



**İş Faktoring**  
**Anonim Şirketi**  
Financial Statements  
As at and for the year ended  
31 December 2016  
With Independent Auditors' Report

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

27 January 2017

This report contains the "Independent Auditors' Report"  
comprising 2 pages and the "Financial Statements and  
Notes to the Financial Statements" comprising 54 pages.

CONTENTS

PAGE

Independent Auditors' Report

Statement of Financial Position (Balance Sheet).....	1	-	2
Off-Balance Sheet Items.....			3
Statement of Profit or Loss.....			4
Statement of Profit or Loss and Other Comprehensive Income.....			5
Statement of Changes in Equity.....			6
Statement of Cash Flows .....			7
Statement of Profit Distribution .....			8
Notes to the Financial Statements .....	9	-	54
Note 1 Organization and Operations of the Company .....			9
Note 2 Basis of Preparation of Financial Statements .....	9	-	13
Note 3 Significant Accounting Policies .....	14	-	22
Note 4 Financial Assets and Liabilities at Fair Value Through Profit or Loss.....			23
Note 5 Banks.....			23
Note 6 Financial Assets Available For Sale .....			24
Note 7 Factoring Receivables and Payables.....	24	-	25
Note 8 Related Parties .....	26	-	28
Note 9 Tangible Assets .....			29
Note 10 Intangible Assets .....			30
Note 11 Deferred Tax Assets and Liabilities .....	30	-	31
Note 12 Prepaid Expenses .....			31
Note 13 Funds Borrowed .....	31	-	32
Note 14 Debt Securities Issued .....			33
Note 15 Other Payables .....			33
Note 16 Taxes and Duties Payable .....			33
Note 17 Employee Benefits .....	34	-	35
Note 18 Current Tax Liability.....			35
Note 19 Capital and Reserves .....	35	-	36
Note 20 Profit Reserves .....			36
Note 21 Commitments and Contingencies .....			37
Note 22 Segment Reporting .....			38
Note 23 Events After the Reporting Period.....			38
Note 24 Operating Income .....			38
Note 25 Finance Cost.....			38
Note 26 Operating Expenses .....			38
Note 27 Other Operating Income .....			38
Note 28 Specific Provisions for Non-Performing Receivables .....			39
Note 29 Other Operating Expenses .....			39
Note 30 Taxation .....	39	-	40
Note 31 Earnings Per Share .....	40	-	41
Note 32 Other Issues That Significantly Affect the Financial Statements or Other Issues Required for to be Explained Understanding of the Financial Statements .....			41
Note 33 Additional Information About Financial Instruments .....	41	-	54



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

To the Board of Directors of İş Faktoring Anonim Şirketi,

**Report on the Financial Statements**

We have audited the accompanying statement of financial position of İş Faktoring Anonim Şirketi ("the Company") as at 31 December 2016, and the statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit in Banks" published on the Official Gazette no. 26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements.

The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that our audit provides a reasonable basis for our audit opinion.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İş Faktoring Anonim Şirketi as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

#### **Report on Other Legal and Regulatory Requirements**

- 1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TCC and the Company's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

Funda Aslanoğlu, SMMM  
Partner

27 January 2017  
Istanbul, Turkey



#### **Additional paragraph for convenience translation to English:**

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**İŞ FAKTORİNG ANONİM ŞİRKETİ**

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2016**  
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	BALANCE SHEET - ASSETS	Notes	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
			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	5.919	-	5.919	3.986	3	3.989
2.1	Financial Assets Held for Trading		5.879	-	5.879	3.825	-	3.825
2.2	Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		40	-	40	161	3	164
III.	BANKS	5	1.575	7.229	8.804	875	4.741	5.616
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	13.278	-	13.278	12.187	-	12.187
VI.	FACTORING RECEIVABLES	7	2.542.132	442.584	2.984.716	1.612.297	333.480	1.945.777
6.1	Discounted Factoring Receivables		614.379	797	615.176	433.174	-	433.174
6.1.1	Domestic		625.607	797	626.404	444.050	-	444.050
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(11.228)	-	(11.228)	(10.876)	-	(10.876)
6.2	Other Factoring Receivables		1.927.753	441.787	2.369.540	1.179.123	333.480	1.512.603
6.2.1	Domestic		1.927.564	-	1.927.564	1.179.123	-	1.179.123
6.2.2	Foreign		189	441.787	441.976	-	333.480	333.480
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		841	-	841	5.497	-	5.497
10.1	Factoring Receivables Under Follow-up	7	39.388	-	39.388	36.640	-	36.640
10.2	Financial Loans Under Follow-Up		-	-	-	-	-	-
10.3	Lease Receivables Under Follow-Up		-	-	-	-	-	-
10.4	Specific Provisions (-)		(38.547)	-	(38.547)	(31.143)	-	(31.143)
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	677	-	677	560	-	560
XVII.	INTANGIBLE ASSETS (Net)	10	762	-	762	452	-	452
17.1	Goodwill		-	-	-	-	-	-
17.2	Other Intangibles		762	-	762	452	-	452
XVIII.	PREPAID EXPENSES	12	1.467	-	1.467	805	-	805
XIX.	CURRENT TAX ASSETS		-	-	-	-	-	-
XX.	DEFERRED TAX ASSETS	11	7.492	-	7.492	2.646	-	2.646
XXI.	OTHER ASSETS		1.324	145	1.469	1.159	68	1.227
	<b>SUBTOTAL</b>		<b>2.575.467</b>	<b>449.958</b>	<b>3.025.425</b>	<b>1.640.464</b>	<b>338.292</b>	<b>1.978.756</b>
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1	Assets Held For Sale		-	-	-	-	-	-
22.2	Assets Of Discontinued Operations		-	-	-	-	-	-
	<b>TOTAL ASSETS</b>		<b>2.575.467</b>	<b>449.958</b>	<b>3.025.425</b>	<b>1.640.464</b>	<b>338.292</b>	<b>1.978.756</b>

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 2016  
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

BALANCE SHEET - LIABILITIES		Notes	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	23.637	-	23.637	393	-	393
II.	FUNDS BORROWED	13	2.458.497	214.196	2.672.693	1.296.696	292.960	1.589.656
III.	FACTORING PAYABLES	7	3.388	350	3.738	1.498	652	2.150
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	182.101	-	182.101	281.602	-	281.602
5.1	Bills		182.101	-	182.101	281.602	-	281.602
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	OTHER PAYABLES	15	778	497	1.275	320	164	484
VII.	OTHER LIABILITIES		1.423	275	1.698	593	542	1.135
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	2.919	-	2.919	1.412	-	1.412
X.	PROVISIONS		1.414	-	1.414	1.135	-	1.135
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve For Employee Benefits	17	1.414	-	1.414	1.135	-	1.135
10.3	Other Provisions		-	-	-	-	-	-
XI.	DEFERRED INCOME		-	-	-	-	-	-
XII.	CURRENT TAX LIABILITIES	18	7.128	-	7.128	957	-	957
XIII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV.	SUBORDINATED LOANS		-	-	-	-	-	-
	<b>SUBTOTAL</b>		<b>2.681.285</b>	<b>215.318</b>	<b>2.896.603</b>	<b>1.584.606</b>	<b>294.318</b>	<b>1.878.924</b>
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		128.822	-	128.822	99.832	-	99.832
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		27	-	27	68	-	68
16.4	Accumulated Other Comprehensive Income that are or may be Reclassified to Profit or Loss		1.922	-	1.922	830	-	830
16.5	Profit Reserves	20	25.157	-	25.157	5.990	-	5.990
16.5.1	Legal Reserves		4.316	-	4.316	2.925	-	2.925
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		20.841	-	20.841	3.065	-	3.065
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		32.939	-	32.939	24.167	-	24.167
16.6.1	Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2	Net Income or Loss for the Current Period		32.939	-	32.939	24.167	-	24.167
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2.810.107</b>	<b>215.318</b>	<b>3.025.425</b>	<b>1.684.438</b>	<b>294.318</b>	<b>1.978.756</b>

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

# İŞ FAKTORİNG ANONİM ŞİRKETİ

## OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2016

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

	STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	REVOCABLE FACTORING TRANSACTIONS		62.084	19.745	81.829	50.022	14.269	64.291
II.	IRREVOCABLE FACTORING TRANSACTIONS		177.982	35.966	213.948	224.007	10.827	234.834
III.	COLLATERALS RECEIVED	21	9.464.313	5.523.500	14.987.813	15.227.013	6.506.210	21.733.223
IV.	COLLATERALS GIVEN	21	462.571	-	462.571	3.135	-	3.135
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	608.223	625.958	1.234.181	141.227	143.091	284.318
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		608.223	625.958	1.234.181	141.227	143.091	284.318
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		608.223	625.958	1.234.181	141.227	143.091	284.318
6.2.3	Put/Call Options		-	-	-	-	-	-
6.2.4	Futures Purchases/Sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY	21	302.503	63.323	365.826	266.719	26.006	292.725
	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>11.077.676</b>	<b>6.268.492</b>	<b>17.346.168</b>	<b>15.912.123</b>	<b>6.700.403</b>	<b>22.612.527</b>

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 2016

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

	INCOME STATEMENT	Notes	Audited Current Period 1 January- 31 December 2016	Audited Prior Period 1 January- 31 December 2015
I.	<b>OPERATING INCOME</b>	24	173.420	134.490
I.1	<b>FACTORING INCOME</b>		173.420	134.490
I.1.1	Factoring Interest Income		160.625	124.855
I.1.1.1	Discounted		39.953	46.447
I.1.1.2	Other		120.672	78.408
I.1.2	Factoring Commission Income		12.795	9.635
I.1.2.1	Discounted		2.783	2.950
I.1.2.2	Other		10.012	6.685
I.2	<b>INCOME ON FINANCING LOANS</b>		-	-
I.2	Interest Income on Financial Loans		-	-
I.3	Fees and Commission Income on Financial Loans		-	-
I.4	<b>LEASE INCOME</b>		-	-
I.4	Finance Lease Income		-	-
I.5	Operational Lease Income		-	-
I.6	Fees and Commission Income on Lease Operations		-	-
II.	<b>FINANCING EXPENSES</b>	25	(136.184)	(98.185)
2.1	Interest Expense on Funds Borrowed		(103.132)	(81.996)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense on Financial Leases		-	-
2.4	Interest Expense on Debt Securities Issued		(29.411)	(14.214)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commission Expenses		(3.641)	(1.975)
III.	<b>GROSS PROFIT / LOSS (I+II)</b>		37.236	36.305
IV.	<b>OPERATING EXPENSES (-)</b>	26	(18.485)	(16.056)
4.1	Personnel Expenses		(12.697)	(10.660)
4.2	Provision Expense for Employee Termination Indemnity		(99)	(76)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(5.689)	(5.320)
4.5	Other		-	-
V.	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		18.751	20.249
VI.	<b>OTHER OPERATING INCOME</b>	27	274.688	133.315
6.1	Interest Income on Banks		315	402
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities		144	75
6.3.1	Interest Income on Trading Financial Assets		144	75
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		1.355	1.997
6.5	Trading Account Income		130.670	75.092
6.5.1	Derivatives		130.670	75.092
6.5.2	Others		-	-
6.6	Foreign Exchange Gains		139.390	51.352
6.7	Other		2.814	4.397
VII.	<b>SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)</b>	28	(9.058)	(6.971)
VIII.	<b>OTHER OPERATING EXPENSES (-)</b>	29	(243.668)	(115.950)
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		(195.050)	(83.581)
8.4	Foreign Exchange Losses		(48.618)	(32.369)
8.5	Other		-	-
IX.	<b>OPERATIONAL PROFIT/LOSS, NET (V+...+VIII)</b>		40.713	30.643
X.	<b>INCOME RESULTED FROM MERGERS</b>		-	-
XI.	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
XII.	<b>PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (IX+X+XI)</b>		40.713	30.643
XIII.	<b>PROVISION FOR TAXES FROM CONTINUING OPERATIONS (±)</b>	30	(7.774)	(6.476)
13.1	Current Tax Charge		(12.610)	(6.364)
13.2	Deferred Tax Charge (-)		-	(112)
13.3	Deferred Tax Credit (+)		4.836	-
XIV.	<b>NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XII±XIII)</b>		32.939	24.167
XV.	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
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.	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
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.	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS</b>		-	-
XVIII.	<b>PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Credit (+)		-	-
XIX.	<b>NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		-	-
XX.	<b>NET PROFIT/LOSS</b>		32.939	24.167
	<b>EARNINGS PER SHARE</b>	30	0,00519	0,00381
	Earnings Per Share from Continuing Operations		0,00519	0,00381
	Earnings Per Share from Discontinued Operations		-	-
	<b>DILUTED EARNINGS PER SHARE</b>	30	0,00519	0,00381
	Earnings Per Share from Continuing Operations		0,00519	0,00381
	Earnings Per Share from Discontinued Operations		-	-

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

**AKİS**  
BAĞIMSIZ DENETİM VE  
SERBEST MUHASEBECİ  
MALİ MUŞAVİRLİK A.Ş.



# İŞ FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME	Audited	
	Current Period 1 January- 31 December 2016	Prior Period 1 January- 31 December 2015
<b>I.</b>		
NET PROFIT/LOSS	32.939	24.167
<b>II.</b>		
OTHER COMPREHENSIVE INCOME	1.051	(512)
Items that will never be Reclassified to Profit or Loss	(41)	(1)
2.1.1 Revaluation of Tangible Assets	-	-
2.1.2 Revaluation of Intangible Assets	-	-
2.1.3 Remeasurement of Reserve for Employee Benefits	(51)	(1)
2.1.4 Other Comprehensive Income that will never Reclassified to Profit or Loss	-	-
2.1.5 Related Tax	10	-
2.1.5.1 Current Tax Benefit/Charge	-	-
2.1.5.2 Deferred Tax Benefit/Charge (-)	10	-
2.2 Items that are or may be Reclassified to Profit or Loss	1.092	(511)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Assets Held for Sales- Net Change in Fair Value	1.092	(511)
2.2.3 Cash Flow Hedges- Effective Portion of Changes in Fair Value	-	-
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 (-)	-	-
<b>III.</b>		
TOTAL COMPREHENSIVE INCOME (I+II)	33.990	23.655

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

**İŞ FAKTORİNG ANONİM ŞİRKETİ**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

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

CHANGES IN EQUITY	Notes	Accumulated other comprehensive income that will never be reclassified to profit or loss				Accumulated other comprehensive income that are or may be reclassified to profit or loss				Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Profit/Loss	Four Period Profit/Loss	Net Current Period Profit/Loss	Total Equity	
		1	2	3	4	5	6	7	8										
<b>CHANGES IN EQUITY</b>																			
<b>Frior period (01.01 - 31.12.2015)</b>																			
(Audited)																			
I. Beginning balance (31.12.2014)		40.000	5.277	-	5.277	-	-	69	-	1.341	-	18.470	-	-	8.492	554	7.938	76.177	
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (1+II)		40.000	5.277	-	5.277	-	-	69	-	1.341	-	18.470	-	-	8.492	554	7.938	76.177	
IV. Total Comprehensive Income		-	-	-	-	-	-	(1)	-	(511)	-	-	-	-	-	(554)	-	(512)	
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from Internal Reserves		23.500	-	-	-	-	-	-	-	(22.946)	-	(22.946)	-	-	-	(554)	-	-	
VII. Capital Reserves From Inflation Adjustments To Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increases / Decreases due to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance at the End of the Period (31.12.2015)</b>		63.500	5.277	-	5.277	-	-	68	-	830	-	3.065	-	-	24.167	-	24.167	99.832	
(Audited)																			
<b>Current period (01.01 - 31.12.2016)</b>																			
I. Beginning balance (31.12.2015)		63.500	-	-	5.277	-	-	68	-	830	-	3.065	-	-	24.167	-	24.167	99.832	
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (1+II)		63.500	-	-	5.277	-	-	68	-	830	-	3.065	-	-	24.167	-	24.167	99.832	
IV. Total Comprehensive Income	17	-	-	-	-	-	-	(41)	-	1.092	-	-	-	-	-	-	-	1.051	
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Reserves From Inflation Adjustments To Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increases / Decreases due to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance at the End of the Period (31.12.2016)</b>		63.500	5.277	-	5.277	-	-	27	-	1.922	-	20.141	-	-	32.939	-	32.939	128.822	

1. Revaluation increase/decrease of property and equipment.
2. Employee benefits re-measuring income/loss.
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations.
5. Net change in fair value of available-for-sale financial assets.
6. Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

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 2016

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

		Audited Current Period	Audited Prior Period
	Notes	31 December 2016	31 December 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		19.825	30.044
1.1.1 Interests received/Lease income		161.811	122.284
1.1.2 Interests paid/Lease Payments		(132.543)	(96.210)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		751	1.393
1.1.5 Fee and Commissions Received		12.795	9.635
1.1.6 Other Income		130.670	75.092
1.1.7 Collections From Previously Written-Off Receivables	7	1.654	176
1.1.8 Payments to Personnel and Service Suppliers		(12.418)	(10.348)
1.1.9 Taxes Paid	18	(6.439)	(7.092)
1.1.10 Others		(136.456)	(64.886)
1.2 Changes in Operating Assets and Liabilities		82.754	(212.164)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(1.053.839)	(522.464)
1.2.2 Net (Increase) Decrease in Other Assets		(4.170)	(8.102)
1.2.3 Net (Increase) Decrease in Factoring Payables		1.588	737
1.2.3 Net Increase (Decrease) in Lease Payables		-	-
1.2.4 Net Increase (Decrease) in Funds Borrowed		1.086.458	317.327
1.2.5 Net Increase (Decrease) in Matured Payables		-	-
1.2.6 Net Increase (Decrease) in Other Liabilities		52.717	338
<b>I. Net Cash From Operating activities</b>		<b>102.579</b>	<b>(182.120)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	(795)	(490)
2.4 Sales of Tangible and Intangible Assets		-	-
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	10	-	-
<b>II. Net Cash Used in Investing Activities</b>		<b>(795)</b>	<b>(490)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash Obtained from Funds Borrowed and Debt Securities Issued		(99.501)	183.235
3.2 Cash Used for Repayment of Funds Borrowed and Debt Securities Issued		-	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Others		-	-
<b>III. Net Cash Generated from in Financing Activities</b>		<b>(99.501)</b>	<b>183.235</b>
<b>IV. Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents</b>		<b>905</b>	<b>722</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>3.188</b>	<b>1.347</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Year</b>	5	<b>5.616</b>	<b>4.269</b>
<b>VII. Cash and Cash Equivalents at the End of the Year</b>	5	<b>8.804</b>	<b>5.616</b>

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 2016

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

	Current Year 31 December 2016	Prior Year 31 December 2015
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)</b>		
1.1 PROFIT FOR THE YEAR	40.713	30.643
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(7.774)	(6.476)
1.2.1 Corporate Tax (Income Tax)	(12.610)	(6.364)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	4.836	(112)
<b>A. NET PROFIT FOR THE YEAR (1.1-1.2)</b>	<b>32.939</b>	<b>24.167</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	1.208
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>-</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	3.175
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 (-)	-	1.825
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 (-)	-	183
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	17.776
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>	<b>-</b>	<b>-</b>
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>	<b>-</b>	<b>-</b>
3.1 TO OWNERS OF ORDINARY SHARES (full TL) (***)	0,00519	0,00381
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,519	0,381
3.3 TO OWNERS OF PRIVILEGED SHARES (full TL)	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>	<b>-</b>	<b>-</b>
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 2016.

(\*\*) 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 deferred tax income TL 4.846 (31 December 2015: There is no deferred tax income).

(\*\*\*) 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 2016

(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 2016, the number of employees of the Company is 96 (31 December 2015: 91).

The head office of the Company is located at:

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

### Dividend payable:

As at 31 December 2016, the Company have TL 5.000 dividend payable declared by the General Assembly (31 December 2015: None).

### Approval of the financial statements:

The financial statements as of 31 December 2016 have been approved by the Board of Directors of the Company and authorized for issue at 27 January 2016. 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 2016

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

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

#### 2.1 Basis of the Presentation (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.

##### 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 2016

(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 Changes in Standards and Interpretation

##### Standards and interpretations issued but not yet effective

##### *Standards issued but not yet effective and not early adopted*

The Company applied all of the relevant and required standards and related interpretations as at 31 December 2016.

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

##### *TFRS 9 – Financial instruments*

TFRS 9 – As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

##### **TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

##### *The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by 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 to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

## İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

#### **IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### **IFRS 9 Financial Instruments (2014)**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### **IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group

#### **IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### **Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative**

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.



## İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

#### **Amendments to IAS 12 *Income Taxes*– Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group

#### **Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

#### **IAS 40 – Transfers of Investment Property**

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### **Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### ***Annual Improvements to IFRSs 2014-2016 Cycle***

##### *IFRS 1 “First Time Adoption of International Financial Reporting Standards”*

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

##### *IFRS 12 “Disclosure of Interests in Other Entities”*

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

##### *IAS 28 “Investments in Associates and Joint Ventures”*

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

## İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

### 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 2016

(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 2016

(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 2016

(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 2016

(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 2016

(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 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
USD	3,5192	2,9076
EUR	3,7099	3,1776
GBP	4,3189	4,3007
AUD	2,5366	2,1154

## İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 1. 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 2016

(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 2016</u>	<u>31 December 2015</u>
Discount rate	3,74%	4,38%
Expected rate of salary/limit increase	7,00%	6,15%
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 4.297,21 effective from 31 December 2016 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2015: full TL 3.828,37).

### 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 2016

(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 2016 and 31 December 2015, details of financial assets held for trading are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Mutual Funds (B Type Liquid Fund)	5.879	-	3.825	-
	<b>5.879</b>	<b>-</b>	<b>3.825</b>	<b>-</b>

As at 31 December 2016 and 31 December 2015, details of derivative financial assets held for trading are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Derivative financial assets held for trading	40	-	161	3
	<b>40</b>	<b>-</b>	<b>161</b>	<b>3</b>

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Derivative financial liabilities held for trading	23.637	-	393	-
	<b>23.637</b>	<b>-</b>	<b>393</b>	<b>-</b>

## 5. BANKS

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Demand deposits	1.575	7.229	875	3.235
Time deposits	-	-	-	1.506
	<b>1.575</b>	<b>7.229</b>	<b>875</b>	<b>4.741</b>

As at 31 December 2016, TL 7.211 portion of total foreign currency deposits (31 December 2015: TL 2.690) and TL 1.383 portion of total TL deposits (31 December 2015: TL 648) 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 2016	31 December 2015
Demand deposits	8.804	4.110
Time deposits (Up to 3 months)	-	1.506
Cash and cash equivalents	<b>8.804</b>	<b>5.616</b>

As at 31 December 2016 and 31 December 2015, there is no blockage on cash and cash equivalent.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2016 and 31 December 2015, details of financial assets available for sale are as follows:

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Quoted Investments:</b>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	2,43	2,43	2,43	10.897	9.732
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	995	1.069
<b>Unquoted investments:</b>							
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	347	347
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	5,00	5,00	1.000	1.000
<b>TOTAL</b>						<b>13.278</b>	<b>12.187</b>

## 7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	31 December 2016	31 December 2015
Domestic factoring receivables	2.548.650	1.614.628
Export and import factoring receivables	436.237	329.783
Factoring interest income accrual	11.057	12.242
Unearned interest income	(11.228)	(10.876)
	<u>2.984.716</u>	<u>1.945.777</u>
Non-performing factoring receivables (*)	39.388	36.640
Allowance for non-performing factoring receivables (*)	(38.547)	(31.143)
	<u>2.985.557</u>	<u>1.951.274</u>

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

TL 606.684, Euro 83.038, USD 15.453 and GBP 3.232 of factoring receivables have variable rates (31 December 2015: TL 253.445, Euro 70.350, USD 46.309 and GBP 2.061) while TL 1.936.290, Euro 116.364, USD 221.604 and GBP 1.918 of factoring receivables have fixed rates (31 December 2015: TL 1.364.349, Euro 67.573, USD 133.553 and GBP 13.630).

As at 31 December 2016, the average interest rate applicable for the factoring receivables is; %13,67 for TL, %4,33 for USD, %4,27 for Euro and %5,94 for GBP (31 December 2015: 14,95% for TL, 4,58% for USD, 5,60% for Euro and 6,63% for GBP).

The Company has contractual sureties as collateral for factoring receivables.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 7. FACTORING RECEIVABLES AND PAYABLES (Continued)

Factoring receivables (Continued):

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
Domestic irrevocable	1.652.065	978.528
Domestic revocable	891.705	639.266
Foreign revocable	414.506	308.744
Foreign irrevocable	27.281	24.736
	<u>2.985.557</u>	<u>1.951.274</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 TL 1.384 (31 December 2015: None).

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
Between 90 – 180 days	861	4.097
Between 180 – 360 days	1.687	5.057
Over 360 days	36.840	27.486
	<u>39.388</u>	<u>36.640</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 2016</u>	<u>31 December 2015</u>
Allowance at the beginning of the period	(31.143)	(24.348)
Allowance set during the period (Note 28)	(9.058)	(6.971)
Collections (Note 27)	1.654	176
Allowance at the end of the period	<u>(38.547)</u>	<u>(31.143)</u>

Factoring Payables:

As at 31 December 2016 and 31 December 2015, details of factoring payables are as follows:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	TL	FC	TL	FC
Factoring payables	3.388	350	1.498	652
	<u>3.388</u>	<u>350</u>	<u>1.498</u>	<u>652</u>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 8. RELATED PARTIES

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b><u>Factoring receivables</u></b>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	19.900	29.600
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	13.606	10.134
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	-	1.112
	<u>33.506</u>	<u>40.846</u>
	<u>31 December 2016</u>	<u>31 December 2015</u>
<b><u>Payables</u></b>		
Türkiye İş Bankası A.Ş.	184	183
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	1	1
İş Merkezleri Yönetim ve İşletim A.Ş.	19	2
	<u>204</u>	<u>186</u>
	<u>31 December 2016</u>	<u>31 December 2015</u>
<b><u>Deposits</u></b>		
Türkiye İş Bankası A.Ş. Demand Deposits	8.594	3.338
Türkiye Sınai Kalkınma Bankası A.Ş.	6	4
İş Bankası AG Demand Deposits	-	541
	<u>8.600</u>	<u>3.883</u>
	<u>31 December 2016</u>	<u>31 December 2015</u>
<b><u>Derivatives Financial Liabilities</u></b>		
Türkiye Sınai Kalkınma Bankası A.Ş.	5.294	-
	<u>5.294</u>	<u>-</u>

### Borrowings

As at 31 December 2016 and 31 December 2015, details of borrowings from related parties are as follows:

#### Türkiye İş Bankası A.S.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</u>
TL	12,50	11.03.2016	20.153
			<u>20.153</u>

#### Türkiye Sınai Kalkınma Bankası A.Ş.

<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>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
TL	12,70—13,15	05.01.2016-14.01.2016	144.169
EURO	1,29	15.03.2017	17.126
USD	1,79	15.03.2017	7.241
			<u>168.536</u>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 8. RELATED PARTIES (Continued)

### Borrowings (Continued)

For the periods ended 31 December 2016 and 31 December 2015, income and expenses from related parties are as follows:

### Türkiye Sınai Kalkınma Bankası A.Ş

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

As at 31 December 2016 and 31 December 2015, details of Derivatives of financial instruments from Türkiye Sınai Kalkınma Bankası A.Ş are as follows:

<u>Swap Transaction</u>	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Türkiye Sınai Kalkınma Bankası A.Ş	208.525	211.152	48.874	48.848
	<u>208.525</u>	<u>211.152</u>	<u>48.874</u>	<u>48.848</u>

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Time deposit interest income</u>		
Türkiye İş Bankası A.Ş.	309	1
Türkiye İş Bankası A.Ş. Bahreyn Branch	-	38
	<u>309</u>	<u>39</u>

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Factoring interest income</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	3.226	2.296
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	800	914
Nevotek Inc.	52	-
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	35	10
	<u>4.113</u>	<u>3.220</u>

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Factoring commission income</u>		
Şişecam Dış Tic.A.Ş.	128	79
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	88	75
	<u>216</u>	<u>154</u>

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Dividend income</u>		
İş Yatırım Menkul Değerler A.Ş.	875	1.143
Efes Varlık Yönetim A.Ş.	380	100
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	100	60
İş Yatırım – Capital increase bonus issue	-	559
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	90
İş Net - Capital increase bonus issue	-	45
	<u>1.355</u>	<u>1.997</u>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 8. RELATED PARTIES (Continued)

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b><u>Finance costs</u></b>		
Türkiye İş Bankası A.Ş.	4.133	14.597
Türkiye Sınai Kalkınma Bankası A.Ş.	3.759	2.765
İşbank AG	45	219
	<u>7.937</u>	<u>17.581</u>

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b><u>Commission expenses</u></b>		
İş Yatırım Menkul Değerler A.Ş.	977	493
Türkiye İş Bankası A.Ş.	453	530
Türkiye Sınai Kalkınma Bankası A.Ş.	7	-
İşbank AG	3	-
	<u>1.440</u>	<u>1.083</u>

As of December 31, 2016 the Company does not have any debt securities issued.

### Debt Securities issued

	<u>Amount</u>	<u>Accrual</u>	<u>Total</u>
Anadolu Anonim Türk Sigorta Şirketi	5.479	188	5.667
İş Girişim Sermaye Yatırım Ortaklığı A.Ş.	3.526	103	3.629
İş Yatırım Menkul Değerler A.Ş.	76	2	78
	<u>9.081</u>	<u>293</u>	<u>9.374</u>

### Interest income on securities

	<u>31 December 2016</u>	<u>31 December 2015</u>
Türkiye İş Bankası A.Ş. (Mutual Fund Income)	144	75
	<u>144</u>	<u>75</u>

### Administrative expenses

	<u>31 December 2016</u>	<u>31 December 2015</u>
İş Merkezleri Yönetim ve İşletim A.Ş.	457	149
Anadolu Anonim Türk Sigorta A.Ş.	342	289
Anadolu Hayat Emeklilik A.Ş.	125	15
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	67	75
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	27	-
Türkiye İş Bankası A.Ş.	19	266
	<u>1.037</u>	<u>794</u>

### Rent expenses

	<u>31 December 2016</u>	<u>31 December 2015</u>
Türkiye İş Bankası A.Ş.	1.762	1.415
	<u>1.762</u>	<u>1.415</u>

### Key management personnel compensation <sup>(\*)</sup>

	<u>31 December 2016</u>	<u>31 December 2015</u>
Salaries and other short-term benefits <sup>(**)</sup>	2.806	2.429
	<u>2.806</u>	<u>2.429</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 2016

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

	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b><u>Cost</u></b>			
Opening balance at 1 January 2015	945	165	1.110
Additions	223	22	245
Disposals	(3)	-	(3)
<b>Closing balance at 31 December 2015</b>	<b>1.165</b>	<b>187</b>	<b>1.352</b>
<b><u>Accumulated depreciation</u></b>			
Opening balance at 1 January 2015	(521)	(32)	(553)
Depreciation for the year	(203)	(36)	(239)
Disposals	-	-	-
<b>Closing balance at 31 December 2015</b>	<b>(724)</b>	<b>(68)</b>	<b>(792)</b>
<b>Carrying amount at 31 December 2015</b>	<b>441</b>	<b>119</b>	<b>560</b>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 10. INTANGIBLE ASSETS

	<u>2016</u>	<u>2015</u>
<b><u>Cost</u></b>		
Opening balance at 1 January	827	581
Additions	451	246
<b>Closing balance at the end of the year</b>	<b><u>1.278</u></b>	<b><u>827</u></b>
<b><u>Accumulated amortization</u></b>		
Opening balance at 1 January	(375)	(255)
Charge for year	(141)	(120)
<b>Closing balance at the end of the year</b>	<b><u>(516)</u></b>	<b><u>(375)</u></b>
<b>Carrying amount at the end of the year</b>	<b><u>762</u></b>	<b><u>452</u></b>

## 11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2016 and 31 December 2015, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

<b><u>Temporary differences subject to deferred tax:</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Valuation differences on derivatives	23.597	229
Unearned interest income	11.228	10.876
Cash collected commission income and expense	1.540	1.131
Employee bonus accrual	783	580
Reserve for employee benefits	353	231
Unused vacation	278	324
Allowance for doubtful factoring receivables	111	111
Tax base differences in tangible and intangible assets	(542)	(369)
Other	116	115
	<b><u>37.464</u></b>	<b><u>13.228</u></b>
<b><u>Deferred tax assets / (liabilities)</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Valuation differences on derivatives	4.719	46
Unearned interest income	2.246	2.175
Cash collected commission income and expense	308	226
Employee bonus accrual	156	116
Reserve for employee benefits	71	46
Unused vacation	55	65
Allowance for doubtful factoring receivables	22	22
Tax base differences in tangible and intangible assets	(108)	(74)
Other	23	24
<b>Deferred tax assets (net)</b>	<b><u>7.492</u></b>	<b><u>2.646</u></b>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Opening balance at 1 January	2.646	2.758
Deferred tax benefit / (expense)	4.836	(112)
Other comprehensive income / (expense)	10	-
Closing balance	<u>7.492</u>	<u>2.646</u>

Tax rate used in computation of deferred tax assets and liabilities is 20% (31 December 2015: 20%).

## 12. PREPAID EXPENSES

As at 31 December 2016 and 31 December 2015, details of prepaid expenses are as follows:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	TL	FC	TL	FC
Insurance expenses	642	-	163	-
Subscription fees	333	-	242	-
Guarantee letter commission	168	-	-	-
Commission expenses	158	-	394	-
Information technology expenses	154	-	6	-
Credit commission	12	-	-	-
	<u>1.467</u>	-	<u>805</u>	-

## 13. FUNDS BORROWED

As at 31 December 2016 and 31 December 2015, details of funds borrowed are as presented:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	TL	FC	TL	FC
Short-term borrowings	2.458.497	94.375	1.296.696	268.593
Short-term portion of long-term borrowings	-	-	-	16.272
<b>Total short-term borrowings</b>	<u>2.458.497</u>	<u>94.375</u>	<u>1.296.696</u>	<u>284.865</u>
Long-term borrowings	-	119.821	-	8.095
<b>Total long-term borrowings</b>	<u>-</u>	<u>119.821</u>	<u>-</u>	<u>8.095</u>
<b>Total</b>	<u>2.458.497</u>	<u>214.196</u>	<u>1.296.696</u>	<u>292.960</u>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 13. FUNDS BORROWED (Continued)

As at 31 December 2016 and 31 December 2015, 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 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
			<b>2.672.693</b>

<u>Currency</u>	<u>Interest rate %</u>	<u>Original currency amount</u>	<u>31 December 2015</u>
TL	11,80-16,25		1.288.050
USD	1,20-3,00	47.968	139.473
EUR	1,29-2,50	47.371	150.526
GBP	4,50	189	815
Interest accruals	-	-	10.792
<b>Total</b>			<b>1.589.656</b>

As at 31 December 2016 and 31 December 2015, interest rates are presented as compounded.

As at 31 December 2016, fixed interest funds borrowed are TL2.582.175 and floating interest funds borrowed are TL 90.518. (As at 31 December 2015, fixed interest funds borrowed are TL 1.565.289 and floating funds borrowed are TL 24.367).

As of December 31, 2016, letters of guarantee for the credits received amounted to TRY 400.000 and a guarantee letter of TRY 440.000.

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

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 14. DEBT SECURITIES ISSUED

As at 31 December 2016 and 31 December 2015, the details of debt securities issued are as followed:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Debt securities issued	182.101	-	281.602	-
	<b>182.101</b>	<b>-</b>	<b>281.602</b>	<b>-</b>

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

<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 Payment	10,30

## 15. OTHER PAYABLES

As at 31 December 2016 and 31 December 2015, details of other payables are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Payables to suppliers	778	497	320	164
	<b>778</b>	<b>497</b>	<b>320</b>	<b>164</b>

## 16. TAXES AND DUTIES PAYABLE

As at 31 December 2016 and 31 December 2015, details of taxes and duties payables are as follows:

	31 December 2016	31 December 2015
Banking and Insurance Transaction Tax payable	2.377	1.096
Premiums payable	336	159
Income tax payable	191	152
Other taxes and duties payable	15	5
	<b>2.919</b>	<b>1.412</b>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 17. EMPLOYEE BENEFITS

As at 31 December 2016 and 31 December 2015, details of reserve for employee benefits are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Employee bonus provision	783	580
Vacation pay liability	278	324
Reserve for employee severance indemnity	353	231
	<u>1.414</u>	<u>1.135</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 4.297.21 effective from 31 December 2016 has been taken into consideration in calculation of provision for employee termination benefits(31 December 2015: 4.092,53 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 2016 and 31 December 2015, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Discount rate	3,74%	4.38%
Inflation rate	7,00%	6.15%
Probability of retirement	100%	100%

For the periods ended 31 December 2016 and 31 December 2015, movements in retirement pay provision are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the period	231	179
Interest cost	25	25
Service cost	74	51
Payment made during the period	(28)	(25)
Actuarial difference	51	1
<b>Balance at the end of the period</b>	<u>353</u>	<u>231</u>

Actuarial gains or losses are recognized in other comprehensive income.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 17. EMPLOYEE BENEFITS (Continued)

The movements of the vacation pay liability during the periods ended 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the period	324	237
Provision set during the period (net)	(46)	87
<b>Balance at the end of the period</b>	<b>278</b>	<b>324</b>

The movements of the employee bonus provision during the periods ended 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the period	580	407
Provision set during the period (net)	783	580
Paid during during the period	(580)	(407)
<b>Balance at the end of the period</b>	<b>783</b>	<b>580</b>

## 18. CURRENT TAX LIABILITIES

As at 31 December 2016 and 31 December 2015, details of corporate tax provision and prepaid taxes are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Current period corporate tax provision	12.610	6.364
Corporate taxes paid in advance during the year	(5.482)	(5.407)
<b>Corporate tax provision</b>	<b>7.128</b>	<b>957</b>

	<u>31 December 2016</u>	<u>31 December 2015</u>
Corporate tax provision at the beginning of the year	957	1.685
Total income tax expense	12.610	6.364
Corporate taxes paid during the year	(6.439)	(7.092)
<b>Corporate tax provision</b>	<b>7.128</b>	<b>957</b>

## 19. CAPITAL AND RESERVES

As at 31 December 2016, 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 2016, The Company's net profit for the period of 2015, which is TL 24.167 after computed TL 1.391 general legal reserves and TL 5000 dividend is payment and the remaining TL 17.776 as extraordinary reserves. These financial statements are prepared as the company's ordinary general assembly meeting has not been held as of date , only net period profit amount is indicated.

As at 31 December 2016 and 31 December 2015, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2016</u>	<u>(%)</u>	<u>31 December 2015</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
Camiş Yatırım Holding A.Ş.	0,0063	4	0,0063	4
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	4	0,0063	4
<b>Total</b>	<b>100,0000</b>	<b>63.500</b>	<b>100,0000</b>	<b>63.500</b>

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 2016

(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 2016 and 31 December 2015, details of capital reserves are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.213	1.213
<b>Total</b>	<b><u>5.277</u></b>	<b><u>5.277</u></b>

#### 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 2016, the Company has presented TL 1.922 of difference gained from revaluation between cost and fair value of assets available for sale under equity (31 December 2015: TL 830).

#### 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 2016</u>	<u>31 December 2015</u>
Legal reserves	4.316	2.925
Extraordinary reserves	20.841	3.065
<b>Total</b>	<b><u>25.157</u></b>	<b><u>5.990</u></b>

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 2016

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

## 22. SEGMENT REPORTING

None.

## 23. EVENTS AFTER THE REPORTING PERIOD

None.

## 24. OPERATING INCOME

For the years ended 31 December 2016 and 31 December 2015, details of operating income are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Interest income from factoring receivables	160.625	124.855
Fee and commission from factoring receivables	12.795	9.635
	<u>173.420</u>	<u>134.490</u>

## 25. FINANCE COSTS

For the years ended 31 December 2016 and 31 December 2015, details of financing expenses are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Interest Expense	(103.132)	(81.996)
Interest Expense on Debt Securities Issued	(29.411)	(14.214)
Fees and Commission Expenses	(3.641)	(1.975)
	<u>(136.184)</u>	<u>(98.185)</u>

## 26. OPERATING EXPENSES

For the years ended 31 December 2016 and 31 December 2015, details of operating expenses are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Personnel expenses	(12.697)	(10.573)
Office rent expenses	(1.844)	(1.626)
Vehicle expenses	(440)	(325)
Information technology expenses	(440)	(238)
Depreciation and amortisation expenses	(357)	(359)
Consultancy expenses	(329)	(790)
Severance pay expense	(99)	(76)
Attorney – Litigation expenses	(8)	(174)
Vacation Expense	-	(87)
Other administrative expenses	(2.271)	(1.808)
	<u>(18.485)</u>	<u>(16.056)</u>

## 27. OTHER OPERATING INCOME

For the years ended 31 December 2016 and 31 December 2015, details of other operating income are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Gain on derivative transactions	130.670	75.092
Foreign exchange gains	139.390	51.427
Collections from non-performing receivables	1.654	176
Dividend income	1.355	1.997
Other interest income	315	402
Other	1.304	4.221
	<u>274.688</u>	<u>133.315</u>

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

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

## 28. SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

For the years ended 31 December 2016 and 31 December 2015, details of specific provision for non-performing receivables are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Impairment losses on factoring receivables	(9.058)	(6.971)
	<u>(9.058)</u>	<u>(6.971)</u>

## 29. OTHER OPERATING EXPENSES

For the years ended 31 December 2016 and 31 December 2015, details of other operating expenses are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Losses from derivative financial transactions	(195.050)	(83.581)
Foreign exchange losses	(48.618)	(32.369)
	<u>(243.668)</u>	<u>(115.950)</u>

## 30. TAXATION

For the years ended 31 December 2016 and 31 December 2015, details of income tax expense are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Current tax charge	(12.610)	(6.364)
Deferred tax income / (expense)	4.836	(112)
	<u>(7.774)</u>	<u>(6.476)</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>2016</u>	<u>%</u>	<u>2015</u>
Net profit for the period		32.939		24.167
Total tax income		<u>7.774</u>		<u>6.476</u>
<b>Profit before tax</b>		<b>40.713</b>		<b>30.643</b>
Income tax using the Company's tax rate	20,00	8.143	20,00	6.128
Non deductible expenses	18,94	7.710	15,51	4.140
Tax exempt income	(19,84)	<u>(8.079)</u>	(12,37)	<u>(3.792)</u>
<b>Total income tax expense</b>	<b>19,10</b>	<b><u>7.774</u></b>	<b>23,14</b>	<b><u>6.476</u></b>

## İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016, corporate income tax rate is 20% (31 December 2015: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2016 is 20% (2015: 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.

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 2016

(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 2016 and 31 December 2015 are as follows:

	<u>1 January- 31 December 2016</u>	<u>1 January- 31 December 2015</u>
Weighted average number of outstanding shares (*)	6.350.000.000	6.350.000.000
Net profit for the period (TL)	32.939	24.167
Basic earnings per share (full Kurus)	0,519	0,381

(\*)As at 31 December 2016, the share capital of the Company consists of 6.350.000.000 shares having Kurus 1 nominal price.

	<u>31 December 2016</u>	<u>31 December 2015</u>
Number of shares at beginning of the period	6.350.000.000	4.000.000.000
Capital increase (*)	-	2.350.000000
<b>Number of shares at end of the period</b>	<b><u>6.350.000.000</u></b>	<b><u>6.350.000.000</u></b>

(\*) Capital increase has been made through internal resources.

## 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 2016, the debt/equity ratio is 5% as at 31 December 2016 (31 December 2015: 5%). As at 31 December 2016 and 31 December 2015, the leverage ratios are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Funds borrowed	2.672.693	1.589.656
Debt securities issued (Net)	182.101	281.602
Factoring payables	3.738	2.150
<b>Total debt</b>	<b><u>2.858.532</u></b>	<b><u>1.873.408</u></b>
Banks (-)	(8.804)	(5.616)
<b>Net debt</b>	<b><u>2.849.728</u></b>	<b><u>1.867.792</u></b>
Total equity	128.822	99.832
Equity / Debt Ratio	5%	5%

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016</u>	<u>31 December 2015</u>
<b><u>Financial assets:</u></b>		
Factoring receivables and non-performing factoring receivables	2.985.557	1.951.274
Financial assets available for sale	13.278	12.187
Banks	8.804	5.616
Financial assets at fair value through profit or loss:	5.919	3.989
- Financial assets held for trading	5.879	3.825
- Derivative financial assets	40	164
<b><u>Financial Liabilities:</u></b>		
Funds borrowed	(2.672.693)	(1.589.656)
Debt securities issued (Net)	(182.101)	(281.602)
Factoring payables	(3.738)	(2.150)
Other payables and other liabilities	(1.698)	(1.135)
Financial assets at fair value through profit or loss:	(23.637)	(393)
-Derivative financial liabilities	(23.637)	(393)
Other payables	(1.275)	(484)

### (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 2016

(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 2016 and 31 December 2015, details of foreign currency denominated assets and liabilities are as follows:

<u>31 December 2016</u>	<u>USD( 000)</u>	<u>EUR( 000)</u>	<u>GBP( 000)</u>	<u>AUD( 000)</u>	<u>TL</u>
Banks	1.144	372	422	-	7.229
Factoring receivables (*)	163.854	71.476	1.257	384	848.204
Other (**)	55	19	-	-	266
<b>Total assets</b>	<b>165.053</b>	<b>71.867</b>	<b>1679</b>	<b>384</b>	<b>855.699</b>
Factoring payables(***)	23	74	-	-	355
Funds borrowed	21.503	35.625	1.253	372	214.196
Other payables (****)	283	101	16	1	1.442
<b>Total liabilities</b>	<b>21.809</b>	<b>35.800</b>	<b>1.269</b>	<b>373</b>	<b>215.993</b>
<b>Balance sheet position</b>	<b>143.244</b>	<b>36.067</b>	<b>410</b>	<b>11</b>	<b>639.706</b>
<b>Off balance sheet position</b>	<b>(141.500)</b>	<b>(34.500)</b>	<b>-</b>	<b>-</b>	<b>(625.958)</b>
<b>Net foreign currency position</b>	<b>1.744</b>	<b>1.567</b>	<b>410</b>	<b>11</b>	<b>13.748</b>

(\*) Foreign currency indexed factoring receivables amounting to USD, 96.492 Thousand, Euro 17.727 Thousand and GBP 64 Thousand (Total: TL 405.620 TL) 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 TP 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.

<u>31 December 2015</u>	<u>USD (000)</u>	<u>EUR( 000)</u>	<u>GBP( 000)</u>	<u>AUD( 000)</u>	<u>TL</u>
Banks	688	806	41	-	4.741
Factoring receivables (*)	82.999	57.801	3.649	2	440.694
Other (**)	17	27	-	-	136
<b>Total assets</b>	<b>83.704</b>	<b>58.634</b>	<b>3.690</b>	<b>2</b>	<b>445.571</b>
Factoring payables	57	137	12	-	652
Other payables	48.381	47.669	190	-	292.960
Funds borrowed (***)	103	120	17	1	759
<b>Total liabilities</b>	<b>48.541</b>	<b>47.926</b>	<b>219</b>	<b>1</b>	<b>294.371</b>
<b>Balance sheet position</b>	<b>35.163</b>	<b>10.708</b>	<b>3.471</b>	<b>1</b>	<b>151.200</b>
<b>Off balance sheet position</b>	<b>34.800</b>	<b>12.230</b>	<b>235</b>	<b>-</b>	<b>141.059</b>
<b>Net foreign currency position</b>	<b>363</b>	<b>(1.522)</b>	<b>3.236</b>	<b>1</b>	<b>10.141</b>

(\*) Foreign currency indexed factoring receivables amounting to USD, 21.140 Thousand and Euro 14.397 Thousand (Total: TL 107.214) are presented in TL column in the accompanying financial statements as at 31 December 2015.

(\*\*) Foreign currency indexed other amounting to USD 17 Thousand and Euro 5 Thousand (Total: TL 65 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2016.

(\*\*\*) Foreign currency indexed funds borrowed amounting to USD 17 Thousand and Euro 1 Thousand (Total: TL 53 Thousand) are presented in TP column in the accompanying financial statements as at 31 December 2015.

**AKİS**  
BAĞIMSIZ DENETİM VE  
SERBEST MUHASEBEÇİ  
MALİ MÜŞAVİRLİK A.Ş.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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
<b>31 December 2016</b>				
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
<b>3- Net effect of USD (1+ 2)</b>	<b>921</b>	<b>(921)</b>	<b>921</b>	<b>(921)</b>
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
<b>6- Net effect of Euro (4+5)</b>	<b>872</b>	<b>(872)</b>	<b>872</b>	<b>(872)</b>
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 (-)	-	-	-	-
<b>9-Net effect of other currencies (7+8)</b>	<b>270</b>	<b>(270)</b>	<b>270</b>	<b>(270)</b>
<b>TOTAL (3+6+9)</b>	<b>2.062</b>	<b>(2.062)</b>	<b>2.062</b>	<b>(2.062)</b>

(\*) Includes profit/loss effect.



# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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)

31 December 2015	Profit / (Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	15.336	(15.336)	15.336	(15.336)
2- Hedged portion of TL against USD risk (-)	(15.178)	15.178	(15.178)	15.178
3- Net effect of USD (1+ 2)	158	(158)	158	(158)
15% change of the Euro against TL				
4- Net Euro asset/liability	5.104	(5.104)	5.104	(5.104)
5- Hedged portion of TL against Euro risk (-)	(5.829)	5.829	(5.829)	5.829
6- Net effect of Euro (4+5)	(725)	725	(725)	725
15% change of other currencies against TL				
7-Net other currencies asset/liability	2.240	(2.240)	2.240	(2.240)
8-Hedged portion of TL against other currency risk (-)	(152)	152	(152)	152
9-Net effect of other currencies (7+8)	2.088	(2.088)	2.088	(2.088)
<b>TOTAL (3+6+9)</b>	<b>1.521</b>	<b>(1.521)</b>	<b>1.521</b>	<b>(1.521)</b>

(\*) 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 2016

(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 2016 and 31 December 2015, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2016	31 December 2015
<b>Interest Position Table</b>		
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	8.804	1.506
Factoring receivables	2.277.150	1.573.613
Financial liabilities:		
Funds borrowed	2.582.175	1.565.289
Debt securities issued	182.101	281.602
<i>Variable rate instruments</i>		
Financial assets:		
Factoring receivables	708.407	372.164
Financial liabilities:		
Funds borrowed	90.518	24.367

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 7.084 (31 December 2015: TL 3.722).
- Interest expense from variable rate funds borrowed (borrowings) would not change (31 December 2015: did not change).

#### (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 2016

(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 164 increase / (decrease) (31 December 2015: TL 464).

#### (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:

	<b>31 December 2016</b>	<b>31 December 2015</b>
	(%)	(%)
Motor vehicles	24,68	24,83
Machine and equipment	14,92	14,20
Forestry products	11,14	9,26
Energy, gas, water and petroleum resources	6,65	7,54
Construction	5,63	7,12
Metal industry	4,45	5,39
Food and beverages	4,25	4,43
Textiles	3,57	4,24
Chemical, plastic and pharmacy	2,93	2,90
Health	1,86	2,73
Logistic	1,37	0,97
Glass, Cement	0,06	0,66
Tourism	-	0,14
Other	18,49	15,59
	<b>100,00</b>	<b>100,00</b>

As at 31 December 2016, approximately 17% of factoring receivables consists of receivables from a risk group amounting to TL 498.613 (As at 31 December 2015, approximately 25% of factoring receivables consists of receivables from a risk group amounting to TL 483.868). 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 2016

(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, 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	
<b>31 December 2016</b>				
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 2016

(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 2015, details of exposure to credit risk based on categories of financial instruments are as follows:

	Factoring Receivables			Financial assets at fair value through profit or loss
	Related party	Other	Cash at banks	
<b>31 December 2015</b>				
Exposure to maximum credit risk as at reporting date (*)	40.846	1.904.391	5.616	3.989
- The portion of maximum risk covered by guarantee	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	40.846	1.904.711	5.616	3.989
- The portion covered by guarantee	-	-	-	-
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	-	220	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	5.497	-	-
- Overdue (gross carrying value)	-	36.640	-	-
- Impairment (-)	-	(31.143)	-	-
- 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 2016

(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 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	
	<b>2.999.399</b>	<b>3.073.708</b>	<b>2.046.081</b>	<b>975.336</b>	<b>52.291</b>	-
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			
	<b>2.858.532</b>	<b>2.881.305</b>	<b>2.688.616</b>	<b>171.143</b>	<b>20.946</b>	-

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 2016

(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 2015

<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						
Banks	5.616	5.616	5.616	-	-	-
Factoring receivables	1.945.777	1.981.127	1.396.652	560.255	24.220	-
	<b>1.951.393</b>	<b>1.986.743</b>	<b>1.402.268</b>	<b>560.255</b>	<b>24.220</b>	<b>-</b>
Non-derivative financial liabilities						
Factoring payables	2.150	2.150	2.150	-	-	-
Funds borrowed	1.589.656	1.596.845	1.340.113	231.916	24.816	-
Debt securities issued	281.602	293.220	75.223	217.997	-	-
	<b>1.873.408</b>	<b>1.892.215</b>	<b>1.417.486</b>	<b>449.913</b>	<b>24.816</b>	<b>-</b>

The Company makes payments based on contractual maturities.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2016 and 31 December 2015.

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	-	-	-

31 December 2015

<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	143.091	141.227	141.227	-	-	-
Derivative cash outflows	141.023	143.091	143.091	-	-	-

## İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016

(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 (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
<b>31 December 2016</b>							
<b>Financial Assets</b>							
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
<b>Financial liabilities</b>							
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	-	-	-	182.101	182.101	180.193	14
<b>31 December 2015</b>							
<b>Financial Assets</b>							
Banks	-	5.616	-	-	5.616	5.616	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4
- Financial assets held for trading	3.825	-	-	-	3.825	3.825	
- Derivative financial assets held for trading	164	-	-	-	164	164	4
Factoring receivables and non-performing factoring receivables	-	-	1.951.274	-	1.951.274	1.951.274	7
<b>Financial liabilities</b>							
Derivative financial liabilities held for trading	393	-	-	-	393	393	4
Factoring payables	-	-	-	2.150	2.150	2.150	7
Other payables	-	-	-	484	484	484	15
Funds borrowed	-	-	-	1.589.656	1.589.656	1.589.656	13
Debt securities issued	-	-	-	281.652	281.652	279.330	14

**AKİS**

BAĞIMSIZ DENETİM VE  
SERBEST MÜHÜRLEME VE  
MALİ MÜŞAVİRLİK A.Ş.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 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
<b>Total financial assets carried at fair value</b>	<b>17.771</b>	<b>40</b>	<b>-</b>	<b>17.811</b>
Derivative financial liabilities held for trading	-	23.637	-	23.637
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>23.637</b>	<b>-</b>	<b>23.637</b>
<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets held for trading	3.825	-	-	3.825
Derivative financial assets held for trading	-	164	-	164
Available-for-sale financial assets (*)	10.801	-	-	10.801
<b>Total financial assets carried at fair value</b>	<b>14.626</b>	<b>164</b>	<b>-</b>	<b>14.790</b>
Derivative financial liabilities held for trading	-	393	-	393
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>393</b>	<b>-</b>	<b>393</b>

(\*) As at 31 December 2016, securities that are not publicly traded amounting to TL 1.386 have been measured at cost (31 December 2015: TL 1.386)