

FİBA FAKTORİNG ANONİM ŐİRKETİ

Financial Statements
As at and for the Year Ended
31 December 2020
With Independent Auditors' Report

*(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes Originally
Issued in Turkish)*



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Independent Auditors' Report

To the Board of Directors of Fiba Faktoring Anonim Şirketi,

A) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fiba Faktoring Anonim Şirketi ("the Company") which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fiba Faktoring A.Ş. as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated 24 December 2013 and numbered 28861, other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board ("BRSA") and the pronouncements made by the Banking Regulation and Supervision Agency and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations together "the BRSA Accounting and Financial Reporting Legislation".

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by 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 declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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.

Impairment of factoring receivables

Please refer to Note 7.1 for the details of the accounting policies regarding the impairment of the receivables from factoring operations and the significant accounting estimates and assumptions used.

Key Audit Matter	How the matter is addressed in our audit
<p>As of December 31, 2020, the Company's factoring receivables constitute 88% of its total assets.</p> <p>The company accounts for its factoring receivables and provisions for impairment in accordance with the BRSA Accounting and Financial Reporting Legislation. Classification of receivables is made by taking into account the criteria specified in the Regulation. Within the scope of the Regulation, determination of the impairment of factoring receivables depends primarily on whether the classification of these receivables is made correctly.</p> <p>Among the criteria used for classification are non-judgmental determinations, as well as criteria that require determinations based on management judgment.</p> <p>There is a risk that the factoring receivables are impaired due to the criteria that require making decisions based on the aforementioned judgment and therefore the provision for impairment will not be determined. Due to these risks, the impairment of factoring receivables has been identified as a key audit matter.</p>	<p>Our audit procedures in this area include the following:</p> <p>The design and operating effectiveness of the controls established for credit allocation, disbursement, collection, follow-up and impairment processes were evaluated.</p> <p>Audit studies have focused on the determination of factoring receivables that are impaired, the compliance of the depreciation provisions with the BRSA Accounting and Financial Reporting Legislation, the value of the collaterals and the collection capability of the Company.</p> <p>In addition, the adequacy of the explanations made in the footnotes of the financial statements regarding the provision for impairment of factoring receivables was evaluated.</p>

Other Matter

The independent audit of the financial statements of the company for the year ended on December 31, 2019 audited by another auditor and an unqualified opinion was expressed in the independent auditor's report dated February 24, 2020.



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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the "BRSA Accounting and Financial Reporting Legislation", 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 Standards on Auditing issued by POA 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 Standards on Auditing issued by POA and BRSA, 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

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 auditors' 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

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code numbered 6102 ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping order for the period 1 January- 31 December 2020 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; The Board of Directors provided us the required explanations and requested documents within the scope of the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.



Alper Güvenç, SMMM
Partner

26 February 2021
İstanbul, Turkey

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as at 31 December 2020

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

ASSETS	Notes	Audited 31 December 2020			Audited 31 December 2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS AND CENTRAL BANK	3	8,943	39,610	48,553	8,315	11,320	19,635
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL ASSETS	4	5,183	-	5,183	5	-	5
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)	6	53,835	-	53,835	53,835	-	53,835
V. FINANCIAL ASSETS AT AMORTISED COST (Net)		934,629	40,217	974,846	901,803	64,627	966,430
5.1 Factoring Receivables	7.1	934,629	40,217	974,846	901,803	64,627	966,430
5.1.1 Discounted Factoring Receivables, net		738,382	29,036	767,418	667,533	49,759	717,292
5.1.2 Other Factoring Receivables		196,247	11,181	207,428	234,270	14,868	249,138
5.2 Financing Loans		-	-	-	-	-	-
5.2.1 Consumer Loans		-	-	-	-	-	-
5.2.2 Credit Cards		-	-	-	-	-	-
5.2.3 Installment Commercial Loans		-	-	-	-	-	-
5.3 Leasing (Net)		-	-	-	-	-	-
5.3.1 Receivables From Finance Lease		-	-	-	-	-	-
5.3.2 Receivables From Operating Lease		-	-	-	-	-	-
5.3.3 Unearned Income (-)		-	-	-	-	-	-
5.4 Other Financial Assets At Amortised Cost		-	-	-	-	-	-
5.5 Non Performing Receivables	7.2	74,999	-	74,999	76,196	-	76,196
5.6 Allowances for Expected Credit Loss/Specific Provisions (-)	7.2	(74,999)	-	(74,999)	(76,196)	-	(76,196)
VI. SHAREHOLDING (Partnership) INVESTMENTS		-	-	-	-	-	-
6.1 Investments In Associates (Net)		-	-	-	-	-	-
6.2 Investments In Subsidiaries (Net)		-	-	-	-	-	-
6.3 Investments In Joint Ventures (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (NET)	8	5,559	-	5,559	6,894	-	6,894
VIII. INTANGIBLE ASSETS (NET)	9	325	-	325	282	-	282
IX. REAL ESTATES FOR INVESTMENT (NET)	10	16,444	-	16,444	16,444	-	16,444
X. CURRENT PERIOD TAX ASSETS	11	-	-	-	-	-	-
XI. DEFERRED TAX ASSETS	11	3,555	-	3,555	4,736	-	4,736
XII. OTHER ASSETS	12	5,567	18	5,585	4,882	122	5,004
SUBTOTAL		1,034,040	79,845	1,113,885	997,196	76,069	1,073,265
XIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Assets Held For Sale		-	-	-	-	-	-
13.2 Assets Held For Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		1,034,040	79,845	1,113,885	997,196	76,069	1,073,265

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as at 31 December 2020

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

LIABILITIES		Audited			Audited		
		31 December 2020			31 December 2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. FUNDS BORROWED	13	819,812	31,547	851,359	840,101	-	840,101
II. FACTORING PAYABLES	7.1	815	-	815	671	-	671
III. LEASE OBLIGATIONS	14	474	1,629	2,103	693	2,267	2,960
IV. SECURITIES ISSUED (NET)		-	-	-	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	5	-	-	-	445	-	445
VII. PROVISIONS		4,438	-	4,438	3,756	-	3,756
7.1 Restructuring Reserves		-	-	-	-	-	-
7.2 Provisions For Employee Benefits	15	4,438	-	4,438	3,756	-	3,756
7.3 General Provisions		-	-	-	-	-	-
7.4 Other Provisions		-	-	-	-	-	-
VIII. CURRENT PERIOD TAX LIABILITIES		832	-	832	427	-	427
IX. DEFERRED TAX LIABILITIES		-	-	-	-	-	-
X. SUBORDINATED LOANS-DEBT		-	-	-	-	-	-
XI. OTHER LIABILITIES	16	2,516	110	2,626	4,416	469	4,885
XII. SUBTOTAL		828,887	33,286	862,173	850,509	2,736	853,245
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held For Sale		-	-	-	-	-	-
12.2 Discontinued Operations		-	-	-	-	-	-
XIII. SHAREHOLDERS' EQUITY		251,712	-	251,712	220,020	-	220,020
13.1 Paid-in Capital	17.1	81,110	-	81,110	81,110	-	81,110
13.2 Capital Reserves	17.2	2,295	-	2,295	2,295	-	2,295
13.2.1 Share Premiums		-	-	-	-	-	-
13.2.2 Share Cancellation Profits		-	-	-	-	-	-
13.2.3 Other Capital Reserves		2,295	-	2,295	2,295	-	2,295
13.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		129	-	129	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	44,242	-	44,242
13.5.1 Legal Reserves	17.3	41,289	-	41,289	41,289	-	41,289
13.5.2 Statutory Reserves		-	-	-	-	-	-
13.5.3 Extraordinary Reserves		-	-	-	-	-	-
13.5.4 Other Profit Reserves	17.3	2,953	-	2,953	2,953	-	2,953
13.6 Profit or Loss		123,936	-	123,936	92,244	-	92,244
13.6.1 Prior Periods Profit / Loss		92,244	-	92,244	56,871	-	56,871
13.6.2 Current Period Profit / Loss		31,692	-	31,692	35,373	-	35,373
TOTAL LIABILITIES AND EQUITY		1,080,599	33,286	1,113,885	1,070,529	2,736	1,073,265

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

FİBA FAKTORİNG ANONİM ŞİRKETİ**Statement of Off Balance Items as at 31 December 2020**

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

OFF BALANCE SHEET ITEMS	Notes	Audited 31 December 2020			Audited 31 December 2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. IRREVOCABLE FACTORING OPERATIONS		-	-	-	2,013	5,406	7,419
II. REVOCABLE FACTORING OPERATIONS		471,577	29,588	501,165	333,932	41,123	375,055
III. GUARANTEES TAKEN	26.1	13,720,041	587,260	14,307,301	12,208,892	409,739	12,618,631
IV. GUARANTEES GIVEN	26.2	578,026	-	578,026	531,261	-	531,261
V. COMMITMENTS		-	-	-	-	-	-
5.1 Irrevocable Commitments		-	-	-	-	-	-
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	26.3	64,678	58,011	122,689	72,137	70,315	142,452
6.1 Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Investment Hedges		-	-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading		64,678	58,011	122,689	72,137	70,315	142,452
6.2.1 Forward Buy/Sell Transactions		23,464	22,520	45,984	-	-	-
6.2.2 Swap Buy/Sell Transactions		41,214	35,491	76,705	72,137	70,315	142,452
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	26.4	878,775	120,219	998,994	732,125	104,939	837,064
TOTAL OFF BALANCE SHEET ITEMS		15,713,097	795,078	16,508,175	13,880,360	631,522	14,511,882

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Profit and Loss for the Year Ended 31 December 2020

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

STATEMENT OF PROFIT OR LOSS		Notes	Audited	
			1 January - 31 December 2020	1 January - 31 December 2019
I.	OPERATING INCOME		153,696	240,119
	FACTORING INCOME	18	153,696	240,119
1.1	Interest Income on Factoring Receivables		144,254	227,713
1.1.1	Discounted		106,954	159,734
1.1.2	Other		37,300	67,979
1.2	Fees and Commissions Income from Factoring Operations		9,442	12,406
1.2.1	Discounted		1,624	2,982
1.2.2	Other		7,818	9,424
	FINANCING LOANS INCOME		-	-
1.3	Interest income From Financing Credits		-	-
1.4	Fees and Commissions From Financing Credits		-	-
	FINANCE LEASE INCOME		-	-
1.5	Finance Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from the Leasing Transactions		-	-
II.	FINANCIAL EXPENSES (-)	19	(91,574)	(147,388)
2.1	Interest Expense From Funds Borrowed		(87,188)	(139,111)
2.2	Interest Expense From Factoring Payables		-	-
2.3	Interest Expense of Finance Lease Expenses		(203)	(223)
2.4	Interest Expense From Securities Issued		-	(2,605)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(4,183)	(5,449)
III.	GROSS PROFIT / LOSS (I+II)		62,122	92,731
IV.	OPERATING EXPENSES (-)	20	(29,985)	(36,979)
4.1	Personnel Expenses		(22,210)	(26,977)
4.2	Employee Severance Indemnity Expense		(619)	(274)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(7,156)	(9,728)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		32,137	55,752
VI.	OTHER OPERATING INCOME	21	34,835	37,707
6.1	Interest Income From Bank Deposits		4,052	4,619
6.2	Interest Income From Securities Portfolio		-	4,046
6.3	Dividend Income		-	-
6.4	Trading Account Income		-	-
6.5	Income From Derivative Financial Instruments		10,704	24,700
6.6	Foreign Exchange Gains		14,178	-
6.7	Other		5,901	4,342
VII.	PROVISION EXPENSES	22	(4,350)	(19,685)
7.1	Specific Provisions		(4,350)	(19,685)
7.2	Allowances for Expected Credit Loss		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	23	(21,767)	(28,088)
8.1	Impairment Losses From Securities Portfolio		-	-
8.2	Impairment Losses From Non-Current Assets		-	-
8.3	Trading Account Loss		-	-
8.4	Loss From Derivative Financial Instruments		(523)	(10,493)
8.5	Foreign Exchange Loss		(9,772)	(10,509)
8.6	Other		(11,472)	(7,086)
IX.	NET OPERATING PROFIT / LOSS		40,855	45,686
X.	INCOME RESULTED FROM MERGER		-	-
XI.	PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD		-	-
XII.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XIII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		40,855	45,686
XIV.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	11	(9,163)	(10,313)
14.1	Current Tax Charge		(7,982)	(8,762)
14.2	Deferred Tax Charge		(1,181)	(1,551)
14.3	Deferred Tax Benefit		-	-
XV.	NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)		31,692	35,373
XVI.	INCOME FROM DISCONTINUED OPERATIONS		-	-
16.1	Income from Assets Held for Sale		-	-
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
16.3	Other Income from Discontinued Operations		-	-
XVII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
17.3	Other Expenses from Discontinued Operations		-	-
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Charge		-	-
19.2	Deferred Tax Charge (+)		-	-
19.3	Deferred Tax Benefit (-)		-	-
XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
XXI.	NET PROFIT FOR THE PERIOD (XII+XVII)		31,692	35,373
	Current Profit (Loss) Distribution		-	-

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
Statement of Profit and Loss and Other Comprehensive Income for the
Year Ended 31 December 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
I. PERIOD INCOME/LOSS		31,692	35,373
II. OTHER COMPREHENSIVE INCOME		-	-
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.1.1 Gains/(losses) on revaluation of tangible assets		-	-
2.1.2 Gains/(losses) on revaluation of intangible assets		-	-
2.1.3 Gains/(losses) on revaluation of intangible assets		-	-
2.1.4 Other items that will not be reclassified to profit or loss		-	-
2.1.5 Taxation on comprehensive income that will not be reclassified to profit or loss		-	-
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1 Translation differences for transactions in foreign currencies		-	-
2.2.2 Translation and classification profit / loss of financial assets at fair value through other comprehensive income		-	-
2.2.3 Gains/(losses) from cash flow hedges		-	-
2.2.4 Gains/(losses) from net investment hedges		-	-
2.2.5 Other items that will be reclassified to profit or loss		-	-
2.2.6 Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)		31,692	35,373

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Changes in Shareholder's Equity for the Year Ended 31 December 2020

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

CHANGES IN SHAREHOLDERS EQUITY						Other Accumulated Comprehensive Income and Expenses Not Be Reclassified Through Profit or Loss			Other Accumulated Comprehensive Income and Expenses Reclassified Through Profit or Loss			Profit Reserves	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Total Shareholders' Equity	
	Notes	Paid in Capital	Capital Reserves	Share Premium	Other Capital Reserves	1	2	3	4	5	6					
Audited Previous Year (01/01/2019-31/12/2019)																
I. Balances at Beginning of Period		81,110	-	-	2,295	-	129	-	-	-	-	44,242	19,436	37,435	184,647	
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)		81,110	-	-	2,295	-	129	-	-	-	-	44,242	19,436	37,435	184,647	
IV. Total Comprehensive Income		-	-	-	-	-	-	-	-	-	-	-	-	-	35,373	
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	37,435	(37,435)	-	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	37,435	(37,435)	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)	17	81,110	-	-	2,295	-	129	-	-	-	-	44,242	56,871	35,373	220,020	
Audited Current Year (01/01/2020-31/12/2020)																
I. Balances at Beginning of Period		81,110	-	-	2,295	-	129	-	-	-	-	44,242	56,871	35,373	220,020	
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)		81,110	-	-	2,295	-	129	-	-	-	-	44,242	56,871	35,373	220,020	
IV. Total Comprehensive Income		-	-	-	-	-	-	-	-	-	-	-	-	-	31,692	
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	31,692	
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	35,373	(35,373)	-	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	35,373	(35,373)	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)	17	81,110	-	-	2,295	-	129	-	-	-	-	44,242	92,244	31,692	251,712	

1. Fixed assets accumulated revaluation increases / decreases,
2. Accumulated remeasurement gains / losses of defined benefit plans,
3. Other (Other comprehensive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss),
4. Foreign exchange conversion differences,
5. Revaluation and/or reclassification differences of available-for-sale financial assets,
6. Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on profit/loss).

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

FİBA FAKTORİNG ANONİM ŞİRKETİ

Statement of Changes in Cash Flow for the Year Ended 31 December 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1		35,019	18,491
1.1.1		146,791	220,016
1.1.2		(89,955)	(174,933)
1.1.3		-	-
1.1.4		9,442	12,488
1.1.5		-	-
1.1.6	7	5,547	4,231
1.1.7		(28,458)	(35,105)
1.1.8	11	(7,150)	(8,335)
1.1.9		(1,198)	129
1.2		(8,817)	(11,996)
1.2.1		(15,303)	(94,517)
1.2.2		-	-
1.2.3		-	-
1.2.4		(546)	9,958
1.2.5		144	(1,342)
1.2.6		-	-
1.2.7		9,639	74,689
1.2.8		-	-
1.2.9		(2,751)	(784)
I.		26,202	6,495
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1		-	-
2.2		-	-
2.3	8	(113)	(187)
2.4		-	63
2.5		-	-
2.6		-	-
2.7		-	(67,000)
2.8		-	67,000
2.9	9	(267)	(300)
II.		(380)	(424)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1		-	-
3.2		-	(54,738)
3.3		-	-
3.4		-	-
3.5		-	-
3.6		-	-
III.		-	(54,738)
IV.		3,094	1,098
V.		28,916	(47,569)
VI.	2.5 (o)	19,634	67,203
VII.	2.5 (o)	48,550	19,634

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

FİBA FAKTORİNG ANONİM ŞİRKETİ**Profit Distribution Table for the Year Ended 31 December 2020**

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

	Notes	Audited	Audited
		1 January - 31 December 2020	1 January - 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)			
1.1 CURRENT PERIOD PROFIT		40,855	45,686
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)		9,163	10,313
1.2.1 Corporate tax (income tax)		7,982	8,762
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties (**)		1,181	1,551
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		31,692	35,373
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)]		31,692	35,373
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		-	-
1.1 SECOND LEGAL RESERVE FUNDS (-)		-	-
1.11 STATUS RESERVES (-)		-	-
1.12 EXTRAORDINARY RESERVES		-	-
1.13 OTHER RESERVES		-	-
1.14 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF 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 regarding the profit distribution will be made at the General Assembly meeting.

(**) Deferred tax expense is shown in the other tax and legal liabilities line.

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

The Company operates in accordance with the Capital Markets Law and “Financial Leasing, Factoring and Financing Companies Law” published in the Official Gazette dated 13 December 2012 and numbered 28496 and the “Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies” issued by the Banking Regulation and Supervision Agency (“BRSA”) dated 24 April 2013 and numbered 28627 published in the Official Gazette.

Information about the Company’s shareholders and respective shares are as follows:

	31 December 2020		31 December 2019	
(Full TL)	Numbers of Shares	Shareholding (%)	Numbers of 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

As of 31 December 2020, the number of employees is 87 (31 December 2019: 90).

The Company is registered in Turkey and operates at the following address:

Büyükdere Caddesi, 1. Levent Plaza A Blok No: 173, Kat: 2 34330 1. Levent / İstanbul. The company provides factoring operations in one geographic area (Turkey).

Approval of Financial Statements:

The financial statements were approved by the Board of Directors on 26 February 2021. The General Assembly has the authority to change the financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance

The Company prepares its financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the communique on “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public” published in the Official Gazette dated 24 December 2013 and numbered 28861 and the “Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies” and other regulations, communiqués and circulars published by the BRSA and Turkish Financial Reporting Standards (“TFRS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not legislated by the aforementioned regulations (together “the BRSA Accounting and Financial Reporting Legislation”). TFRS includes Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), TAS comments and TFRS comments published by POA.

Financial statements are prepared on the basis of historical cost, except for the revaluation of some financial instruments. In determining the historical cost, generally the fair value of the amount paid for the assets is taken as basis.

2.1.2 Functional Currency

The Company’s functional currency and financial statement currency is Turkish Lira (TL).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation

2.1.3 Preparation of Financial Statements in Hyperinflationary Periods

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with Turkish Accounting Standards on “Preparation of Financial Statements in Hyperinflationary Periods” (“TAS 29”) for the financial statements prepared until 31 December 2004. BRSA issued a circular on 28 April 2005 stating that the indicators requiring the application of inflation accounting ceased to exist; consequently, inflation accounting was not applied in the financial statements after 1 January 2005.

2.1.4 Offsetting

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and the financial statements of the previous period are rearranged. The company applied its accounting policies consistently with the previous fiscal year. The accounting policies used in the preparation of the financial statements for the year ended December 31, 2020 were applied consistently with the financial statements prepared as of December 31, 2019. Significant changes in accounting policies are applied retrospectively and the financial statements of the previous period are rearranged. There is no change in accounting policies in the current period.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to only one period, changes are applied in the current period but if changes in estimates relate to future periods, changes are applied both in the current and following periods prospectively. Material prior period errors are corrected retrospectively, and prior period financial statements are restated. There is no significant change in the accounting estimates of the company in the current period.

Preparation of financial statements in accordance with Reporting Standards requires the management to implement policies and to make decisions, estimates and assumptions that affect the reported asset, liability, income and expense amounts. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed constantly. The effect of a change in accounting estimates is recognized prospectively in the current and future periods. The main notes for the items including estimates are as follows:

- Note 4 – Derivative financial assets
- Note 5 – Derivative financial liabilities
- Note 6 – Financial assets at fair value through other comprehensive income
- Note 8 – Tangible assets
- Note 9 – Intangible assets
- Note 11 – Tax assets and liabilities
- Note 15 – Provisions

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.4 New and Revised Accounting Standards Turkey

Changes published but not yet effective and not early applied as of 31 December 2020

Standards issued but not yet effective and not early adopted

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however, the Company has not early adopted are as follows.

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Company shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

There is no facilitating provision for lessors. Lessors should continue to assess whether their lease concessions have changed to the lease and account for it accordingly.

Concessions Recognized in Lease Payments Regarding COVID-19-Changes Regarding TFRS 16 Tenants are allowed to apply early, with reporting periods starting on and after June 1, 2020.

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 is not expected to have a significant effect on the financial statements of the Company.

3-) Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment did not have a significant impact on the financial statements of the Company.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.4 New and Revised Accounting Standards Turkey *(continued)*

New and updated standards and comments published by IASB but not yet published by POA

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations.

The amendments updated TFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Annual Improvements to TFRS Standards 2018–2020

IASB issued Annual Improvements to TFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of TFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to TFRS Standards. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.4 New and Revised Accounting Standards Turkey *(continued)*

Annual Improvements to TFRS Standards 2018–2020 *(continued)*

TFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

Important events in the current period

The measures taken against the COVID-19 epidemic and the epidemic, which is a new type of corona virus, cause disruptions in operations in all countries exposed to the epidemic and negatively affect the economic conditions both globally and in our country.

The process is monitored and managed at the senior management level in the company from the very beginning with a holistic approach that takes into account different aspects, including financial impacts, including employee and customer safety and business continuity.

The company reflected the possible effects of the COVID-19 epidemic to the estimates and judgments used in the preparation of the financial statements while preparing its year ended financial statements as of December 31, 2020.

Due to the relatively late exposure to the effects of the epidemic at the local level, the detailed evaluations of the Company in terms of financial impacts continue. First of all, it has been identified and handled as follows, which may have a significant impact on financial statements:

- Within the scope of TFRS 13 - Fair Value Measurement Standard, the effect of financial assets and liabilities in terms of fair value and / or measurement method reviewed and there was no case subject for correction.
- The effects within the scope of TFRS 16 - Leases Standard evaluated, and no issue requiring revision encountered.
- Within the scope of TAS 12 - Income Taxes, the estimates regarding the recoverable amounts revised and there is no need for change.
- As of December 31, 2020, the company has no effect due to COVID-19 in the classification of factoring receivables and the provisions made within the scope of the "Regulation on Accounting Practices of Financial Leasing, Factoring and Financing Companies".

As of the reporting date, the Company management continues to closely monitor and evaluate the possible effects of COVID-19.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

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 favourable 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 accordance with TFRS 9, financial assets are managed in a business model that aims to collect and sell contractual cash flows and if the terms of the contract for the financial asset lead to cash flows that include only principal and interest payments arising from the principal balance at certain dates, the relevant financial assets are subject to fair value through other comprehensive income.

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.

Under TFRS 9, all investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost value may be an appropriate estimate of fair value.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(a) Financial Instruments *(continued)*

(i) Financial assets *(continued)*

2) Financial assets at fair value through other comprehensive income *(continued)*

In initial recognition, the entity may make an irreversible choice to present in other comprehensive income any subsequent changes in the fair value of an investment in an equity instrument not held for commercial purposes. If this choice is made, the dividends obtained from the investment are recognized as profit or loss in the financial statements.

3) Financial assets at amortized cost

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 financial assets 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.

(iii) Factoring receivables

Factoring receivables and payables are recorded at their fair values with netting of transaction costs. In the periods of registration, they are shown with the costs discounted using the effective interest rate method.

The total factoring receivables provision determined as a result of the evaluation of factoring receivables is determined in a way to cover the doubtful receivables in the Company's factoring receivables portfolio. The Company reserves the relevant provision in accordance with the provisions of "Financial Leasing, Factoring and Financing Companies' Accounting Practices and Financial Tables (" Regulation ") published in the Official Gazette dated December 24, 2013 and numbered 28861 by the BRSA. According to the relevant regulation, at least 20% after taking into account the collaterals of factoring receivables delayed between 90-180 days from the due date, at least 50% after the collaterals of factoring receivables delayed between 180-360 days from the due date of collection and After taking into account the guarantees of factoring receivables delayed more than 1 year from the date of maturity, 100% special provision is provided.

According to the relevant regulation, even if the delay in the collection of the receivables has not exceeded the above periods or there is no delay in the collection of the receivables, the company can reserve special provisions at the rates it determines, taking into account the reliability and prudence principles of all available data on the credit worthiness of the debtor, without including the collateral amount in the calculation.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(a) Financial Instruments *(continued)*

In the Regulation, it is stated that companies can make provision in general and without being directly related to any transaction, in order to cover the losses expected to arise from the receivables with no delay in the collection of the principal, interest or both or with a delay of less than ninety days, but not directly related to any transaction, but it is not considered as a requirement. The company can set aside general provisions within this scope for factoring receivables that do not become doubtful.

The cancellation of the receivable occurs when it is predicted that all or part of the receivable will not be collected or if the customer is attached to the insolvency document. With the deletion of the receivable, the previously reserved provision is reversed and the entire receivable is deducted from the asset. In case of collection of a receivable that was deleted in previous periods, the relevant amounts are recorded as income.

In factoring receivables, with the decision numbered 8950 of the BRSA dated 19 March 2020, the follow-up periods were increased from 90 days to a minimum of 180 days to be valid until 31 December 2020, this rule will continue until 30 June 2021 with the BRSA's decision number 9312 dated 8 December 2020.

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 other liabilities

Other assets and other liabilities are shown over their cost values due to their short-term nature.

(v) Loans borrowed and securities issued

When the loans and securities issued are recorded for the first time, they are recorded at their fair values netting of transaction costs. In the periods following their recording, the repayment amounts are reflected to the financial statements with their current values calculated by the effective interest method, and the differences between the first recorded amount are transferred to the income statement during the maturity of the debts.

(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 contracts that expires at the end of the reporting period and current market conditions.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(b) Tangible assets and depreciation

(i) Tangible assets

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 Note2.5 (f))

(ii) Subsequent costs

The cost of replacing any part of an item of property, plant and equipment is capitalized. Subsequent costs can be capitalized if they increase the future economic benefit of the asset. All other expense items are recognized in the statement of income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is recognized 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 are as follows:

<u>Definition</u>	<u>Year</u>
Buildings	50 years
Furniture 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 amortization 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

The maximum period of the financial lease contracts is 5 years. Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(d) Leasing *(continued)*

Lease liability is measured at fair value of rent payments that have not been paid on the date rent is actually begin in accordance TFRS 16. Rent payments are discounted as using incremental borrowing rate.

Book value of the lease liability after the lease actually started; remeasured as reflectable to increase the interest in the lease liability, decreased as reflectable the lease payments made, to reflect all reassessments and changes made in the lease, or to reflect fixed lease payments of its revised core.

The interest on the lease liability for each period in the lease term is the amount found as calculated by fixed periodic interest rate to the remaining balance of the lease liability.

After the lease actually starts, the lease liability is remeasured to reflect changes in lease payments. The remeasured amount of the lease liability is reflected in the financial statements as a correction in the right of use.

In case of a change in the duration of the first lease or use of the purchase option, a revised discount rate is used to reflect the changes in the interest rate. However, if there is a change in the lease liabilities arising from a change in an index used in determining the future lease payments or the amounts expected to be paid within the context of the residual value commitment, the unmodified discount rate is used.

Regarding a change that is not recognized as a separate lease, the lease liability is remeasured by reducing the revised lease payments at a revised discount rate at the date of implementation of the change. The revised discount rate is determined as the incremental borrowing rate at the date of application of the change. For changes that narrow the scope of the lease, the carrying amount of the right of use is reduced to reflect the partial or complete termination of the lease. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. Corrections are made on the right of use for all other changes.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases of assets due amount of these leases is lower than materiality. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(e) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost less accumulated depreciation and accumulated impairment, if any. When the use of a property changes such that it is reclassified as machinery, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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/loss arising on derecognition of the property 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.

None of the assets held within the scope of operating lease has been classified as investment property.

(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.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(g) Capital increase

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

(h) Retirement pay provision

Provision for retirement pay 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. 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 2020, the provision for retirement pay liability is TL 7,638.96 (full) that is effective as if 1 January 2021 since the maximum liability is revised semi-annually (31 December 2019: TL 6,730.15 (full) as of 1 January 2020).

(i) Provisions, contingent asset 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 are 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

(i) Factoring income

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

(ii) Other operating income and expense

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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 fiscal 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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

(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 reporting balance sheet dates 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 flow

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 at and for the year ended 31 December 2020 and 31 December 2019, the cash and cash equivalents in the statement of cash flows are as follows:

	31 December 2020	31 December 2019
Cash on hand/Effective	-	-
Banks <i>(Note 3)</i>	48,553	19,635
Less:		
- Blocked deposits <i>(Note 3)</i>	-	-
- Interest income discount	(3)	(1)
Cash and cash equivalents in the statement of cash flow	48,550	19,634

(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 is determined.

The foreign exchange rates used by the Company as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
USD	7.3405	5.9402
EUR	9.0079	6.6506
GBP	9.9438	7.7765

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

3 CASH, CASH EQUIVALENTS and CENTRAL BANK

As of 31 December 2020 and 31 December 2019, the details of banks are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
- Demand deposits	3,850	39,610	2,814	11,320
- Time deposits	5,093	-	5,501	-
Total	8,943	39,610	8,315	11,320

Time deposits consist of TL denominated bank balances with average interest rate applied to time deposits amounting to TL 5,090 Thousand is 17.83% (31 December 2019: The average interest rate applied to time deposits amounting to TL 5,500 Thousand is 8%).

As of 31 December 2020 there are no blocked deposits (31 December 2019: None).

As of 31 December 2020, 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 48,550 Thousand (31 December 2019: TL 19,634 Thousand).

Foreign currency risk and sensitivity analysis of the Company as of 31 December 2020 and 31 December 2019 have been disclosed in Note 27.

4 DERIVATIVE FINANCIAL ASSETS

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

As of 31 December 2020 and 31 December 2019, the details of held-for-trading derivative financial assets consisting of currency swap and forward purchase-sale agreements are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Derivative financial assets				
Currency swaps	4,199	-	5	-
Currency forwards	984	-	-	-
Total	5,183	-	5	-

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

5 DERIVATIVE FINANCIAL LIABILITIES

As of 31 December 2020 and 31 December 2019, the details of derivative financial liabilities consisting of currency swap and forward purchase-sale agreements are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Derivative financial liabilities				
Currency swaps	-	-	445	-
Currency forwards	-	-	-	-
Total	-	-	445	-

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)

As of 31 December 2020, the details of shares classified as financial assets at fair value through other comprehensive income are as follows:

	31 December 2020		31 December 2019	
	Amount	Share (%)	Amount	Share (%)
Credit Europe Group N.V. (“Credit Europe”)	62,283	1.29	62,283	1.29
Fiba Alışveriş Mer. Gel. İnş. ve Paz. Tic. A.Ş.	728	-	728	-
Kapital Holding A.Ş.	10	-	10	-
Other	2	-	2	-
Total	63,023		63,023	
Depreciation	(9,188)		(9,188)	
Total	53,835		53,835	

Investment shares amounting to TL 63,023 Thousand presented in financial assets at fair value through other comprehensive income in the financial statements are accounted for at cost value since their fair values cannot be measured reliably. As of 31 December 2020, there is an impairment of TL 9,188 Thousand.

As of 31 December 2020 and 31 December 2019, the details of financial assets classified as financial assets at fair value through other comprehensive income are as follows:

	31 December 2020	31 December 2019
<u>Stocks</u>		
Unlisted	63,023	63,023
Depreciation	(9,188)	(9,188)
Total	53,835	53,835

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

7 FINANCIAL ASSETS AT AMORTIZED COST (Net)

7.1 Factoring Receivables and Payables

As of 31 December 2020 and 31 December 2019 the details of factoring receivables are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Discounted factoring receivables	738,382	29,036	667,533	49,759
Other factoring receivables	196,247	11,181	234,270	14,868
Factoring receivables, net	934,629	40,217	901,803	64,627

As of 31 December 2020, TL 19,117 Thousand of factoring receivables consist of factoring receivables with maturity more than one year. (31 December 2019: TL 37,290 Thousand).

The amount of Company’s factoring receivables overdue but not impaired is TL 106 Thousand (31 December 2019: 584 Thousand TL) and their aging as follows:

	31 December 2020		31 December 2019	
Overdue 1 month		106		584
Total		106		584

Factoring Payables

As of 31 December 2020 and 31 December 2019, details of short-term factoring payables are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Factoring payables	815	-	671	-
Total	815	-	671	-

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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

7 FINANCIAL ASSETS AT AMORTIZED COST (Net) (continued)

7.2 Non-Performing Factoring Receivables

As of 31 December 2020 and 31 December 2019, details of the Company’s non-performing factoring receivables as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Non-performing factoring receivables	74,999	-	76,196	-
Special provision	(74,999)	-	(76,196)	-
Non-performing loans, net	-	-	-	-

As of 31 December 2020 and 31 December 2019, aging and special provision distribution of non-performing factoring receivables are as follows:

	31 December 2020		31 December 2019	
	Total factoring receivables under follow up	Provision	Total factoring receivables under follow up	Provision
Not overdue	20,528	20,528	20,808	20,808
Overdue 1-3 months	1,751	1,751	1,895	1,895
Overdue 3-6 months	930	930	7,918	7,918
Overdue 6-12 months	1,611	1,611	3,879	3,879
Overdue over a year	50,179	50,179	41,696	41,696
Total	74,999	74,999	76,196	76,196

Movement of special provision during the period as follows:

	31 December 2020	31 December 2019
Balance, 1 January	76,196	60,742
Provision allocated during the period (Note 22)	4,350	19,685
Provision released during the period (Note 21)	(5,547)	(4,231)
Balance, 31 December	74,999	76,196

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

8 TANGIBLE ASSETS

Movements of tangible assets for periods ended at 31 December 2020 and 31 December 2019 are as follows:

	Buildings	Furniture and fixtures	Vehicles	Leasehold improvements	Other tangible assets (*)	Right-of-use buildings	Right-of-use vehicles	Total
Cost								
Opening balance, 1 January 2019	2,762	1,504	332	1,920	1,531	468	1,770	10,287
Additions	-	142	-	45	-	524	1,256	1,967
Disposals	-	(275)	-	(377)	-	(6)	(84)	(742)
Closing balances, 31 December 2019	2,762	1,371	332	1,588	1,531	986	2,942	11,512
Opening balances, 1 January 2020	2,762	1,371	332	1,588	1,531	986	2,942	11,512
Additions	28	85	-	-	-	-	161	274
Disposals	-	(1)	-	-	-	(29)	(66)	(96)
Closing balance, 31 December 2020	2,790	1,455	332	1,588	1,531	957	3,037	11,690
Accumulated depreciation								
Opening balance, 1 January 2019	795	1,098	15	1,834	-	-	-	3,742
Current year depreciation expense	82	127	66	31	-	195	991	1,492
Disposals	-	(270)	-	(319)	-	(1)	(26)	(616)
Closing balance, 31 December 2019	877	955	81	1,546	-	194	965	4,618
Opening balance, 1 January 2020	877	955	81	1,546	-	194	965	4,618
Current year depreciation expense	84	156	66	10	-	281	977	1,574
Disposals	-	(1)	-	-	-	-	(60)	(61)
Closing balance, 31 December 2020	961	1,110	147	1,556	-	475	1,882	6,131
Net book value								
1 January 2019	1,967	406	317	86	1,531	468	1,770	6,545
31 December 2019	1,885	416	251	42	1,531	792	1,977	6,894
1 January 2020	1,885	416	251	42	1,531	792	1,977	6,894
31 December 2020	1,829	345	185	32	1,531	482	1,155	5,559

As of 31 December 2020, insurance coverage on tangible assets amount to TL 55,749 Thousand (31 December 2019: TL 41,972 Thousand) insurance Premium amounts to TL 68 Thousand (31 December 2019: TL 62 Thousand). As of 31 December 2020, buildings with net carrying value of TL 1,738 Thousand were purchased through financial leasing (31 December 2019: TL 1,789 Thousand). There is no lien on tangible assets such as pledge, mortgage and etc.

(*) Other tangible assets consist of pictures with artistic values that are not subject to depreciation.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

9 INTANGIBLE ASSETS

Movements of intangible assets for the period ended 31 December 2020 and 31 December 2019 are as follows:

	Computer software
Cost	
Opening balance, 1 January 2019	1,007
Additions	300
Closing balance, 31 December 2019	1,307
Opening balance, 1 January 2020	1,307
Additions	267
Closing balance, 31 December 2020	1,574
Accumulated amortization	
Opening balance, 1 January 2019	751
Current year amortization	274
Closing balance, 31 December 2019	1,025
Opening balance, 1 January 2020	1,025
Current year amortization	224
Closing balance, 31 December 2020	1,249
Net book value	
1 January 2019	256
31 December 2019	282
1 January 2020	282
31 December 2020	325

The Company has no intangible asset created within the entity.

10 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 2020, fair value of investment properties is TL 49,125 Thousand (31 December 2019: TL 52,900 Thousand). The fair value determined by an independent appraisal company and the fair value hierarchy level is 3.

Fair value measurements of investment property

As of 31 December 2020 and 31 December 2019, the fair value of the investment property 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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

10 INVESTMENT PROPERTY *(continued)*

Fair value measurements of investment property *(continued)*

	Carrying amount	Fair value level as of the reporting period		
	31 December 2020	Level 1	Level 2	Level 3
Investment property	16,444	-	-	49,125

	Carrying amount	Fair value level as of the reporting period		
	31 December 2019	Level 1	Level 2	Level 3
Investment property	16,444	-	-	52,900

No different valuation method used in the current period.

11 TAX ASSETS AND LIABILITIES

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting exempt income and other non-taxable income (carried forward losses if available and investment incentives if preferred).

The effective tax rate in 31 December 2020 is 22% (2019: 22%). While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. The Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

11 TAX ASSETS AND LIABILITIES *(continued)*

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax is calculated as 22% of the income as at 31 December 2020 (2019: 22%). The corporate income tax rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 with the amendment of legislation.

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset 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 April and 25 April of the following year (between 1st and 25th of the following 4 months of the tax year for the tax responsible who have special tax years). 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 and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Income tax withholding 24 April 2003 - 22 July 2006 is 10% among all companies. This rate since 22 July 2006, by the Council of Ministers No. 2006/10731 of 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

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 2020 and 31 December 2019, 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 2020	31 December 2019
Reported profit before taxation	40,855	45,686
Calculated tax on reported profit (%22)	(8,988)	(10,051)
Non-deductible expenses (*)	(232)	(337)
Deferred tax rate differences (%22-%20)	57	75
Tax charge	(9,163)	(10,313)

(*) Non-deductible expenses includes donations, aid, special communication tax and etc.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

11 TAX ASSETS AND LIABILITIES *(continued)*

As of 31 December 2020 and 31 December 2019, the corporate tax payable and prepaid taxes are as follows:

	31 December 2020	31 December 2019
Provision for corporate tax	7,982	8,762
Advance tax rate during the period	(7,150)	(8,335)
Total	832	427
Withholding amount paid	(413)	(660)
Corporate Tax Payable	419	(233)

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

	2020	2019
Current tax expense	(7,982)	(8,762)
Deferred tax income / (expense)	(1,181)	(1,551)
Total	(9,163)	(10,313)

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 2018-2019 and 20% for 2020. (31 December 2019: 22%).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

11 TAX ASSETS AND LIABILITIES *(continued)*

As of 31 December 2020 and 31 December 2019, 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 2020	31 December 2019	31 December 2020	31 December 2019
Provision for factoring receivables	15,477	15,944	3,095	3,189
Derivative financial instruments	-	445	-	98
Impairment of FVOCI	2,297	2,297	459	459
Provision for severance pay	3,268	2,650	654	530
Provision for unused vacation	1,170	1,106	234	243
Commission discounts	96	1,219	19	268
Valuation differences of TFRS 16	4,153	1,669	831	367
Deferred tax assets	26,461	25,330	5,292	5,154
Derivative financial instruments	5,183	5	1,037	1
Accruals on borrowings	298	384	60	84
Temporary differences on tangible and intangible assets	172	243	34	49
TFRS 16 lease expense	3,033	1,292	606	284
Deferred tax liabilities	8,686	1,924	1,737	418
Deferred tax asset, net	17,775	23,406	3,555	4,736

Movements of deferred tax asset during the period are as follows:

	2020	2019
Balance, 1 January	4,736	6,287
Recognized in profit or loss	(1,181)	(1,551)
Balance, 31 December	3,555	4,736

As of 31 December 2020 and 31 December 2019, 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 2020 and 31 December 2019, recognized in the statement of profit or loss and there is no deferred tax asset or liability that has not recognized as of 31 December 2020 and 31 December 2019.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

12 OTHER ASSETS

As of 31 December 2020 and 31 December 2019, details of other assets are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Receivables from BITT accruals	3,639	18	2,824	-
Prepaid expenses	1,036	-	945	-
Advances and guarantees given	452	-	430	36
Other	440	-	683	86
Total	5,567	18	4,882	122

13 FUNDS BORROWED

As of 31 December 2020 and 31 December 2019, details of funds borrowed are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Funds borrowed	819,812	31,547	840,101	-
Total	819,812	31,547	840,101	-

	31 December 2020				31 December 2019			
	TL amount				TL amount			
	Original Amount	Interest Rate (%) (*)	Up to 1 year	1 yea and Over	Original Amount	Interest Rate (%) (*)	Up to 1 year	1 yea and Over
TL	819,812	9.00-21.00	819,812	-	840,101	10.82-18.38	840,101	-
EUR	3,502	5.62	31,547	-	-	-	-	-
Total			851,359	-			840,101	-

(*) These rates refer to the interest rate range of fixed-rate loans borrowed as of 31 December 2020 and 31 December 2019.

As of 31 December 2020, guarantee given to Fiba Holding A.Ş. for loans amounting to TL 283,000 Thousand and EUR 3,500 Thousand. (31 December 2019: guarantee given to Fiba Holding A.Ş. for loans amounting to TL 343,027 Thousand).

14 LEASE OBLIGATIONS

As of 31 December 2020, details of lease obligation are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Nominal	551	1,685	898	2,375
Cost	(77)	(56)	(205)	(108)
Total	474	1,629	693	2,267

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

15 PROVISIONS

As of 31 December 2020 and 31 December 2019 details of provisions are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Nominal	551	1,685	898	2,375
Cost	(77)	(56)	(205)	(108)
Total	474	1,629	693	2,267

Provision for Employee Termination Benefits

Under Turkish Labor 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 7,638.96 (full) effective from 1 January 2021 as of 31 December 2020 (31 December 2019: TL 6,730.15 (full) effective from 1 January 2020).

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 2020, the provision calculated by estimating present value of future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates calculated by assuming an annual inflation rate of 9.00% and a discount rate of 13.48%, resulting in a real discount rate approximately 4.11%. (31 December 2019: 4.11% real discount rate).

Movement of employee termination benefits are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance, 1 January	2,650	2,376
Interest costs	109	98
Service cost	706	947
Payments	(197)	(771)
Balance, 31 December	3,268	2,650

Provision for Unused Vacations

In accordance with the existing labor 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.

Movements of unused vacation accruals during the period are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance, 1 January	1,106	998
Accrual/(reversal) during the period	64	108
Balance, 31 December	1,170	1,106

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

16 OTHER LIABILITIES

As of 31 December 2020 and 31 December 2019, details of other liabilities are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Tax payables	2,054	-	2,715	-
Payables to suppliers	232	95	191	98
Prepaid commissions	84	12	317	345
Payables to personnel	8	-	1,150	-
Other	138	3	43	26
Total	2,516	110	4,416	469

17 SHAREHOLDER’S EQUITY

17.1 Paid-in Capital

As of 31 December 2020, share capital of the Company is TL 81,110 Thousand (31 December 2019: TL 81,110 Thousand). As of 31 December 2020, issued capital of the Company comprises of 81,109,700 (31 December 2019: 81,109,700) unprivileged shares with a nominal value of TL 1 (full) each (31 December 2019: TL 1 (full) each).

“Inflation adjustment to equity” for all equity items can only be used for free capital increase or loss offset, whereas the registered values of extraordinary reserves, free capital increase; It can be used in cash profit distribution or loss offsetting.

17.2 Capital Reserves

As of 31 December 2020, capital reserves amounting to TL 2,295 Thousand includes inflation adjustment differences regarding to the Company’s paid in capital (31 December 2019: TL 2.295 Thousand).

17.3 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 incorporation into the capital within five years.

As of 31 December 2020, the Company’s profit reserves amounting to TL 41,289 Thousand (31 December 2019: 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 2019: TL 2,953 Thousand).

17.4 Accumulated Losses

The Company has no accumulated loss as of 31 December 2020 (31 December 2019: None).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

17 SHAREHOLDER’S EQUITY *(continued)*

17.5 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. According to the Turkish Commercial Code, as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset losses and are not available for any other use.

18 OPERATING INCOME

As at and for the year ended 31 December 2020 and 31 December 2019, details of operating income are as follows:

	2020	2019
Interest received from factoring receivables	144,254	227,713
Fees and commissions received from factoring receivables, (net)	9,442	12,406
- <i>Commission income</i>	9,479	12,517
- <i>Commission expense</i>	(37)	(111)
Total	153,696	240,119

19 FINANCE EXPENSES

As at and for the year ended 31 December 2020 and 31 December 2019, details of finance expenses as follows:

	2020	2019
Interest on borrowings	87,188	139,111
Interest on lease transactions	203	223
Interest on securities issued	-	2,605
Fees and commissions given	4,183	5,449
Total	91,574	147,388

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

20 OPERATING EXPENSES

As at and for the year ended 31 December 2020 and 31 December 2019, details of operating expenses are as follows:

	2020	2019
Personnel expenses	22,199	26,977
Depreciation and amortization expenses (Note 8,9)	1,798	1,766
Office expenses	1,711	2,230
Consulting expenses	1,012	1,064
Provision for employment termination benefits (Note 16)	618	274
Travel, vehicle rent and other transportation expenses	612	1,435
Taxes, duties and funds	500	479
Litigation expenses	436	1,360
Communication expenses	379	520
Information technology maintenance and contract expenses	111	17
Advertising expenses	24	19
Notery expenses	12	10
Other	573	828
Total	29,985	36,979

As at and for the year ended 31 December 2020 and 31 December 2019, details of personnel expenses are as follows:

	2020	2019
Salary and wages	16,444	15,894
Social security employer share	2,629	2,495
Premiums	1,383	5,829
Personnel meal expenses	633	526
Health expenses	510	645
Compensation paid and other employee rights	213	1,040
Unused vacation expenses (Note 15)	64	108
Other	323	440
Total	22,199	26,977

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

21 OTHER OPERATING INCOME

As at and for the year ended 31 December 2020 and 31 December 2019, details of operating incomes are as follows:

	2020	2019
Foreign exchange transactions income	14,178	-
Income from derivative financial transactions	10,704	24,700
Provision released for factoring receivables under follow-up (<i>Note 7</i>)	5,547	4,231
Interest from banks	4,052	4,619
Interest received from securities	-	4,046
Other	354	111
Total	34,835	37,707

22 PROVISIONS

As at and for the year ended 31 December 2020 and 31 December 2019, details of non-performing receivables are as follows:

	2020	2019
Special provision expenses (<i>Note 7</i>)	4,350	19,685
Total	4,350	19,685

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

23 OTHER OPERATING EXPENSES

As at and for the year ended 31 December 2020 and 31 December 2019, details of other operating expenses are as follows:

	2020	2019
Foreign exchange losses	9,772	10,509
Derivative financial transactions loss	523	10,493
Donations	10,806	6,613
Bank expenses	449	288
Other	217	185
Total	21,767	28,088

24 EARNINGS PER SHARE

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

25 RELATED PARTY TRANSACTIONS

As of 31 December 2020 and 31 December 2019, details of receivables and payables due to related parties are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Banks				
Fibabanka A.Ş.				
- Demand deposit	45	1,491	909	506
Total	45	1,491	909	506
	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Financial assets at fair value through other comprehensive income				
-Stock				
Credit Europe Group N.V.	53,095	-	53,095	-
Fiba Alışveriş Mrk. Gel. İnş. Paz.	728	-	728	-
Total	53,823	-	53,823	-

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

25 RELATED PARTY TRANSACTIONS (continued)

As of 31 December 2020 and 31 December 2019, details of payables due to related parties are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Other assets				
Fina Holding A.Ş.	29	-	-	-
Total	29	-	-	-
Other liabilities				
Fina Holding A.Ş.	10	-	-	-
Fiba Holding A.Ş.	56	-	18	-
Total	66	-	18	-

As at and for the year ended 31 December 2020 and 31 December 2019, details of incomes and expenses arising from related parties are as follows:

	2020	2019
Interest from banks		
Fibabanka - <i>Time deposit income</i>	15	310
Fibabanka - <i>Bond interest income</i>	-	4,046
Total	15	4,356
Other operating income		
Gelecek Varlık Yönetimi A.Ş. - <i>Other</i>	194	100
Total	194	100
General operating expenses		
Fiba Holding A.Ş.	162	118
Fina Holding A.Ş.	60	7
Fibabanka A.Ş.	72	72
Fiba Ticari Gayrimenkul Yatırımları A.Ş.	16	9
Ofishane Ofis Yatırımları ve Kiralama Hizmetleri A.Ş.	-	239
Total	310	445
Other operating expenses		
Anne Çocuk Eğitim Vakfı – <i>Donations</i>	700	1,715
Fiba Emeklilik ve Hayat A.Ş. – <i>Other</i>	45	37
Fibabanka - <i>Other expenses</i>	34	35
Hüsnü Özyeğin Üniversitesi – <i>Donations</i>	-	3,226
Hüsnü Özyeğin Vakfı – <i>Donations</i>	-	803
Total	779	5,816

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

The total amount of wages and similar benefits provided by the company to the board of directors and senior management for the fiscal period ending on 31 December 2020 is TL 1,792 thousand (31 December 2019: TL 4,685 Thousand).

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

26 CONTINGENT ASSET AND LIABILITES

26.1 Guarantees Received

As of 31 December 2020 and 31 December 2019, guarantees received against the company's factoring receivables are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Factoring contract guarantees	10,970,737	364,424	9,582,035	277,297
Pledged securities	1,306,696	27,091	1,391,433	76,901
Other assets	1,046,730	164,217	767,320	55,541
Suretyships	283,000	31,528	343,027	-
Mortgages	82,575	-	94,774	-
Business pledge	17,690	-	17,690	-
Securities pledge	6,000	-	6,000	-
Vehicle pledge	6,613	-	6,613	-
Total	13,720,041	587,260	12,208,892	409,739

As of 31 December 2020, the collateral bills amounting to TL 1,333,787 Thousand (31 December 2019: TL 1,468,334 Thousand) received by the company from its customers due to its filed of activity shown in pledged securities.

As of 31 December 2020, the bonds of the company which are kept to be returned to its customer due to its field of activity are TL 1,210,947 Thousand (31 December 2019: bonds are TL 822,861 Thousand).

26.2 Guarantees Given

As of 31 December 2020 and 31 December 2019, details of guarantees given consist of letters of guarantee given to the following institutions:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Takasbank	570,900	-	524,000	-
Courts	7,126	-	7,261	-
Total	578,026	-	531,261	-

26.3 Derivative Financial Instruments

Forward purchase-sales agreements

As of 31 December 2020 and 31 December 2019, details of forward purchase and sale agreements are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Forward purchase operations	23,464	-	-	-
Forward sell operations	-	22,520	-	-
Total	23,464	22,520	-	-

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

26 CONTINGENT ASSET AND LIABILITES *(continued)*

26.3 Derivative Financial Instruments *(continued)*

Currency swap purchase-sale agreements

As of 31 December 2020 and 31 December 2019, details of swap purchase and sale agreements are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Currency swap purchase operations	41,214	-	72,137	-
Currency swap sell operations	-	35,491	-	70,315
Total	41,214	35,491	72,137	70,315

26.4 Safety Securities

As of 31 December 2020 and 31 December 2019, details of safety securities are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Checks received for collection	803,995	82,921	652,800	75,584
Commercial bills for collection	74,780	37,298	79,325	29,355
Total	878,775	120,219	732,125	104,939

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

27.1 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 analyze the risk 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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.1 Financial Risk Management Objectives and Policies *(continued)*

27.1.1 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 enter into 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 is 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.

27.1.2 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.

27.1.3 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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures

27.2.1 Interest rate risk

Interest rate sensitivity analysis

As of 31 December 2020 and 31 December 2019, the interest profile of the interest sensitive financial instruments are as follows:

	Carrying value	
	31 December 2020	31 December 2019
Fixed rate		
Factoring receivables	808,749	765,962
Banks-time deposits	5,093	5,501
Financial assets at amortized cost	-	-
Factoring payables	(815)	(671)
Borrowings	(851,359)	(840,101)
Securities issued	-	-
Variable rate		
Factoring receivables	166,097	200,468

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 2020 and 31 December 2019 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 2020				
Financial instruments with variable interest	1,661	(1,661)	1,661	(1,661)
	1,661	(1,661)	1,661	(1,661)
31 December 2019				
Financial instruments with variable interest	2,005	(2,005)	2,005	(2,005)
	2,005	(2,005)	2,005	(2,005)

(*) Equity effect also includes the effect of changes in interest rates at the rates given above on the statement of profit or loss.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures *(continued)*

27.2.2 Credit risk

31 December 2020	Factoring receivables		Non-performing receivables		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 credit risk exposed as of the end of the reporting period (A+B+C+D+E)	-	974,846	-	-	-	440	48,553	5,183	53,835
A. Net book value of financial assets that are not overdue or impaired	-	933,409	-	-	-	440	48,553	5,183	-
B. The book value of financial assets whose conditions have been renegotiated, otherwise deemed overdue or impaired	-	41,331	-	-	-	-	-	-	-
C. Assets that are overdue but not impaired	-	106	-	-	-	-	-	-	-
- Net book value	-	106	-	-	-	-	-	-	-
- Secured portion of net carrying value	-	106	-	-	-	-	-	-	-
D. Net book values of assets impaired	-	-	-	-	-	-	-	-	53,835
- Overdue (gross book value)	-	-	-	54,471	-	-	-	-	-
- Decrease in value (-)	-	-	-	(54,471)	-	-	-	-	-
-The part of the net value that is secured with collateral, etc.	-	-	-	-	-	-	-	-	53,835
- Undue (gross book value)	-	-	-	20,528	-	-	-	-	63,023
- Decrease in value (-)	-	-	-	(20,528)	-	-	-	-	(9,188)
-The part of the net value that is secured with collateral, etc.	-	-	-	-	-	-	-	-	-
E. Elements involving off-balance sheet credit risk	-	-	-	-	-	-	-	-	-

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures *(continued)*

27.2.2 Credit risk *(continued)*

31 December 2019	Factoring receivables		Non-performing receivables		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 credit risk exposed as of the end of the reporting period (A+B+C+D+E)	-	966,430	-	0	-	769	19,635	5	53,835
A. Net book value of financial assets that are not overdue or impaired	-	934,725	-	-	-	769	19,635	5	-
B. The book value of financial assets whose conditions have been renegotiated, otherwise deemed overdue or impaired	-	31,121	-	-	-	-	-	-	-
C. Assets that are overdue but not impaired	-	584	-	-	-	-	-	-	-
- Net book value	-	584	-	-	-	-	-	-	-
- Secured portion of net carrying value	-	584	-	-	-	-	-	-	-
D. Net book values of assets impaired	-	-	-	-	-	-	-	-	53,835
- Overdue (gross book value)	-	-	-	55,388	-	-	-	-	-
- Decrease in value (-)	-	-	-	(55,388)	-	-	-	-	-
-The part of the net value that is secured with collateral, etc.	-	-	-	-	-	-	-	-	53,835
- Undue (gross book value)	-	-	-	20,808	-	-	-	-	63,023
- Decrease in value (-)	-	-	-	(20,808)	-	-	-	-	(9,188)
-The part of the net value that is secured with collateral, etc.	-	-	-	-	-	-	-	-	-
E. Elements involving off-balance sheet credit risk	-	-	-	-	-	-	-	-	-

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

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures *(continued)*

27.2.3 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 2020 and 31 December 2019, the Company's net short position is attributable to the following assets, liabilities and derivative instruments denominated in foreign currencies:

	31 December 2020	31 December 2019
	(TL Amount)	(TL Amount)
A. Assets in foreign currency	79,845	76,069
B. Liabilities in foreign currency	(33,702)	(3,073)
C. Derivative financial instruments	(58,011)	(70,315)
Net foreign currency position	(11,868)	2,681

As of 31 December 2020 and 31 December 2019, 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 2020	USD	EUR	Other	Total
Assets				
Banks	5,431	33,822	357	39,610
Factoring receivables	13,807	25,710	700	40,217
Other assets	16	2	-	18
Total assets	19,254	59,534	1,057	79,845
Liabilities				
Funds borrowed	-	31,547	-	31,547
Factoring payables (*)	416	-	-	416
Other liabilities	6	1,731	2	1,739
Total liabilities	422	33,278	2	33,702
Net foreign currency position	18,832	26,256	1,055	46,143
Derivative financial instruments (net)	-	(58,011)	-	(58,011)
Net position	18,832	(31,755)	1,055	(11,868)

(*) Amount of TL 416 Thousand that is presented in the balance sheet are foreign currency indexed factoring debts are included.

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures *(continued)*

27.2.3 Foreign currency risk *(continued)*

31 December 2019	USD	EUR	Other	Total
Assets				
Banks	1,872	9,447	1	11,320
Factoring receivables ^(*)	26,823	37,804	-	64,627
Other assets	63	59	-	122
Total assets	28,758	47,310	1	76,069
Liabilities				
Factoring payables ^(*)	337	-	-	337
Other liabilities	35	2,701	-	2,736
Total liabilities	372	2,701	-	3,073
Net foreign currency position	28,386	44,609	1	72,996
Derivative financial instruments (net)	(23,761)	(46,554)	-	(70,315)
Net position	4,625	(1,945)	1	2,681

^(*) Amount of TL 337 Thousand that is presented in the balance sheet are foreign currency indexed factoring debts are included.

As at and for the year ended 31 December 2020, the depreciation of TL by 10% against the following foreign currency will decrease the pre-tax period profit by TL 1,187 Thousand (31 December 2019: increase in TL 268 Thousand).

As at and for the year ended 31 December 2020 and 31 December 2019, this analysis is based on the assumption that all variables remain constant. If TL gains 10% against the relevant currencies, the effect will be the same amount but in the opposite direction.

31 December 2020	Profit/(Loss)	Equity (*)
USD	1,883	1,883
EUR	(3,176)	(3,176)
Other	106	106
Total	(1,187)	(1,187)
31 December 2019	Profit/(Loss)	Equity (*)
USD	463	463
EUR	(195)	(195)
Other	-	-
Total	268	268

^(*) 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 AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures *(continued)*

27.2.4 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 2020						
Contractual Maturities	Carrying Amount	Total expected cash outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities	854,277	874,403	632,712	240,780	911	-
Funds borrowed	851,359	871,352	631,538	239,814	-	-
Factoring payables	815	815	815	-	-	-
Lease payables	2,103	2,236	359	966	911	-

31 December 2019						
Contractual Maturities	Carrying Amount	Total expected cash outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities	843,732	864,721	675,279	187,693	1,750	-
Funds borrowed	840,101	860,777	674,320	186,457	-	-
Factoring payables	671	671	671	-	-	-
Miscellaneous debts	2,960	3,273	288	1,236	1,750	-

31 December 2020					
Derivative financial assets and liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
Currency swap transactions					
Purchases	10,121	-	31,093	-	41,214
Sales	9,458	-	26,033	-	35,491
Forward exchange transactions					
Purchases	23,464	-	-	-	23,464
Sales	22,520	-	-	-	22,520
Total purchases	33,585	-	31,093	-	64,678
Total sales	31,978	-	26,033	-	58,011
Grand total	65,563	-	57,126	-	122,689

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

27.2 Risk Management Disclosures *(continued)*

27.2.4 Liquidity risk *(continued)*

Derivative financial assets and liabilities	31 December 2019				Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	
Currency swap transactions					
Purchases	-	48,582	23,555	-	72,137
Sales	-	47,748	22,567	-	70,315
Forward exchange transactions					
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Total purchases	-	48,582	23,555	-	72,137
Total sales	-	47,748	22,567	-	70,315
Grand total	-	96,330	46,122	-	142,452

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 18 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 of 31 December 2020 and 31 December 2019, net debt to equity ratios are as follows:

	31 December 2020	31 December 2019
Total liabilities	862,173	853,245
Less: cash and cash equivalents	(48,553)	(19,635)
Net debt	813,620	833,610
Total equity	251,712	220,020
Net debt/equity	3.23	3.79

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

28 FINANCIAL INSTRUMENTS

The fair value of financial instruments

The estimated fair values of financial instruments 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 (excluding long-term portions), considering probable losses to be immaterial.

	31 December 2020		31 December 2019	
	<u>Carrying Amount</u>	<u>Fair value</u>	<u>Carrying Amount</u>	<u>Fair value</u>
Financial assets				
Banks	48,553	48,553	19,635	19,635
Financial assets FVTOCI	53,835	53,835	53,835	53,835
Factoring receivables	974,846	974,846	966,430	966,430
Derivative financial assets	5,183	5,183	5	5
Financial liabilities				
Funds received	851,359	848,647	840,101	835,683
Derivative financial liabilities	-	-	445	445
Factoring payables	815	815	671	671

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 2020	Level 1	Level 2	Level 3	Total
FVTOCI financial assets		-	-	53,835	53,835
Derivative financial assets		-	5,183	-	5,183
		-	5,183	53,835	59,018
Derivative financial liabilities		-	-	-	-
		-	-	-	-
	31 December 2019	Level 1	Level 2	Level 3	Total
FVTOCI financial assets		-	-	53,835	53,835
Derivative financial assets		-	5	-	5
		-	5	53,835	53,840
Derivative financial liabilities		-	445	-	445
		-	445	-	445

FİBA FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

29 EVENTS AFTER THE REPORTING PERIOD

The Company issued bonds with a nominal value of TL thousand 230,260 on 11 January 2021 and the to be sold to qualified investors. Maturity start date for the bonds is 12 January 2021 and maturity date is 13 April 2021.