

İş Faktoring

Anonim Şirketi

Financial Statements

As at and for the year ended

31 December 2017

With Independent Auditors' Report

*(Convenience Translation of Financial Statements and Related
Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)*

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English

To the Management and the Board of Directors İş Faktoring Anonim Şirketi

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of İş Faktoring Anonim Şirketi (the Company), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and the results of its operations and its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Opinion

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

Other Matter

The financial statements of the Company as of 31 December 2016 were audited by another independent audit firm, who expressed an unqualified opinion in their audit report dated 27 January 2017.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of factoring receivables</i>	
Determining the adequacy of impairment allowance on factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment. The risk is that factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of BRSA Accounting and Reporting Legislation. Accordingly, carrying amount of factoring receivables and customers might be greater than the estimated recoverable amounts, therefore the impairment test of these factoring receivables is a key audit matter. Refer Note 7 to the financial statements relating to the impairment of factoring receivables.	We selected samples of factoring receivables and advances based on our judgement and considered whether there was objective evidence that impairment exists on these factoring receivables and advances. We also assessed whether impairment losses for factoring receivables and advances were reasonably determined in accordance with the requirements of BRSA Accounting and Reporting Legislation.

Responsibilities of Management and Directors for the Financial Statements

Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is 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.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2017 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Additional paragraph for convenience translation to English:

As explained in detail in Note 2.1 to the financial statements, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



24 January 2018
İstanbul, Türkiye

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

	BALANCE SHEET - ASSETS	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH AND CASH EQUIVALENTS AND CENTRAL BANK		-	-	-	-	-	-
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	5.345	-	5.345	5.919	-	5.919
2.1	Financial Assets Held for Trading		3.206	-	3.206	5.879	-	5.879
2.2	Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		2.139	-	2.139	40	-	40
III.	BANKS	5	1.982	15.794	17.776	1.575	7.229	8.804
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	24.522	-	24.522	13.278	-	13.278
VI.	FACTORING RECEIVABLES	7	3.311.481	893.386	4.204.867	2.542.132	442.584	2.984.716
6.1	Discounted Factoring Receivables		759.682	26.333	786.015	614.379	797	615.176
6.1.1	Domestic		780.001	-	780.001	625.607	797	626.404
6.1.2	Foreign		1.130	26.652	27.782	-	-	-
6.1.3	Unearned Income (-)		(21.449)	(319)	(21.768)	(11.228)	-	(11.228)
6.2	Other Factoring Receivables		2.551.799	867.053	3.418.852	1.927.753	441.787	2.369.540
6.2.1	Domestic		2.514.035	393.939	2.907.974	1.927.564	-	1.927.564
6.2.2	Foreign		37.764	473.114	510.878	189	441.787	441.976
VII.	FINANCING LOANS		-	-	-	-	-	-
7.1	Private Customer Loans		-	-	-	-	-	-
7.2	Credit Cards		-	-	-	-	-	-
7.3	Installment Based Commercial Loans		-	-	-	-	-	-
VIII.	LEASE RECEIVABLES		-	-	-	-	-	-
8.1	Lease Receivables		-	-	-	-	-	-
8.1.1	Finance Lease Receivables		-	-	-	-	-	-
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		-	-	-	-	-	-
8.2	Leasing Contracts in Progress		-	-	-	-	-	-
8.3	Advances Given for Lease Transactions		-	-	-	-	-	-
IX.	OTHER RECEIVABLES		-	-	-	-	-	-
X.	RECEIVABLES UNDER FOLLOW-UP		2.469	-	2.469	841	-	841
10.1	Factoring Receivables Under Follow-up	7	42.099	-	42.099	39.388	-	39.388
10.2	Financial Loans Under Follow-Up		-	-	-	-	-	-
10.3	Lease Receivables Under Follow-Up		-	-	-	-	-	-
10.4	Specific Provisions (-)		(39.630)	-	(39.630)	(38.547)	-	(38.547)
XI.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
XII.	INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII.	INVESTMENT IN SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV.	INVESTMENT IN ASSOCIATES (Net)		-	-	-	-	-	-
XV.	INVESTMENT IN JOINT VENTURES (Net)		-	-	-	-	-	-
XVI.	TANGIBLE ASSETS (Net)	9	1.355	-	1.355	677	-	677
XVII.	INTANGIBLE ASSETS (Net)	10	1.200	-	1.200	762	-	762
17.1	Goodwill		-	-	-	-	-	-
17.2	Other Intangibles		1.200	-	1.200	762	-	762
XVIII.	PREPAID EXPENSES	12	1.821	22	1.843	1.467	-	1.467
XIX.	CURRENT TAX ASSETS		-	-	-	-	-	-
XX.	DEFERRED TAX ASSETS	11	4.946	-	4.946	7.492	-	7.492
XXI.	OTHER ASSETS		2.581	871	3.452	1.324	145	1.469
	SUBTOTAL		3.357.702	910.073	4.267.775	2.575.467	449.958	3.025.425
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1	Assets Held For Sale		-	-	-	-	-	-
22.2	Assets Of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3.357.702	910.073	4.267.775	2.575.467	449.958	3.025.425

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

	BALANCE SHEET - LIABILITIES	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	-	-	-	23.637	-	23.637
II.	FUNDS BORROWED	13	3.573.724	231.393	3.805.117	2.458.497	214.196	2.672.693
III.	FACTORING PAYABLES	7	993	786	1.779	3.388	350	3.738
IV.	LEASE OBLIGATIONS		-	-	-	-	-	-
4.1	Financial Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Others		-	-	-	-	-	-
4.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
V.	DEBT SECURITIES ISSUED (Net)	14	259.459	-	259.459	182.101	-	182.101
5.1	Bills		259.459	-	259.459	182.101	-	182.101
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	OTHER PAYABLES	15	805	829	1.634	778	497	1.275
VII.	OTHER LIABILITIES		929	619	1.548	1.423	275	1.698
VIII.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
IX.	TAXES AND DUTIES PAYABLE	16	3.360	-	3.360	2.919	-	2.919
X.	PROVISIONS		2.227	-	2.227	1.414	-	1.414
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve For Employee Benefits	17	2.227	-	2.227	1.414	-	1.414
10.3	Other Provisions		-	-	-	-	-	-
XI.	DEFERRED INCOME		-	-	-	-	-	-
XII.	CURRENT TAX LIABILITIES	18	3.897	-	3.897	7.128	-	7.128
XIII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV.	SUBORDINATED LOANS		-	-	-	-	-	-
	SUBTOTAL		3.845.394	233.627	4.079.021	2.681.285	215.318	2.896.603
XV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1	Payables Related to the Assets held for Sale		-	-	-	-	-	-
15.2	Payables Related to the Discontinued Operations		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY		188.754	-	188.754	128.822	-	128.822
16.1	Paid-in Capital	19	63.500	-	63.500	63.500	-	63.500
16.2	Capital Reserves	19	5.277	-	5.277	5.277	-	5.277
16.2.1	Share Premiums		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		5.277	-	5.277	5.277	-	5.277
16.3	Accumulated Other Comprehensive Income that will never be Reclassified to Profit or Loss		4	-	4	27	-	27
16.4	Accumulated Other Comprehensive Income that are or may be Reclassified to Profit or Loss		12.347	-	12.347	1.922	-	1.922
16.5	Profit Reserves	20	58.096	-	58.096	25.157	-	25.157
16.5.1	Legal Reserves		5.963	-	5.963	4.316	-	4.316
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		52.133	-	52.133	20.841	-	20.841
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		49.530	-	49.530	32.939	-	32.939
16.6.1	Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2	Net Income or Loss for the Current Period		49.530	-	49.530	32.939	-	32.939
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4.034.148	233.627	4.267.775	2.810.107	215.318	3.025.425

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2017

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

	STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	REVOCABLE FACTORING TRANSACTIONS		139.115	44.315	183.430	62.084	19.745	81.829
II.	IRREVOCABLE FACTORING TRANSACTIONS		229.541	28.191	257.732	177.982	35.966	213.948
III.	COLLATERALS RECEIVED	21	16.739.598	9.016.561	25.756.159	9.464.313	5.523.500	14.987.813
IV.	COLLATERALS GIVEN	21	1.068.552	22.721	1.091.273	462.571	-	462.571
V.	COMMITMENTS		-	-	-	-	-	-
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	21	1.188.153	1.185.261	2.373.414	608.223	625.958	1.234.181
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Trading Derivatives		1.188.153	1.185.261	2.373.414	608.223	625.958	1.234.181
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		1.188.153	1.185.261	2.373.414	608.223	625.958	1.234.181
6.2.3	Put/Call Options		-	-	-	-	-	-
6.2.4	Futures Purchases/Sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY	21	478.073	131.235	609.308	302.503	63.323	365.826
	TOTAL OFF-BALANCE SHEET ITEMS		19.843.032	10.428.284	30.271.316	11.077.676	6.268.492	17.346.168

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	INCOME STATEMENT	Notes	Audited Current Period 1 January- 31 December 2017	Audited Prior Period 1 January- 31 December 2016
I.	OPERATING INCOME	24	328.040	173.420
1.1	FACTORING INCOME		328.040	173.420
1.1.1	Factoring Interest Income		309.152	160.625
1.1.1.1	Discounted		76.144	59.955
1.1.1.2	Other		233.008	120.672
1.1.2	Factoring Commission Income		18.888	12.795
1.1.2.1	Discounted		4.163	2.783
1.1.2.2	Other		14.725	10.012
	INCOME ON FINANCING LOANS		-	-
1.2	Interest Income on Financial Loans		-	-
1.3	Fees and Commission Income on Financial Loans		-	-
	LEASE INCOME		-	-
1.4	Finance Lease Income		-	-
1.5	Operational Lease Income		-	-
1.6	Fees and Commission Income on Lease Operations		-	-
II.	FINANCING EXPENSES	25	(354.886)	(136.184)
2.1	Interest Expense on Funds Borrowed		(304.510)	(103.132)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense on Financial Leases		-	-
2.4	Interest Expense on Debt Securities Issued		(36.806)	(29.411)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commission Expenses		(13.570)	(5.641)
	GROSS PROFIT / LOSS (I+II)		(26.846)	37.236
IV.	OPERATING EXPENSES (-)	26	(25.107)	(18.485)
4.1	Personnel Expenses		(16.765)	(12.697)
4.2	Provision Expense for Employee Termination Indemnity		(137)	(99)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(8.205)	(5.689)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		(51.953)	18.751
VI.	OTHER OPERATING INCOME	27	496.297	165.776
6.1	Interest Income on Banks		74	315
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities		228	144
6.3.1	Interest Income on Trading Financial Assets		228	144
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available-for-Sale		-	-
6.3.4	Interest Income on Investments Held to Maturity		-	-
6.4	Dividend Income		1.329	1.355
6.5	Trading Account Income		138.030	21.758
6.5.1	Derivatives		138.030	21.758
6.5.2	Others		-	-
6.6	Foreign Exchange Gains		352.631	139.390
6.7	Other		4.005	2.814
VII.	SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)	28	(3.210)	(9.058)
VIII.	OTHER OPERATING EXPENSES (-)	29	(380.124)	(134.756)
8.1	Impairment in Value of Securities		-	-
8.1.1	Impairment in Value of Financial Assets Designated at Fair Value Through Profit or Loss		-	-
8.1.2	Impairment in Value of Financial Assets Available-for-Sale		-	-
8.1.3	Impairment in Value of Investments Held to Maturity		-	-
8.2	Impairment in Value of Non Current Assets		-	-
8.2.1	Impairment in Value of Tangible Assets		-	-
8.2.2	Impairment in Value of Assets Held for Sale and Assets Related to Discontinued Operations		-	-
8.2.3	Impairment in Value of Goodwill		-	-
8.2.4	Impairment in Value of Other Intangible Assets		-	-
8.2.5	Impairment in Value of Subsidiaries, Associates and Joint-Ventures		-	-
8.3	Trading Account Losses from Financial Derivatives		(373)	(23.862)
8.4	Foreign Exchange Losses		(379.751)	(110.894)
8.5	Other		-	-
IX.	OPERATIONAL PROFIT/LOSS, NET (V+...+VIII)		61.010	40.713
X.	INCOME RESULTED FROM MERGERS		-	-
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XII.	PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (IX+X+XI)		61.010	40.713
XIII.	PROVISION FOR TAXES FROM CONTINUING OPERATIONS (±)	30	(11.480)	(7.774)
13.1	Current Tax Charge	18	(8.928)	(12.610)
13.2	Deferred Tax Charge (-)	11	(5.305)	-
13.3	Deferred Tax Credit (+)	11	2.753	4.836
XIV.	NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XII±XIII)		49.530	32.939
XV.	INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1	Income from Assets Held for Sale		-	-
15.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
15.3	Other Income From Discontinued Operations		-	-
XVI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
16.1	Expense From Assets Held for Sale		-	-
16.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
16.3	Other expense from Discontinued Operations		-	-
XVII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS		-	-
XVIII.	PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Credit (+)		-	-
XX.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-
XX.	NET PROFIT/LOSS		49.530	32.939
	EARNINGS PER SHARE	31	0,00780	0,00519
	Earnings Per Share from Continuing Operations		0,00780	0,00519
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	31	0,00780	0,00519
	Earnings Per Share from Continuing Operations		0,00780	0,00519
	Earnings Per Share from Discontinued Operations		-	-

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

İŞ FAKTORING ANONİM ŞİRKETİ

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

		Audited	
		Current Period 1 January- 31 December 2017	Prior Period 1 January- 31 December 2016
PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME			
I.	NET PROFIT/LOSS		
II.	OTHER COMPREHENSIVE INCOME		
2.1	Items that will never be Reclassified to Profit or Loss	49.530	32.939
2.1.1	Revaluation of Tangible Assets	10.402	1.051
2.1.2	Revaluation of Intangible Assets	(23)	(41)
2.1.3	Remeasurement of Reserve for Employee Benefits	-	-
2.1.4	Other Comprehensive Income that will never Reclassified to Profit or Loss	(29)	(51)
2.1.5	Related Tax	-	-
2.1.5.1	Current Tax Benefit/Charge	6	10
2.1.5.2	Deferred Tax Benefit/Charge (-)	-	-
2.2	Items that are or may be Reclassified to Profit or Loss	6	10
2.2.1	Foreign Currency Translation Differences	10.425	1.092
2.2.2	Assets Held for Sales- Net Change in Fair Value	-	-
2.2.3	Cash Flow Hedges- Effective Portion of Changes in Fair Value	10.425	1.092
2.2.4	Net Investment Hedge Income/Losses	-	-
2.2.5	Other Comprehensive Income that are or may be Reclassified to Profit or Loss	-	-
2.2.6	Related Tax	-	-
2.2.6.1	Current Tax Benefit/Charge	-	-
2.2.6.2	Deferred Tax Benefit/Charge (-)	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	59.932	33.990

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

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

		Audited Current Period	Audited Prior Period
	Notes	31 December 2017	31 December 2016
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	47.207	19.825
1.1.1	Interests received/Lease income	290.862	161.811
1.1.2	Interests paid/Lease Payments	(341.316)	(132.543)
1.1.3	Lease Expenses	-	-
1.1.4	Dividends Received	1.329	751
1.1.5	Fee and Commissions Received	18.888	12.795
1.1.6	Other Income	138.030	130.670
1.1.7	Collections From Previously Written-Off Receivables	7	2.127
1.1.8	Payments to Personnel and Service Suppliers	18	(15.952)
1.1.9	Taxes Paid		(12.169)
1.1.10	Others		(34.592)
1.2	Changes in Operating Assets and Liabilities	(115.849)	82.754
1.2.1	Net (Increase) Decrease in Factoring Receivables	(1.206.699)	(1.053.839)
1.2.2	Net (Increase) Decrease in Other Assets	(17.547)	(4.170)
1.2.3	Net (Increase) Decrease in Factoring Payables	(1.959)	1.588
1.2.3	Net Increase (Decrease) in Lease Payables	-	-
1.2.4	Net Increase (Decrease) in Funds Borrowed	1.143.421	1.086.458
1.2.5	Net Increase (Decrease) in Matured Payables	-	-
1.2.6	Net Increase (Decrease) in Other Liabilities	(33.065)	52.717
I.	Net Cash From Operating activities	(68.642)	102.579
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures	-	-
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures	-	-
2.3	Purchases of Tangible and Intangible Assets	9,10	(1.684)
2.4	Sales of Tangible and Intangible Assets	-	(795)
2.5	Cash Paid for Purchase of Financial Assets Available-for-Sale	-	-
2.6	Cash Obtained From Sale of Financial Assets Available-for-Sale	-	-
2.7	Cash Paid for Purchase of Held-to-Maturity Investment Securities	-	-
2.8	Cash obtained from Sale of Held-to-Maturity Investment Securities	-	-
2.9	Others	-	-
II.	Net Cash Used in Investing Activities	(1.684)	(795)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
3.1	Cash Obtained from Funds Borrowed and Debt Securities Issued	77.358	-
3.2	Cash Used for Repayment of Funds Borrowed and Debt Securities Issued	-	(99.501)
3.3	Equity Instruments Issued	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Others	-	-
III.	Net Cash Generated from in Financing Activities	77.358	(99.501)
IV.	Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents	1.940	905
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	8.972	3.188
VI.	Cash and Cash Equivalents at the Beginning of the Year	5	8.804
VII.	Cash and Cash Equivalents at the End of the Year	5	17.776
		8.804	

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Current Year (31 December 2017)	Prior Year (31 December 2016)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1 PROFIT FOR THE YEAR	61.010	40.713
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(11.480)	(7.774)
1.2.1 Corporate Tax (Income Tax)	(8.928)	(12.610)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	(2.552)	4.836
A. NET PROFIT FOR THE YEAR (1.1-1.2)	49.530	32.939
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	1.647
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	31.292
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	31.292
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Redeemed Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF ORDINARY SHARES (full TL) (***)	0,00780	0,00519
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,780	0,519
3.3 TO OWNERS OF PRIVILEGED SHARES (full TL)	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF ORDINARY SHARES (TL)	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) As at the report date, the General Assembly Meeting has not been held; therefore, only net profit is presented in the profit distribution table above for 2017.

(**) As per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company has no deferred tax income as at 31 December 2017.(31 December 2016: 4.836).

(***) Please see Note-31 "Earnings Per Share" for details.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Faktoring Finansman Hizmetleri A.Ş., was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. Company’s trade name was amended as İş Faktoring A.Ş. (“the Company”) at the Ordinary General Assembly on 27 March 2013. The change in title has been registered in the Trade Registry Gazette dated 16 April 2013 and numbered 1353. The core business of the Company is factoring operations, both domestic and abroad. The Company maintains its operations in accordance with “Finance Lease, Factoring and Financing Companies Law” published on Official Gazette no. 28496 dated 13 December 2012 and “Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies of Banking Regulation and Supervision Agency (“BRSA”).

The ultimate parent of the Company is Türkiye İş Bankası A.Ş.. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2017, the number of employees of the Company is 120 (31 December 2016: 96).

The head office of the Company is located at:

İş Kuleleri, Kule 1 Kat: 10 34330 4. Levent / İstanbul Türkiye

Dividend payable:

None.

Approval of the financial statements:

The financial statements as of 31 December 2017 have been approved by the Board of Directors of the Company and authorized for issue at 24 January 2018. The General Assembly and/or regulatory authorities have the discretion of making changes in the financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

The accompanying financial statements are prepared in accordance with “Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public” published on the Official Gazette no.28861 dated 24 December 2013 promulgated by Banking Regulation and Supervision Agency (“BRSA”), Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the appendices and interpretations promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred to as “Reporting Standards”).

The accompanying financial statements are prepared on the historical cost basis except for the financial instruments recognized at fair value. Historical cost determined by the amount paid for the assets is based on fair value.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Functional and Reporting Currency

Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira (“TL”).

Preparation of Financial Statements in Hyperinflationary Periods

The financial statements of the Company have been adjusted for the effects of inflation in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies” until 31 December 2004. By a circular issued on 28 April 2005, BRSA declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore.

Comparative information and correction of prior periods’ financial statements

The accompanying financial statements are presented comparatively to determine the trends in the financial statements of the Company. If the presentation and reclassification of the financial statement items change, the prior year financial statements are reclassified accordingly to conform the current year’s presentation and the restatement is explained in the notes.

The classifications made on the statement of profit or loss for the period ended as of December 31, 2016 is as below:

- As of December 31, 2016, 62.275 TL of derivative exchange rate differences arising from derivative financial transactions under other operating expenses are classified as foreign exchange losses.

Accounting estimates

The preparation of financial statements in accordance with reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 7 – Factoring receivables, non-performing receivables

Note 17 – Employee benefits

Note 21 – Commitments and contingencies

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

2.2 Change in accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods.

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

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 *Financial Instruments* excludes interests in associates and joint ventures accounted for in accordance with TAS 28 *Investments in Associates and Joint Ventures*. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

- IAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

Overall, the Company expects no significant impact on its balance sheet and equity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles used to prepare the accompanying financial statements are as follows:

a. Revenue

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income is recognised on accruals basis using effective interest methods.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net carrying value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the payment.

All income and expenses are accounted for on accrual basis.

b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated in straight-line method, over shorter of their useful lives or tenancy.

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the profit or loss as incurred.

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the statement of profit or loss.

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

<u>Descriptions</u>	<u>Years</u>
Furniture and fixtures	5 years
Leasehold improvements	5 years

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

Intangible assets include computer software and licenses. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

d. 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 estimated recoverable amount. Impairment losses are recognised in profit or loss. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e. Borrowing Costs

All borrowing costs are recorded in the profit or loss statement in the period in which they are incurred.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: “financial assets as at fair value through profit or loss (FVTPL)”, “held-to-maturity investments (HTM)”, “available-for-sale (AFS) financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Available for sale financial assets (Continued)

Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss statement are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Factoring receivables and other receivables

Loans and receivables include factoring receivables and other receivables. Factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

In accordance with the “Regulation on Accounting Practices and Financial Statements of Financial Leasing Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and numbered 28861 and the Communiqué No. 26588 on the “Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued at 20 July 2007 by BRSA, special provision rate allocated for the factoring receivables considering their guarantees are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, the amount of impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Fair Value Through Profit or Loss Financial Liabilities

At fair value through profit or loss are financial liabilities are initially recognized at fair value and are each reporting period revalued at fair value at the balance sheet date. Changes in fair value are recognized in the income statement. Net gains or losses recognized in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

g. Derivative Financial Instruments and Hedge Accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Company classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
USD	3,7719	3,5192
EUR	4,5155	3,7099
GBP	5,0803	4,3189
AUD	2,9384	2,5366

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Effects of Changes in Exchange Rates (Continued)

In preparation of the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

i. Earnings per Share

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

j. Events after the Reporting Period

Events after the reporting period means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 “Events After the Reporting Date”; post-balance sheet events that provide additional information about the Company’s position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

k. Provisions, Contingent Liabilities and Contingent Assets

In accordance with the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

m. Segment Reporting

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

n. Taxes on Income

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Discount rate	4,49%	3,74%
Expected rate of salary/limit increase	7,00%	7,00%
Probability of retirement	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TL 4.732,48 effective from 31 December 2017 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2016: full TL 4.297,21).

p. Statement of Cash Flows

In the statement of cash flows, cash flows are reported as classifying according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investing activities express cash used in investing activities (direct investments and financial investments) and cash flows generated from investing activities of the Company.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company.

r. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

s. 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 are considered and referred to as related parties. 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 (Note 8).

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative Financial Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

As at 31 December 2017 and 31 December 2016, details of financial assets held for trading are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Mutual Funds (B Type Liquid Fund)	3.206	-	5.879	-
	3.206	-	5.879	-

As at 31 December 2017 and 31 December 2016, details of derivative financial assets held for trading are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Derivative Financial Assets Held for Trading	2.139	-	40	-
	2.139	-	40	-

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading	-	-	23.637	-
	-	-	23.637	-

5. BANKS

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Demand deposits	1.982	9.004	1.575	7.229
Time deposits	-	6.790	-	-
	1.982	15.794	1.575	7.229

As at 31 December 2017, EUR 1.358 Thousand ,USD 1.902 Thousand, GBP 480 Thousand, total TL 15.794 portion of total foreign currency deposits (31 December 2016:EUR 372 Thousand ,USD 1.144 Thousand, GBP 422 Thousand ,total TL 7.229 Thousand) and TL 1.982 portion of total TL deposits (31 December 2016: TL 1.575) consist of accounts at the Company's ultimate shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying financial statements and the statement of cash flows is as follows:

	31 December 2017	31 December 2016
Demand deposits	10.986	8.804
Time deposits (Up to 3 months)	6.790	-
Cash and cash equivalents	-	-
	17.776	8.804

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

5. BANKS (Continued)

<u>Döviz Cinsi</u>	<u>Faiz Oranı %</u>	<u>Açılış Tarihi</u>	<u>Vade Tarihi</u>	<u>31 Aralık 2017</u>
USD	0,50	29.12.2017	02.01.2018	6.790
				<u>6.790</u>

As at 31 December 2017 and 31 December 2016, there is no blockage on cash and cash equivalent.

6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2017 and 31 December 2016, details of financial assets available for sale are as follows:

<u>Title of the investment</u>	<u>Core business</u>	<u>Incorporation and location</u>	<u>Voting right (%)</u>	<u>Ownership rate (%)</u>		<u>Carrying Amount</u>	
				<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	2,43	2,43	2,43	21.164	10.897
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.153	995
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	666	347
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	5,00	5,00	1.500	1.000
TOTAL						24.522	13.278

(*) As a result of revaluation, 115 TL of impairment loss was cancelled related with İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.. During the current period bonus shares increased by 204 TL.

(**) In the current period, a capital payment amounting to TL 500 was made to Efes Varlık Yönetim A.Ş.

7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Domestic factoring receivables	3.662.132	2.548.650
Export and import factoring receivables	535.156	436.237
Factoring interest income accrual	29.347	11.057
Unearned interest income	(21.768)	(11.228)
	<u>4.204.867</u>	<u>2.984.716</u>
Non-performing factoring receivables (*)	42.099	39.388
Allowance for non-performing factoring receivables (*)	(39.630)	(38.547)
	<u>4.207.336</u>	<u>2.985.557</u>

(*) Classified in Receivables under Follow-up in the statement of financial position.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

7. FACTORING RECEIVABLES AND PAYABLES (Continued)

Factoring receivables (Continued):

As at 31 December 2017, TL 592.022, Euro 70.938, USD 51.330 and GBP 1.864 of factoring receivables have variable rates (31 December 2016: TL 606.684, Euro 83.038, USD 15.453 and GBP 3.232) while TL 2.202.052, Euro 81.767, USD 138.031 of factoring receivables have fixed rates (31 December 2016: TL 11.936.290, Euro 116.364, USD 221.604 ,GBP 1.918 and Aud 974).

As at 31 December 2017, the average interest rate applicable for the factoring receivables is; 17,65% for TL, 5,67% for USD, 3,54% for Euro and 5,98% for GBP (31 December 2016: 13,67% for TL, 4,33% for USD, 4,27% for Euro and 5,94% for GBP).

The Company has contractual sureties as collateral for factoring receivables.

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Domestic irrevocable	1.867.312	1.652.065
Domestic revocable	1.801.683	891.705
Foreign revocable	342.619	414.506
Foreign irrevocable	195.722	27.281
	<u>4.207.336</u>	<u>2.985.557</u>

Except for its non-performing receivables for which 100% allowance is provided, however less than 90 days, the Company has overdue factoring receivables as at the reporting date as restructured overdue and doubtful receivables none. (31 December 2016:1.384 TL).

The aging of non-performing factoring receivables is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Between 90 – 180 days	2.146	861
Between 180 – 360 days	1.505	1.687
Over 360 days	38.448	36.840
	<u>42.099</u>	<u>39.388</u>

The Company has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of allowance for non-performing factoring receivables is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Allowance at the beginning of the period	(38.547)	(31.143)
Allowance set during the period (Note 28)	(3.210)	(9.058)
Collections (Note 27)	2.127	1.654
Allowance at the end of the period	<u>(39.630)</u>	<u>(38.547)</u>

Factoring Payables:

As at 31 December 2017 and 31 December 2016, details of factoring payables are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Factoring payables	993	786	3.388	350
	<u>993</u>	<u>786</u>	<u>3.388</u>	<u>350</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

8. RELATED PARTIES

	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Factoring receivables</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	49.900	19.900
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	15.942	13.606
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	766	-
	<u>66.608</u>	<u>33.506</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Payables</u>		
Türkiye İş Bankası A.Ş.	241	184
İş Merkezleri Yönetim ve İşletim A.Ş.	91	19
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	-	1
Anadolu Sigorta A.Ş.	2	-
	<u>334</u>	<u>204</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Deposits</u>		
Türkiye İş Bankası A.Ş. Term Deposit	6.790	-
İşbank AG Demand Deposit	5.579	-
Türkiye İş Bankası A.Ş. Demand Deposit	4.264	8.594
Türkiye Sınai Kalkınma Bankası A.Ş.	18	6
	<u>16.651</u>	<u>8.600</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Derivative Financial Assets Held for Trading</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	466	-
	<u>466</u>	<u>-</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Derivative Financial Liabilities Held for Trading</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	5.294
	<u>-</u>	<u>5.294</u>

Borrowings

As at 31 December 2017 and 31 December 2016, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2017</u>
TL	17,00-17,50	02.01.2018-04.01.2018	436.109
			<u>436.109</u>

As at 31 December 2016, the company does not have any borrowings from Türkiye İş Bankası A.Ş..

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

8. RELATED PARTIES (Continued)

Borrowings (Continued)

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2017</u>
EURO	1,01	15.09.2018	8.081
USD	2,68	15.09.2018	3.804
			<u>11.885</u>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
EURO	0,90– 1,05	15.09.2017-15.09.2018	62.376
USD	0,35– 2,50	15.09.2017-15.09.2018	22.601
			<u>84.977</u>

İşbank AG

As at 31 December 2017, the company does not have any borrowings from İş Bank AG.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
EURO	1,80	31.03.2017	6.337
			<u>6.337</u>

As at 31 December 2017 and 31 December 2016, details of Derivatives of financial instruments from Türkiye Sınai Kalkınma Bankası A.Ş are as follows:

<u>Swap Transaction</u>	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Türkiye Sınai Kalkınma Bankası A.Ş	223.139	222.542	208.525	211.152
	<u>223.139</u>	<u>222.542</u>	<u>208.525</u>	<u>211.152</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

For the periods ended 31 December 2017 and 31 December 2016, income and expenses from related parties are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Time deposit interest income</u>		
Türkiye İş Bankası A.Ş.	-	309
	-	309
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Factoring Interest Income</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	6.384	3.226
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	1.970	800
Toksöz Spor Malzemeleri	109	-
Nevotek Inc.	-	52
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	53	35
Şişecam Dış Tic.A.Ş.	5	-
	8.521	4.113
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Factoring Commission Income</u>		
Şişecam Dış Tic.A.Ş.	101	128
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	85	88
	186	216
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Dividend Income</u>		
İş Yatırım Menkul Değerler A.Ş.	1.095	875
Efes Varlık Yönetim A.Ş.	-	380
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	234	100
	1.329	1.355
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Finance costs</u>		
Türkiye İş Bankası A.Ş.	5.357	4.133
Türkiye Sınai Kalkınma Bankası A.Ş.	16.648	3.759
İşbank AG	5	45
	22.010	7.937
	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Commission Expenses</u>		
İş Yatırım Menkul Değerler A.Ş.	1.155	977
Türkiye İş Bankası A.Ş.	641	453
Türkiye Sınai Kalkınma Bankası A.Ş.	231	7
İşbank AG	5	3
	2.032	1.440

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

8. RELATED PARTIES (Continued)

As of 31 December 2017 and 31 December 2016 amounts related to securities issued by the Company in its portfolio of related parties are as follows:

As of December 31, 2017 the Company does not have any debt securities issued.

<u>Interest Income on Securities</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Türkiye İş Bankası A.Ş. (Mutual Fund Income)	228	144
	<u>228</u>	<u>144</u>
<u>Administrative Expenses</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
İş Merkezleri Yönetim ve İşletim A.Ş.	542	457
Anadolu Anonim Türk Sigorta A.Ş.	470	342
Anadolu Hayat Emeklilik A.Ş.	156	125
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	103	67
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	30	27
Türkiye İş Bankası A.Ş.	23	19
	<u>1.324</u>	<u>1.037</u>
<u>Rent Expenses</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Türkiye İş Bankası A.Ş.	1.863	1.762
	<u>1.863</u>	<u>1.762</u>
<u>Key management personnel compensation (*)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Salaries and other short-term benefits (**)	3.427	2.806
	<u>3.427</u>	<u>2.806</u>

(*) Key management consists of general manager, assistant general managers and members of the board of directors.

(**) Consists of monetary benefits along with vehicle rentals and other associated expenses.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

9. TANGIBLE ASSETS

	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>			
Opening balance at 1 January 2017	1.483	199	1.682
Additions	798	178	976
Disposals	(74)	-	(74)
Closing balance at 31 December 2017	2.207	377	2.584
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2017	(900)	(105)	(1.005)
Depreciation for the year	(252)	(41)	(293)
Disposals	69	-	69
Closing balance at 31 December 2017	(1.083)	(146)	(1.229)
Carrying amount at 31 December 2017	1.124	231	1.355

	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>			
Opening balance at 1 January 2016	1.165	187	1.352
Additions	332	12	344
Disposals	(14)	-	(14)
Closing balance at 31 December 2016	1.483	199	1.682
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2016	(724)	(68)	(792)
Depreciation for the year	(180)	(36)	(216)
Disposals	4	-	4
Closing balance at 31 December 2016	(900)	(105)	(1.005)
Carrying amount at 31 December 2016	583	94	677

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

10. INTANGIBLE ASSETS

<u>Cost</u>	<u>2017</u>	<u>2016</u>
Opening balance at 1 January	1.278	827
Additions	708	451
Closing balance at the end of the year	1.986	1.278
<u>Accumulated amortization</u>		
Opening balance at 1 January	(516)	(375)
Charge for year	(270)	(141)
Closing balance at the end of the year	(786)	(516)
Carrying amount at the end of the year	1.200	762

11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2017 and 31 December 2016, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary differences subject to deferred tax:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Valuation differences on derivatives	(2.139)	23.597
Unearned interest income	21.768	11.228
Cash collected commission income and expense	1.523	1.540
Employee bonus accrual	1.252	783
Reserve for employee benefits	479	353
Unused vacation	496	278
Allowance for doubtful factoring receivables	111	111
Tax base differences in tangible and intangible assets	(1.003)	(542)
Other	-	116
	22.487	37.464

Deferred tax assets / (liabilities)

	<u>2017</u>	<u>2016</u>
Valuation differences on derivatives	(470)	4.719
Unearned interest income	4.789	2.246
Cash collected commission income and expense	335	308
Employee bonus accrual	276	156
Reserve for employee benefits	96	71
Unused vacation	99	55
Allowance for doubtful factoring receivables	22	22
Tax base differences in tangible and intangible assets	(201)	(108)
Other	-	23
Deferred tax assets (net)	4.946	7.492

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

11. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements of deferred tax assets movement for the years ended 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Opening balance at 1 January	7.492	2.646
Deferred tax benefit / (expense)	(2.552)	4.836
Other comprehensive income / (expense)	6	10
Closing balance	<u>4.946</u>	<u>7.492</u>

Tax rate used in computation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following (31 December 2016: 20%).

12. PREPAID EXPENSES

As at 31 December 2017 and 31 December 2016, details of prepaid expenses are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TL	FC	TL	FC
Guarantee letter commission	792	-	168	-
Subscription fees	499	-	333	-
Insurance expenses	286	-	642	-
Commission expenses	108	-	158	-
Information technology expenses	93	-	154	-
Credit commission	43	22	12	-
	<u>1.821</u>	<u>22</u>	<u>1.467</u>	<u>-</u>

13. FUNDS BORROWED

As at 31 December 2017 and 31 December 2016, details of funds borrowed are as presented:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TL	FC	TL	FC
Short-term borrowings	3.573.724	219.565	2.458.497	94.375
Short-term portion of long-term borrowings	-	-	-	-
Total short-term borrowings	<u>3.573.724</u>	<u>219.565</u>	<u>2.458.497</u>	<u>94.375</u>
Long-term borrowings	-	11.828	-	119.821
Total long-term borrowings	<u>-</u>	<u>11.828</u>	<u>-</u>	<u>119.821</u>
Total	<u>3.573.724</u>	<u>231.393</u>	<u>2.458.497</u>	<u>214.196</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

13. FUNDS BORROWED (Continued)

As at 31 December 2017 and 31 December 2016, details of borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original currency amount</u>	<u>31 December 2017</u>
TL	13,60-19,70		3.549.742
USD	1,95-2,68	3.409	12.860
EUR	0,50-2,00	48.334	218.252
GBP	-	-	-
Australian Dollar	-	-	-
Credit interest rediscount			24.263
Total			3.805.117

As at 31 December 2017 and 31 December 2016, interest rates are presented as compounded.

<u>Currency</u>	<u>Interest rate %</u>	<u>Original currency amount</u>	<u>31 December 2016</u>
TL	9,50-17,50		2.445.000
USD	1,95-4,00	21.354	75.150
EUR	0,75-1,80	35.574	131.975
GBP	4,50	1.253	5.412
Australian Dollar	5,00	372	943
Credit interest rediscount	-	-	14.213
Total			2.672.693

As at 31 December 2017 and 31 December 2016, interest rates of funds borrowed are expressed in compound rates.

As at 31 December 2017, fixed interest funds borrowed are TL 3.782.074 and floating interest funds borrowed are TL 23.043. (As at 31 December 2016, fixed interest funds borrowed are TL 2.582.175 and floating funds borrowed are TL 90.518).

As of December 31, 2017, letters of guarantee for the credits received amounted to TL 856.342 and a guarantee letter of TL 1.066.040. (As at 31 December 2016, TL 440.000).

Fair values of the funds borrowed are presented in Note 33.

14. DEBT SECURITIES ISSUED

As at 31 December 2017 and 31 December 2016, the details of debt securities issued are as followed:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Debt securities issued(Net)	259.459	-	182.101	-
	259.459	-	182.101	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

14. DEBT SECURITIES ISSUED (continued)

The details of bonds that were issued by the Company are as follows:

31 Aralık 2017

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Simple Interest Rate%</u>
TRFISFA11817	10.07.2017	113.190	05.01.2018	Qualified Investor	Maturity	13,80
TRFISFA31815	11.09.2017	150.000	09.03.2018	Qualified Investor	Maturity	13,85

31 Aralık 2016

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Simple Interest Rate%</u>
TRFISFA31716	27.09.2016	186.204	24.03.2017	Qualified Investor	Maturity	10,30

15. OTHER PAYABLES

As at 31 December 2017 and 31 December 2016, details of other payables are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Payables to suppliers	805	829	778	497
	805	829	778	497

16. TAXES AND DUTIES PAYABLE

As at 31 December 2017 and 31 December 2016, details of taxes and duties payables are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
Banking and Insurance Transaction Tax payable	2.601		2.377	
Premiums payable	489		336	
Income tax payable	261		191	
Other taxes and duties payable	9		15	
	3.360		2.919	

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

17. EMPLOYEE BENEFITS

As at 31 December 2017 and 31 December 2016, details of reserve for employee benefits are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Employee bonus provision	1.252	783
Vacation pay liability	496	278
Reserve for employee severance indemnity	479	353
	<u>2.227</u>	<u>1.414</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002.

As the retirement pay ceiling is revised semi annually, the ceiling amount of TL full 4.732,48 effective from 31 December 2017 has been taken into consideration in calculation of provision for employee termination benefits(31 December 2016: 4.297,21 TL full).

TAS 19 – "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, as of 31 December 2017 and 31 December 2016, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Discount rate	4,49%	3,74%
Inflation rate	7,00%	7,00%
Probability of retirement	100%	100%

For the periods ended 31 December 2017 and 31 December 2016, movements in retirement pay provision are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the period	353	231
Interest cost	48	25
Service cost	90	74
Payment made during the period	(41)	(28)
Actuarial difference	29	51
Balance at the end of the period	<u>479</u>	<u>353</u>

Actuarial gains or losses are recognized in other comprehensive income.

The movements of the vacation pay liability during the periods ended 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the period	278	324
Provision set during the period (net)	218	(46)
Balance at the end of the period	<u>496</u>	<u>278</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

17. EMPLOYEE BENEFITS (Continued)

The movements of the employee bonus provision during the periods ended 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the period	783	580
Provision set during the period (net)	1.252	783
Paid during during the period	(783)	(580)
Balance at the end of the period	<u>1.252</u>	<u>783</u>

18. CURRENT TAX LIABILITIES

As at 31 December 2017 and 31 December 2016, details of corporate tax provision and prepaid taxes are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Current period corporate tax provision	8.928	12.610
Corporate taxes paid in advance during the year	(5.031)	(5.482)
Corporate tax provision	<u>3.897</u>	<u>7.128</u>

	<u>31 December 2017</u>	<u>31 December 2016</u>
Corporate tax provision at the beginning of the year	7.128	957
Total income tax expense	8.928	12.610
Corporate taxes paid during the year	(12.159)	(6.439)
Corporate tax provision	<u>3.897</u>	<u>7.128</u>

19. CAPITAL AND RESERVES

As at 31 December 2017, nominal share capital of the Company is TL 63.500 and the share capital of the Company consists of 6.350.000.000 issued shares with TL 0,01 nominal value each. Pursuant to General Assembly held on 22 March 2017, The Company's net profit for the period of 2016, which is TL 32.939 after computed TL 1.647 general legal reserves and TL 31.292 as extraordinary reserves.

As at 31 December 2017 and 31 December 2016, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2017</u>	<u>(%)</u>	<u>31 December 2016</u>
İş Finansal Kiralama A.Ş.	78,2311	49.677	78,2311	49.677
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	13.811	21,7500	13.811
Trakya Yatırım Holding A.Ş.	0,0063	4	0,0063	4
Topkapı Yatırım Holding A.Ş. (*)	0,0063	4	0,0063	4
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	4	0,0063	4
Total	<u>100,0000</u>	<u>63.500</u>	<u>100,0000</u>	<u>63.500</u>

(*) The structure of the shareholders of the Company have been changed as of 29 December 2017, due to the scope to the merger Trakya Yatırım Holding A.Ş. and Camış Yatırım Holding A.Ş., the shares of Camış Yatırım Holding A.Ş. transfer to Trakya Yatırım Holding A.Ş. and then the shares of Trakya Yatırım Holding A.Ş. transfer to Topkapı Yatırım Holding A.Ş..

The Company does not have preferred shares.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

19. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

Capital Reserves

As at 31 December 2017 and 31 December 2016, details of capital reserves are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and Jointly controlled entities	1.213	1.213
Total	<u>5.277</u>	<u>5.277</u>

Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

As at 31 December 2017, the Company has presented TL 12.347 of difference gained from revaluation between cost and fair value of assets available for sale under equity (31 December 2016: TL 1.922).

Gain/(Loss) on Remeasurement of Defined Benefit Plans

The Company recognizes actuarial gains / losses arising from remeasurement of defined benefit plans in other comprehensive income and other gains / losses arising from remeasurement of defined benefit plans at personnel expense in the statement of profit or loss.

The Company recognizes gains or losses on the reimbursements or settlement of a defined benefit plan when the reimbursements or settlement occurs. The reimbursements or settlement of a defined benefit plan compromises any resulting change in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any related actuarial gains and losses and past service cost had not previously been recognized.

20. PROFIT RESERVES

	<u>31 December 2017</u>	<u>31 December 2016</u>
Legal reserves	5.963	4.316
Extraordinary reserves	52.133	20.841
Total	<u>58.096</u>	<u>25.157</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 20% per annum, until the total reserve reaches 5% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

22. SEGMENT REPORTING

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company's management separately. Hence, the Company has not disclosed segment reporting.

23. EVENTS AFTER THE REPORTING PERIOD

None.

24. OPERATING INCOME

For the years ended 31 December 2017 and 31 December 2016, details of operating income are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Interest income from factoring receivables	309.152	160.625
Fee and commission from factoring receivables	18.888	12.795
	<u>328.040</u>	<u>173.420</u>

25. FINANCE COSTS

For the years ended 31 December 2017 and 31 December 2016, details of financing expenses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Interest Expense	(304.510)	(103.132)
Interest Expense on Debt Securities Issued	(36.806)	(29.411)
Fees and Commission Expenses	(13.570)	(3.641)
	<u>(354.886)</u>	<u>(136.184)</u>

26. OPERATING EXPENSES

For the years ended 31 December 2017 and 31 December 2016, details of operating expenses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Personnel expenses	(16.765)	(12.697)
Office rent expenses	(1.989)	(1.844)
Information technology expenses	(1.024)	(440)
Vehicle expenses	(674)	(440)
Depreciation and amortisation expenses	(562)	(357)
Consultancy expenses	(309)	(329)
Vacation pay expenses	(218)	-
Severance pay expense	(137)	(99)
Attorney – Litigation expenses	(16)	(8)
Other administrative expenses	(3.413)	(2.271)
	<u>(25.107)</u>	<u>(18.485)</u>

27. OTHER OPERATING INCOME

For the years ended 31 December 2017 and 31 December 2016, details of other operating income are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Gain on derivative transactions	138.030	21.758
Foreign exchange gains	352.631	139.390
Collections from non-performing receivables	2.127	1.654
Dividend income	1.329	1.355
Other interest income	74	315
Other	2.106	1.304
	<u>496.297</u>	<u>165.776</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

28. SPESIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

For the years ended 31 December 2017 and 31 December 2016, details of specific provision for non-performing receivables are as follows:

	<u>31 December 2016</u>	<u>31 December 2016</u>
Impairment losses on factoring receivables	(3.210)	(9.058)
	<u>(3.210)</u>	<u>(9.058)</u>

29. OTHER OPERATING EXPENSES

For the years ended 31 December 2017 and 31 December 2016, details of other operating expenses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Losses from derivative financial transactions	(373)	(23.862)
Foreign exchange losses	(379.751)	(110.894)
	<u>(380.124)</u>	<u>(134.756)</u>

30. TAXATION

For the years ended 31 December 2017 and 31 December 2016, details of income tax expense are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Current tax charge	(8.928)	(12.610)
Deferred tax income / (expense)	(2.552)	4.836
	<u>(11.480)</u>	<u>(7.774)</u>

The reported income tax expenses for the year is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Company, as shown in the following reconciliation:

	<u>%</u>	<u>2017</u>	<u>%</u>	<u>2016</u>
Net profit for the period		49.530		32.939
Total tax income		11.480		7.774
Profit before tax		61.010		40.713
Income tax using the Company's tax rate	20,00	12.202	20,00	8.143
Non deductible expenses	12,91	7.878	18,94	7.710
Tax exempt income	(14,09)	(8.600)	(19,84)	(8.079)
Total income tax expense	18,82	11.480	19,10	7.774

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

30. TAXATION (Continued)

Corporate Tax

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 December 2017, corporate income tax rate is 20% (31 December 2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2017 is 20% (2016: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

An amendment is made to Law No:7061 “Amendment of Certain Tax Laws and Some Other Laws” which was proposed by the General Directorate of the Prime Ministry’s Laws and Decrees dated 28 September 2017 and published in the Official Gazette No. 30261 dated December 5, 2017; which is the addition of Provisional Article 10 “to the Law No. 5520 on Taxation of Institutions, as stated in Article 91. In accordance with the provisional article 1, the rate of 20% in the first paragraph of article 32 of this Law shall be 22% for the corporate earnings of the taxation periods of the institutions in 2018, 2019 and 2020 shall apply.

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. month 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. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué, 18 November 2007 dated, on disguised profit distribution via Transfer Pricing sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

31. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

31. EARNINGS PER SHARE (Continued)

Earnings per share calculations were made according to distributable net profit of issued shares dividend by the weighted average number.

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	<u>1 January- 31 December 2017</u>	<u>1 January- 31 December 2016</u>
Weighted average number of outstanding shares (*)	6.350.000.000	6.350.000.000
Net profit for the period (TL)	49.530	32.939
Basic earnings per share (full Kuruş)	0,780	0,519

(*)As at 31 December 2017, the share capital of the Company consists of 6.350.000.000 shares having Kuruş 1 nominal price.

	<u>31 December 2017</u>	<u>31 December 2016</u>
Number of shares at beginning of the period	6.350.000.000	6.350.000.000
Capital increase	-	-
Number of shares at end of the period	<u>6.350.000.000</u>	<u>6.350.000.000</u>

32. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED TO BE EXPLAINED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2017, the debt/equity ratio is 5% as at 31 December 2017 (31 December 2016: 5%). As at 31 December 2017 and 31 December 2016, the leverage ratios are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Funds borrowed	3.805.117	2.672.693
Debt securities issued (Net)	259.459	182.101
Factoring payables	1.779	3.738
Total debt	<u>4.066.355</u>	<u>2.858.532</u>
Banks (-)	(17.776)	(8.804)
Net debt	<u>4.048.579</u>	<u>2.849.728</u>
Total equity	188.754	128.822
Equity / Debt Ratio	5%	5%

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	<u>31 December 2017</u>	<u>31 December 2016</u>
Financial assets:		
Factoring receivables and non-performing factoring receivables	4.207.336	2.985.557
Financial assets available for sale	24.522	13.278
Banks	17.776	8.804
Financial assets at fair value through profit or loss:	5.345	5.919
- Financial assets held for trading	3.206	5.879
- Derivative financial assets	2.139	40
Financial Liabilities:		
Funds borrowed	(3.805.117)	(2.672.693)
Debt securities issued (Net)	(259.459)	(182.101)
Factoring payables	(1.779)	(3.738)
Other payables and other liabilities	(1.548)	(1.698)
Financial assets at fair value through profit or loss:	-	(23.637)
-Derivative financial liabilities	-	(23.637)
Other payables	(1.634)	(1.275)

(c) Financial risk management objectives

The Company management is responsible for coordinating access to domestic and international markets, monitoring and managing the financial risks relating to the operations of the Company. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and credit risk.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section e), interest rates (refer to section f) and equity prices will affect the Company's income or the value of its holdings of financial instruments. At the Company level, market risk exposures are measured by sensitivity analysis.

The Company uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Company does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

There has been no change in the Company's exposure to market risks or the method it uses to manage and measure such risks.

(e) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company manages its foreign currency risk arising from its operations and cash flows of financial contracts by monitoring in a timely manner.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

As at 31 December 2017 and 31 December 2016, details of foreign currency denominated assets and liabilities are as follows:

31 December 2017	USD(000)	EUR(000)	GBP(000)	AUD(000)	TL
Banks	1.902	1.358	480	-	15.794
Factoring receivables (*)	189.361	152.705	1.864	-	1.413.262
Other (**)	98	190	-	-	1.230
Total assets	191.361	154.253	2.344	-	1.430.286
Factoring payables(***)	116	144	4	-	1.110
Funds borrowed	3.418	48.389	-	-	231.393
Other payables (****)	313	211	5	-	2.153
Total liabilities	3.847	48.744	9	-	234.656
Balance sheet position	187.514	105.509	2.335	-	1.195.630
Off balance sheet position	186.200	104.700	2.000	-	1.185.261
Net foreign currency position	1.314	809	335	-	10.369

(*) Foreign currency indexed factoring receivables amounting to USD 78.933 Thousand, Euro 49.197 Thousand (Total: TL 519.876) are presented in TL column in the accompanying financial statements as at 31 December 2017.

(**) Foreign currency indexed other amounting to USD 54 Thousand and Euro 29 Thousand (Total: TL 337 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2017.

(***) Foreign currency indexed funds borrowed amounting to USD 84 Thousand Euro 2 Thousand (Total: TL 324 Thousand) are presented in TP column in the accompanying financial statements as at 31 December 2017.

(****) Foreign currency indexed funds other payables amounting to USD 181 Thousand and 5 Euro Thousand (Total: TL 705 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2017.

31 December 2016	USD(000)	EUR(000)	GBP(000)	AUD(000)	TL
Banks	1.144	372	422	-	7.229
Factoring receivables (*)	163.854	71.476	1.257	384	848.204
Other (**)	55	19	-	-	266
Total assets	165.053	71.867	1.679	384	855.699
Factoring payables(***)	23	74	-	-	355
Funds borrowed	21.503	35.625	1.253	372	214.196
Other payables (****)	283	101	16	1	1.442
Total liabilities	21.809	35.800	1.269	373	215.993
Balance sheet position	143.244	36.067	410	11	639.706
Off balance sheet position	(141.500)	(34.500)	-	-	(625.958)
Net foreign currency position	1.744	1.567	410	11	13.748

(*) Foreign currency indexed factoring receivables amounting to USD 96.492 Thousand and Euro 17.727 Thousand and GBP 64 Thousand (Total: TL 405.620) are presented in TL column in the accompanying financial statements as at 31 December 2016

(**) Foreign currency indexed other amounting to USD 18 Thousand and Euro 15 Thousand (Total: TL 121 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2016.

(***) Foreign currency indexed funds borrowed amounting to Euro 1 Thousand (Total: TL 5 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2016.

(****) Foreign currency indexed funds other payables amounting to USD 181 Thousand and 9 Euro Thousand (Total: TL 670 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2016.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

Foreign currency sensitivity

The Company is mainly exposed to USD and Euro exchange rate risks. The table below indicates the sensitivity of the Company to USD and Euro when there is a 15% of change in such exchange rates. The Company uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management's expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Company's exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

	Profit / (Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2017				
15% change of the USD against TL				
1- Net USD asset/liability	106.093	(106.093)	106.093	(106.093)
2- Hedged portion of TL against USD risk (-)	(105.349)	105.349	(105.349)	105.349
3- Net effect of USD (1+ 2)	744	(744)	744	(744)
15% change of the Euro against TL				
4- Net Euro asset/liability	71.464	(71.464)	71.464	(71.464)
5- Hedged portion of TL against Euro risk (-)	(70.916)	70.916	(70.916)	70.916
6- Net effect of Euro (4+5)	548	(548)	548	(548)
15% change of other currencies against TL				
7-Net other currencies asset/liability	1.779	(1.779)	1.779	(1.779)
8-Hedged portion of TL against other currency risk (-)	(1.524)	1.524	(1.524)	1.524
9-Net effect of other currencies (7+8)	255	(255)	255	(255)
TOTAL (3+6+9)	1.547	(1.547)	1.547	(1.547)

(*) Includes profit/loss effect.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2016				
15% change of the USD against TL				
1- Net USD asset/liability	75.616	(75.616)	75.616	(75.616)
2- Hedged portion of TL against USD risk (-)	(74.695)	74.695	(74.695)	74.695
3- Net effect of USD (1+ 2)	921	(921)	921	(921)
15% change of the Euro against TL				
4- Net Euro asset/liability	20.071	(20.071)	20.071	(20.071)
5- Hedged portion of TL against Euro risk (-)	(19.199)	19.199	(19.199)	19.199
6- Net effect of Euro (4+5)	872	(872)	872	(872)
15% change of other currencies against TL				
7-Net other currencies asset/liability	270	(270)	270	(270)
8-Hedged portion of TL against other currency risk (-)	-	-	-	-
9-Net effect of other currencies (7+8)	270	(270)	270	(270)
TOTAL (3+6+9)	2.062	(2.062)	2.062	(2.062)

(*) Includes profit/loss effect.

(f) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Company's exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Company management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management of the Company.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Interest risk management (Continued)

As at 31 December 2017 and 31 December 2016, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

Interest Position Table		
	31 December 2017	31 December 2016
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	17.776	8.804
Factoring receivables	3.091.909	2.277.150
Financial liabilities:		
Funds borrowed	3.782.074	2.582.175
Debt securities issued(Net)	259.459	182.101
<i>Variable rate instruments</i>		
Financial assets:		
Factoring receivables	1.115.427	708.407
Financial liabilities:		
Funds borrowed	23.043	90.518

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from variable rate factoring contracts would increase by TL 11.154 (31 December 2016: TL7.804).
- Interest expense from variable rate loans will increase by TL 230. (31 December 2016: 905 TL).

(g) Other price risks

The Company is exposed to equity share price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Company.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Other price risks (continued)

Equity price sensitivity (continued)

During the reporting period, all other variables are held constant and the data in the valuation method are 15% higher/ (lower):

Traded in the İstanbul stock exchange and shown in the accompanying financial table below are the securities available for sale and shares measured by market values. Due to the fluctuations in the index one can see changes in the fair value of the companies' equity (excluding tax) being a TL 3.348 increase / (decrease) (31 December 2016: TL 164).

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors.

Factoring receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of factoring receivables is as follows:

	31 December 2017	31 December 2016
	(%)	(%)
Motor vehicles	27,66	24,68
Construction	11,31	6,65
Energy, gas, water and petroleum resources	10,40	14,92
Logistic	6,77	11,14
Textiles	5,81	2,93
Metal industry	4,76	5,63
Food and beverages	3,72	3,57
Chemical, plastic and pharmacy	3,10	1,86
Health	2,64	1,37
Machinery equipment	1,99	4,25
Forest products, paper, wood	1,30	4,45
Glass, Cement	1,22	0,06
Other	19,32	18,49
	100,00	100,00

As at 31 December 2017, approximately 19% of factoring receivables consists of receivables from a risk group amounting to TL 785.338 (As at 31 December 2016, approximately 17% of factoring receivables consists of receivables from a risk group amounting to TL 498.613). The Company is exposed to a concentration risk because of higher proportion of receivables from that risk group.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2017, exposure to credit risk based on categories of financial instruments is as follows:

	<u>Factoring Receivables</u>				Financial assets at fair value through profit or loss
	Related party	Other	Cash at banks		
31 December 2017					
Exposure to maximum credit risk as at reporting date (*)	66.608	4.140.728	17.776	5.345	
- The portion of maximum risk covered by guarantee	-	1.889.090	-	-	
A. Net carrying value of financial assets which are neither impaired nor overdue	66.608	4.133.968	17.776	5.345	
- The portion covered by guarantee	-	1.884.799	-	-	
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-	
C. Net carrying value of financial assets which are overdue but not impaired	-	4.291	-	-	
- The portion covered by guarantee	-	4.291	-	-	
D. Net carrying value of impaired assets	-	2.469	-	-	
- Overdue (gross carrying value)	-	42.099	-	-	
- Impairment (-)	-	(39.630)	-	-	
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-	
- Not past due (gross carrying value)	-	-	-	-	
- Impairment (-)	-	-	-	-	
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-	
E. Off balance sheet items with credit risks	-	-	-	-	

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2016, details of exposure to credit risk based on categories of financial instruments are as follows:

	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Other	Cash at banks	
31 December 2016				
Exposure to maximum credit risk as at reporting date (*)	33.506	2.952.051	8.804	5.919
- The portion of maximum risk covered by guarantee	-	1.190.099	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	33.506	2.930.315	8.804	5.919
- The portion covered by guarantee	-	1.180.419	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	13.752	-	-
- The portion covered by guarantee	-	9.680	-	-
D. Net carrying value of impaired assets	-	841	-	-
- Overdue (gross carrying value)	-	39.388	-	-
- Impairment (-)	-	(38.547)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management

The Company management has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate reserves and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the Company's expected maturity for its non-derivative financial assets and liabilities. The tables below have been prepared based on the earliest dates for collections and disbursements of the Company's assets and liabilities. Interest amounts to be collected and disbursed on the Company's assets and liabilities have also been included in the table below:

31 December 2017

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative financial assets	3.206	3.206	3.206	-	-	-
Banks	17.776	17.776	17.776	-	-	-
Factoring receivables	4.204.867	4.321.872	2.681.018	1.598.179	41.675	-
	4.225.849	4.342.854	2.702.000	1.598.179	41.675	-
Non-derivative financial liabilities	-	-	-	-	-	-
Factoring payables	1.779	1.779	1.779	-	-	-
Funds borrowed	3.805.117	3.815.081	3.629.912	185.169	-	-
Debt securities issued	259.459	263.190	263.190	-	-	-
	4.066.355	4.080.050	3.894.881	185.169	-	-

The Company makes payments based on contractual maturities.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

31 December 2016

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative financial assets	5.879	5.879	5.879			
Banks	8.804	8.804	8.804			
Factoring receivables	2.984.716	3.059.025	2.031.398	975.336	52.291	
	2.999.399	3.073.708	2.046.081	975.336	52.291	-
Non-derivative financial liabilities						
Factoring payables	3.738	3.738	3.738	-	-	
Funds borrowed	2.672.693	2.691.363	2.498.674	171.743	20.946	
Debt securities issued	182.101	186.204	186.204			
	2.858.532	2.881.305	2.688.616	171.143	20.946	-

The Company makes payments based on contractual maturities.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2017 and 31 December 2016.

31 December 2017

<u>Contractual Maturities</u>	<u>Net Cash Outflow</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Derivative cash inflows	1.188.153	1.188.153	1.188.153	-	-	-
Derivative cash outflows	1.185.261	1.185.261	1.185.261	-	-	-

31 December 2016

<u>Contractual Maturities</u>	<u>Net Cash Outflow</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Derivative cash inflows	625.958	608.223	608.223	-	-	-
Derivative cash outflows	598.178	625.958	625.958	-	-	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments

The Company management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange. The financial assets and liabilities, such as factoring receivables, cash at banks and short-term bank borrowings in TL which are recognized by discounted amount of estimated future cash flows, are considered to approximate their respective carrying values due to their short-term nature. The fair value prices of debt securities issued are determined on the basis of their prices in the market they are traded. The fair value level of debt securities issued is level 1, whereas level of fair value of other financial instruments is Level 2.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Fair value of financial instruments (Continued)

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
31 December 2017							
Financial Assets							
Banks	-	17.776	-	-	17.776	17.776	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	
- Financial assets held for trading	3.206	-	-	-	3.206	3.206	4
- Derivative financial assets held for trading	2.139	-	-	-	2.139	2.139	4
Factoring receivables and non-performing factoring receivables	-	-	4.207.366	-	4.207.366	4.207.366	7
Financial liabilities							
Derivative financial liabilities held for trading	-	-	-	-	-	-	4
Factoring payables	-	-	-	1.779	1.779	1.779	7
Other payables	-	-	-	1.635	1.635	1.635	15
Funds borrowed	-	-	-	3.805.117	3.805.117	3.805.117	13
Debt securities issued(Net)	-	-	-	259.459	259.459	259.475	14
31 December 2016							
Financial Assets							
Banks	-	8.804	-	-	8.804	8.804	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4
- Financial assets held for trading	5.879	-	-	-	5.879	5.879	
- Derivative financial assets held for trading	40	-	-	-	40	40	4
Factoring receivables and non-performing factoring receivables	-	-	2.985.557	-	2.985.557	2.985.557	7
Financial liabilities							
Derivative financial liabilities held for trading	23.637	-	-	-	23.637	23.637	4
Factoring payables	-	-	-	3.738	3.738	3.738	7
Other payables	-	-	-	1.275	1.275	1.275	15
Funds borrowed	-	-	-	2.672.693	2.672.693	2.672.693	13
Debt securities issued(Net)	-	-	-	182.101	182.101	180.193	14

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets held for trading	3.206	-	-	3.206
Derivative financial assets held for trading	-	2.139	-	2.139
Available-for-sale financial assets (*)	22.317	-	-	22.317
Total financial assets carried at fair value	25.523	2.139	-	27.662
Derivative financial liabilities held for trading	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-
31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets held for trading	5.879	-	-	5.879
Derivative financial assets held for trading	-	40	-	40
Available-for-sale financial assets (*)	11.892	-	-	11.892
Total financial assets carried at fair value	17.771	40	-	17.811
Derivative financial liabilities held for trading	-	23.637	-	23.637
Total financial liabilities carried at fair value	-	23.637	-	23.637

(*) As at 31 December 2017, securities that are not publicly traded amounting to TL 2.205 have been measured at cost (31 December 2016: TL 1.386)