Fiba Holding companies as well as the Chairman of Strategic Planning and Business Development Department of Fiba Group and he is also continuing his position of Chairman of the Board of Directors in the non-financial companies of the said Group. He is the Member of Board of Trustees of Global Relations Forum, Özyeğin University, and World Wide Fund for Nature (WWF). He is also the Chairman of DEİK (Foreign Economic Relations Board) /Turkey-Holland Business Council, Assistant Chairman of Turkish Industry and Businessmen Association and Member of Board of Directors of Endeavor Association, Hüsnü M. Özyeğin Foundation, Energy Efficiency Association Deputy Chairman and he is the Member of Global Advisory Committee of Harvard University and currently he has been also carrying out the duty of Honorary Consulate for Singapore. Mr. Murat Özyeğin is 43 years old, has two daughter and a son.



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

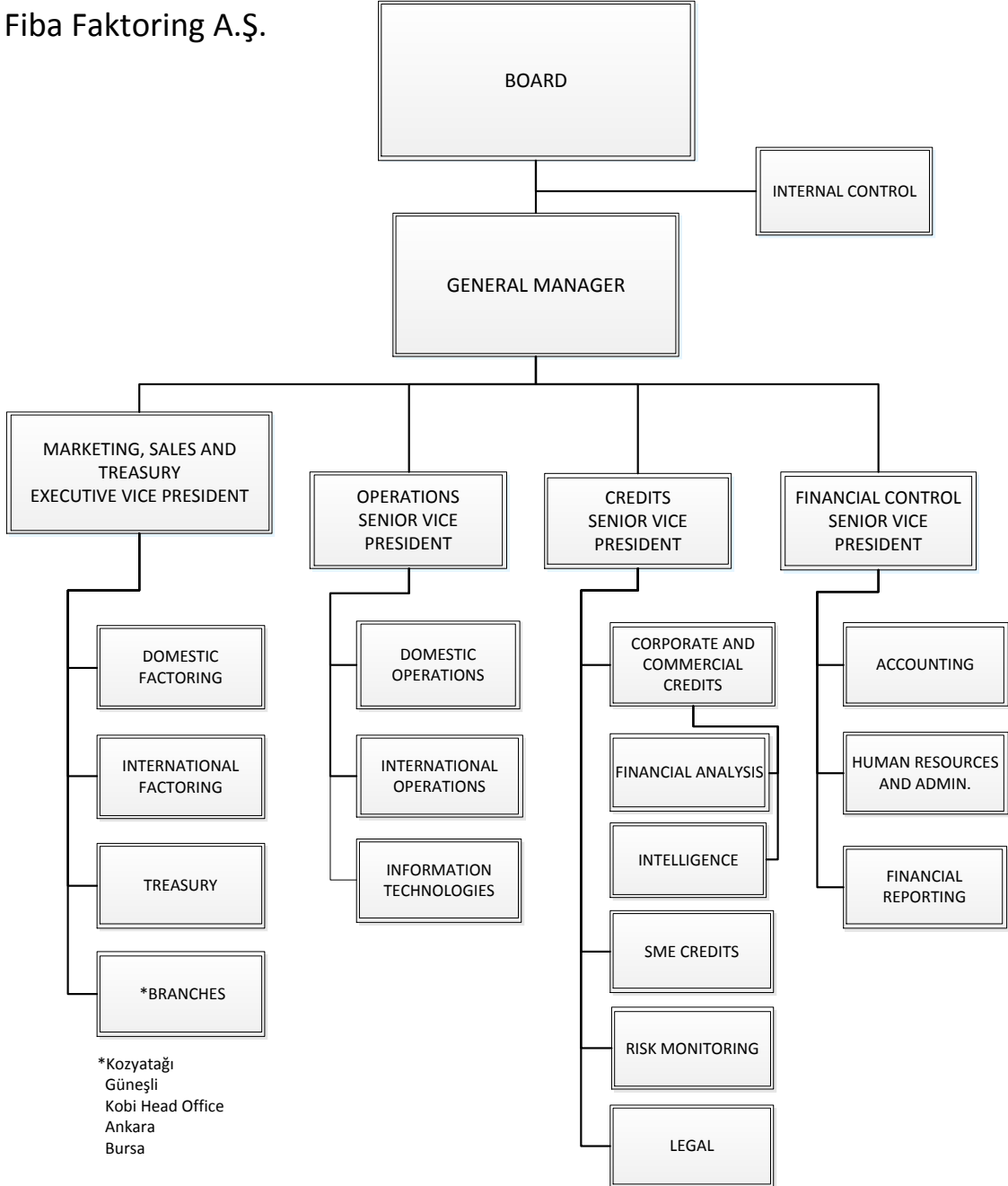
Özge Yılmaz was graduated from Economics Department of Middle East Technical University and in 1995 she commenced her professional business life in Deloitte. During years 1996-2000 she worked in Finansbank, and during years 2000-2001 she worked in Osmanlı Bankası and during years 2002-2004 she worked 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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## II. REAL AND CASH ALLOWANCES GRANTED TO SENIOR MANAGERS AND REPRESENTATION EXPENSES

The amount of financial benefits like salary, bonus, dividend is TL 2,167 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 2018 is TL 210 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 2018 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 2018 activity period by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. trade named independent audit company. Within the scope of “Year 2018 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 2018 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 2018.
- h) Our Company has accomplished its objectives during year 2018 and it has fulfilled the decisions of its General Assembly.
- i) During the Activity Period of year 2018; there was Ordinary General Assembly meeting held for year 2017 and four other Extraordinary General Assembly meeting were held as well.

#### ***Extraordinary General Assembly Meeting Agenda of Fiba Faktoring A.Ş. held on 4 January 2018***

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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***Extraordinary General Assembly Meeting Agenda of  
Fiba Faktoring A.Ş. held on 21 February 2018***

1. Opening and forming the presidency of the meeting,
2. Determination of utilization type of the profit reserves account,
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.

***2017 Ordinary General Assembly Meeting Agenda of  
Fiba Faktoring A.Ş. held on 23 March 2018***

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 2017,
3. Reading and negotiating of Audit Report belonging to accounting year of 2017,
4. Reading, negotiating and submitting to the approval of Balance Sheet and Profit and Loss Accounts (Financial) Statements belonging to activity year of 2017,
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 2017,
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 2017,
9. Election of Independent Audit Company in relation to the auditing of accounts belonging to 2018 accounting year,
10. Reading and negotiating of Affiliation Report belonging to year 2017,
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.

***Extraordinary General Assembly Meeting Agenda of  
Fiba Faktoring A.Ş. held on 9 August 2018***

1. Opening and forming the presidency of the meeting,
2. Determination of utilization type of the profit reserves account and retained earnings account,
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.

***Extraordinary General Assembly Meeting Agenda of  
Fiba Faktoring A.Ş. held on 21 September 2018***

1. Opening and forming the presidency of the meeting,
2. Determination of utilization type of the retained earnings account,
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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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 18,533 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.

## **V. FINANCIAL STATUS**

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

In 2018, different growth rates observed worldwide draw attention. The Chinese economy demonstrated its weakest growth performance of the last 28 years as it grew by 6.6%. Data from the Euro Zone also indicate that the process of deceleration in economic activity has been continuing. According to the data released by Eurostat, the economy in the region grew by 1.8% in 2018, which represents the weakest growth performance since 2014. On the other hand, the American economy, which grew by 3.5% in the third quarter, maintained its strong structure in general, which was also supported by positive employment data, throughout the year.

The global markets have demonstrated a positive outlook within the first month of 2019. The fact that the negotiations conducted in China in January in relation to the trade wars between the USA and China were reported to have gone positively and that are to be continued led to a positive perception in the markets. The European Central Bank (ECB) maintained its existing monetary policy and ceased its asset purchase program, continuing to referring to summer 2019 at the earliest for any interest rate increase. FED kept its policy interest range between 2.25 - 2.50 % during its first meeting of 2019, acting in line with the expectations. The phrase "gradual rate increase" in FED's declaration was removed, by which FED implied that it would act patiently in respect of interest rate increase. Such statements by the major central banks, suggesting that the economic activity would be supported, and the positive developments in respect of the trade negotiations have enabled the global risk appetite to rise.

**V. FINANCIAL STATUS** *(cont'd)*

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

As far as the domestic markets are concerned, the inflation continued to regress in December, 2018. As the CPI declined by 0.4% and the PPI declined by 2.2% monthly; the CPI and the PPI increased by 20.3% and 33.6%, respectively, on the annual basis in 2018. The foreign trade deficit, which declined by 28.4% due to both the shrinkage in the import volume and the growth in the export volume, amounted to USD 55 bio in 2018. The impact of the stable outlook of Turkish Lira, combined with the improvement in the inflation indicators, has revised the inflation expectation of TCMB (Central Bank of the Republic of Turkey) downward, which represented TCMB's determination about its tight monetary policy approach. TCMB decreased its expected inflation rates for the end of 2019 and 2020 to 14.6% and 8.2%, respectively, within the first inflation report of the year.

The total year-end factoring receivables of the factoring industry, in which 58 companies operated in 2018, amounted to TL 31.4 bio while the total transaction volume of the industry amounted to TL 146.3 bio.

We, as Fiba Faktoring, have mediated factoring transactions in the amount of TL 3.4 bio with 1,300 active customers throughout 2018. While 95% of our overall turnover is owed to domestic factoring transactions, 5% of the same has been derived from international transactions. The size of our receivables have amounted to TL 865 mio. The SME segment has accounted for 75% of our active customers.

In 2019, we continue supporting companies from all segments, primarily including the SMEs, throughout guarantee, collection and financing services in line with our widespread credit policy. Keeping close track with the digitalization process that has been prevailing both the real sector and the finance sector, we focus our attention and endeavors on the development and marketing of innovative products. We continue generating effective solutions that fully address and meet the needs of our customers within the framework of our total quality concept.

We are confident that, in 2019, 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 GÜLEŞÇİ**  
**Chairman**

**F. Özge YILMAZ**  
**Board of Directors Member/ General Manager**



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**Sectorial Developments**

At the end of year 2018 there were 57 factoring companies of which had obtained operating licenses from the BRSA in Turkey. At the end of year 2018, branch number was 354 and personnel number was realized as 4,355 persons in the sector.

When we look at the balance sheet sizes of our Company on sectorial basis; our total assets had diminished by 24% at the year end of 2018 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 2018, the factoring receivables became 91% of the total assets.

<b>Factoring Sector Key Balance Sheet Items</b>	<i>(million TL)</i>		
	* (%)	<b>2018</b>	<b>2017</b>
Factoring Receivables	(24)	31,410	41,599
Non-Performing Receivables	40	2,096	1,500
Specific Provisions (-)	30	1,717	1,318
Banks	151	1,148	457
Total Assets	(21)	34,608	43,712
Funds Borrowed	(28)	23,048	31,816
Marketable Securities Issued (Net)	(20)	3,508	4,379
Shareholders' Equity	17	6,770	5,781
Off-Balance Sheet Items	16	581,980	499,812

\* 2018's % change is calculated with previous year's amounts.  
Source: BRSA monthly bulletin informations (15 February 2019)

Factoring income as being the most weighted item among the income items, realized TL 8,689 million, was grown by 58%. Factoring interest expenses were increased by 59%, and actualized TL 5,501 million. During 2018 with TL 1,091 million operating expenses, TL 421 million net non-factoring income and TL 725 million non-performing loan expenses, sector net income reached to TL 1,306 million.

2018 Turkey's factoring sector turnover was TL 146,346 million, 82% of turnover is comprised of domestic factoring. Besides in 2017 the factoring turnover realized as TL 144,737 million.

<b>Factoring Sector Key Income Statement Items</b>	<i>(million TL)</i>		
	* (%)	<b>2018</b>	<b>2017</b>
Factoring Income	58	8,689	5,501
<i>Factoring Interest Income</i>	60	8,170	5,110
<i>Factoring Commission Income</i>	33	519	390
Financial Expenses (-)	59	(5,581)	(3,503)
Operating Expenses (-)	14	(1,091)	(954)
Other Operational Income/Expense (Net)	9	421	387
Provision for Non-Performing Receivables (-)	162	(725)	(277)
Tax Provision (±)	109	(470)	(224)
<b>Net Period Profit/Loss</b>	41	1,306	929

\* % changes for year 2018 have been calculated via comparing to prior year amounts.  
Source: BRSA statistics (15 February 2019)

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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 31<sup>st</sup>, 2018, our factoring receivables were realized as TL 865 million.

<b>Fiba Faktoring's Key Indicators</b>	<i>(thousand TL)</i>	
	<b>2018</b>	<b>2017</b>
Total Assets	1,052,447	1,395,048
Factoring Receivables	865,151	1,250,560
Non-Performing Receivables (Net)	18,750	7,165
Funds Borrowed	790,300	935,184
Securities issued	57,395	216,845
Shareholders' Equity	184,647	229,368
Net Period Profit/Loss	37,435	22,114

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

<b>Fiba Faktoring Key Income Statement Items</b>	<i>(thousand TL)</i>	
	<b>2018</b>	<b>2017</b>
Factoring Income	284,494	188,195
<i>Factoring Interest Income</i>	<i>271,939</i>	<i>183,805</i>
<i>Factoring Commission Income</i>	<i>12,555</i>	<i>4,390</i>
Financial Expenses (-)	(169,445)	(107,175)
Operating Expenses (-)	(28,985)	(25,343)
Other Operational Income/Expense (Net)	(7,497)	(18,695)
Specific Provision for Non-Performing Receivables (-)	(30,104)	(6,995)
Tax Provision (±)	(11,028)	(7,873)
<b>Net Period Profit/Loss</b>	<b>37,435</b>	<b>22,114</b>

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***Summary Financial Information for the year ended 31 December 2018***

**Balance Sheet Summary (thousand TL)**

<b>Assets</b>	<b>31/12/2018</b>
Financial Assets (Net)	126,353
Cash, Cash Equivalents	67,217
Financial Assets Measured at Fair Value through Other Comprehensive Income	53,835
Derivative Financial Assets	5,301
Loans (Net)	883,901
Factoring Receivables	865,151
Non-Performing Receivables (Net)	18,750
Tangible Assets (Net)	4,307
Intangible Assets (Net)	256
Investment Property (Net)	16,444
Current Tax Assets	7,826
Deferred Tax Assets	6,287
Other Assets	7,073
<b>Total Assets</b>	<b>1,052,447</b>
<b>Liabilities</b>	<b>31/12/2018</b>
Funds Borrowed	790,300
Factoring Payables	2,013
Securities Issued	57,395
Derivative Financial Liabilities	9,915
Provisions	3,374
Current Tax Liabilities	-
Other Liabilities	4,803
Shareholders' Equity	184,647
<b>Total Liabilities and Equity</b>	<b>1,052,447</b>

**Income Statement Summary (thousand TL)**

<b>Income and Expense Items</b>	<b>31/12/2018</b>
Operating Income	284,494
Financial Expenses (-)	(169,445)
Operating Expenses (-)	(28,985)
Other Operational Income	88,286
Specific Provision for Non-Performing Receivables (-)	(30,104)
Other Operational Expenses (-)	(95,783)
Tax Provision for Continuing Operations (±)	(11,028)
<b>Net Period Profit Loss for Continuing Operations</b>	<b>37,435</b>

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**Summary Financial Information for the year ended 31 December 2017**

**Balance Sheet Summary (thousand TL)**

<b>Assets</b>	<b>31/12/2017</b>
Cash, Cash Equivalents and Central Bank	3
Financial Assets at Fair Value Through Profit and Loss (Net)	6,717
Balances with the Banks	14,393
Financial Assets Available for Sale (Net)	85,928
Factoring Receivables	1,250,560
Non-Performing Receivables	7,165
Tangible Assets (Net)	4,150
Intangible Assets (Net)	113
Prepaid Expenses	824
Deferred Tax Assets	4,286
Other Assets	20,909
<b>Total Assets</b>	<b>1,395,048</b>
<b>Liabilities</b>	<b>31/12/2017</b>
Derivative Financial Liabilities Held for Trading	4,401
Funds Borrowed	935,184
Factoring Payables	373
Securities issued	216,845
Other Liabilities	240
Other Foreign Liabilities	454
Taxes Payable	1,988
Provisions	2,680
Current Tax Liabilities	3,515
Shareholders' Equity	229,368
<b>Total Liabilities and Equity</b>	<b>1,395,048</b>

**Income Statement Summary (thousand TL)**

<b>Income and Expense Items</b>	<b>31/12/2017</b>
Operating Income	188,195
Financial Expenses (-)	(107,175)
Operating Expenses (-)	(25,343)
Other Operational Income	74,304
Specific Provision for Non-Performing Receivables (-)	(6,995)
Other Operational Expenses (-)	(92,999)
Tax Provision for Continuing Operations (±)	(7,873)
<b>Net Period Profit Loss for Continuing Operations</b>	<b>22,114</b>

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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, 2018 is already larger than the minimum required amount as provided by the Act.

As at 31 December 2018 and 2017, ratio of net debt to equity is presented below:

<i>(thousand TL)</i>	<b>2018</b>	<b>2017</b>
Total liabilities	867,800	1,165,680
Cash and cash equivalents	(67,217)	(14,396)
Net debt	800,583	1,151,284
Total equity	184,647	229,368
Net debt/equity ratio	4.34	5.02

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.

As per the Extraordinary General Assembly Meeting held on 21 February 2018, 9 August 2018 and 21 September 2018, it was decided to distribute restricted funds at amounting TL 50,090 thousand and retained earnings TL 31,860 thousand.

**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.

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.