QNB Finans Faktoring Anonim Şirketi

Financial statements as of December 31, 2020 together with independent auditors' report

(Convenience translation into English of financial statements as of December 31, 2020 and Independent Auditors' Report originally issued in Turkish, See Note 1.1)

Güney Bağımsız Denetim ve SMMM A. Ş.
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(Convenience translation into English of Independent Auditors' Report originally issued in Turkish)

Independent auditors' report

To the General Board of QNB Finans Faktoring Anonim Şirketi

A) Audit of the Financial Statements

1) Opinion

We have audited the balance sheet of QNB Finans Faktoring A.Ş. ("the Company") as at December 31, 2020 and the profit or loss statement, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of QNB Finans Faktoring A.Ş. as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Communiqué on "The Application of Uniform Charts of Accounts and its Guide Book In Connection to the Establishment and Main Activities of Finance Leasing, Factoring and Financing Companies and The Format of the Financial Statements for Public Presentation" published in the Official Gazette No: 28861 on December 24, 2013 and interpretations published by BRSA and Turkish Financial Reporting Standards ("IFRS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

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

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

(Convenience translation into English of Independent Auditors' Report originally issued in Turkish)

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring receivables	
Determining the adequacy of impairment allowance on factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment. The risk is that factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of BRSA. Accordingly, carrying amount of factoring receivables and customers might be greater than the estimated recoverable amounts, therefore the impairment test of these factoring receivables is a key audit matter. Refer Section 4 Note I-5 to the financial statements relating to the impairment of factoring receivables.	Our audit procedures included, among others, considering, assessing and testing the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired factoring receivables and advances and the required provisions against them. In addition we selected samples of factoring receivables and advances based on our judgement and considered whether there was objective evidence that impairment exists on these factoring receivables and advances. We also assessed whether impairment losses for factoring receivables and advances were reasonably determined in accordance with the requirements of BRSA.

4) Responsibilities of Management and Directors for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(Convenience translation into English of Independent Auditors' Report originally issued in Turkish)

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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

(Convenience translation into English of Independent Auditors' Report originally issued in Turkish)

B) Reports on independent auditor's responsibilities arising from other regulatory requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2020 are not in compliance with the code of the Company's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Emre Çelik.

Additional paragraph for convenience translation into English of financial statements as of December 31, 2020 and independent auditors' report originally issued in Turkish.

As explained in detail in Note 1.1 to the financial statements, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Emre Çelik, SMMM
Partner

January 27, 2021
Istanbul, Turkey

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

SECTION ONE

GENERAL INFORMATION

1. Organisation and principal activities

QNB Finans Faktoring A.Ş. ("The Company") was established on June 8, 2009 in Turkey, started its operations on October, 2009. The main business of the entity is to provide factoring services in and out of Turkey. QNB Finansbank A.Ş. is the owner of 99.99% of entity's shares.

The Company has 119 employees as of December 31, 2020 (December 31, 2019: 131).

The Company has 20 branches Osmanbey, Güneşli, Kıraç, Çorlu, Gebze, Pendik, Kozyatağı, Bursa, Ankara, İvedik, Eskişehir, Konya, Samsun, İzmir, Antalya, Denizli, Manisa, Gaziantep, Kayseri, Adana, Diyarbakır and Mersin. (December 31, 2019:22).

As of December 22, 2015, a share sales agreement has been signed between National Bank of Greece SA ("NBG") and Qatar National Bank ("QNB") regarding the sale of 99.81% of Finansbank Anonim Şirketi ("Finansbank") shares NBG owns at a price of EUR 2 billion 750 million. In June 15, 2016, share transfer carried out following the release of necessary legal permit from related countries and end of the process, principal shareholder of the Company is Finansbank and ultimate shareholder of the Company is QNB.

The Company is registered in Turkey and moved to the following address where it operates on May 25, 2015:

Esentepe Mah. Büyükdere Street Kristal Kule No:215 21th Floor ŞİŞLİ - İSTANBUL

The Company maintains its' operations mainly in one geographical region (Turkey).

The organizational structure of the company as of 31.12.2020 is as follows;

Position	Name	Assignment Date	Board Members Duty End Date	Mission Time
Chairman of the Board	Sinan Şahinbaş	26/03/2018	26/03/2021	3 Years
Board Member	Adnan Menderes Yayla	26/03/2018	26/03/2021	3 Years
Board Member	Bülent Yurdalan	26/03/2018	26/03/2021	3 Years
Board Member- General Manager	Nergis Ayvaz Bumedian	26/03/2018	26/03/2021	3 Years
Board Member	Erkin Aydın	26/03/2018	26/03/2021	3 Years
Board Member	Osman Ömür Tan	19/06/2019	26/03/2021	2 Years

SECTION TWO

FINANCIAL STATEMENTS

I. Balance Sheet (Statement of Financial Position)
II. Off Balance Sheet
III. Statement of Profit or Loss
IV. Statements of Profit or Loss And Other Comprehensive Income
V. Statement of Changes In Shareholders' Equity
VI. Statement of Cash Flow

(Convenience translation into English of financial statements originally prepared and issued in Turkish)

QNB Finans Faktoring A.Ş.
Balance sheet (Statement of financial position)
as of December 31, 2020
(Amounts expressed in thousands of Turkish Lira ("thousand TL") unless otherwise stated.)

I. BALANCE SHEET – ASSETS

	ASSETS	Section 4 Note I	THOUSAND TURKISH LIRA					
			Audited			Audited		
			Current Period (31 December 2020)			Prior Period (31 December 2019)		
			TL	FC	Total	TL	FC	Total
I.	CASH,CASH EQUIVALENTS and CENTRAL BANK	1	18,947	3,294	22,241	19	33,095	33,114
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	2	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL ASSETS	4	-	799	799	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	3	-	-	-	-	-	-
V.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		1,806,757	335,296	2,142,053	1,423,979	219,452	1,643,431
5.1	Factoring Receivables	5	1,795,342	335,296	2,130,638	1,417,478	219,452	1,636,930
5.1.1	Discounted Factoring Receivables (Net)		860,707	131,587	992,294	732,024	79,297	811,321
5.1.2	Other Factoring Receivables		934,635	203,709	1,138,344	685,454	140,155	825,609
5.2	Finance Loans		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Commercial Installment Loans		-	-	-	-	-	-
5.3	Lease Receivables(Net)		-	-	-	-	-	-
5.3.1	Financial Lease Receivables		-	-	-	-	-	-
5.3.2	Operating Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	Other Fınancial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5	Doubtful Receivables	6	76,938	2,870	79,808	75,416	2,119	77,535
5.6	Expected Credit Losses/Specific Provisions (-)	6	65,523	2,870	68,393	68,915	2,119	71,034
VI.	INVESTMENTS		2	-	2	2	-	2
6.1	Investments in Associates (Net)		2	-	2	2	-	2
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	8	5,169	-	5,169	4,893	-	4,893
VIII.	INTANGIBLE ASSETS (Net)	9	6,704	-	6,704	7,589	-	7,589
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS		-	-	-	-	-	-
XI.	DEFERRED TAX ASSETS	11	18,453	-	18,453	18,719	-	18,719
XII.	OTHER ASSETS	12	4,829	191	5,020	3,643	115	3,758
	SUBTOTAL		1,860,861	339,580	2,200,441	1,458,844	252,662	1,711,506
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		6,125	-	6,125	-	-	-
13.1	Held for sale purpose		6,125	-	6,125	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		1,866,986	339,580	2,206,566	1,458,844	252,662	1,711,506

The accompanying notes are integral part of these financial statements.

(Convenience translation into English of financial statements originally prepared and issued in Turkish)

QNB Finans Faktoring A.Ş.
Balance sheet (Statement of financial position)
as of December 31, 2020
(Amounts expressed in thousands of Turkish Lira (“thousand TL”) unless otherwise stated.)

I. BALANCE SHEET – LIABILITIES

	LIABILITIES	Section 4 Note II	THOUSAND TURKISH LIRA					
			Audited			Audited		
			Current Period (31 December 2020)			Prior Period (31 December 2019)		
			TL	FC	Total	TL	FC	Total
I.	**FUNDS BORROWED**	**1**	**1,314,835**	**336,369**	**1,651,204**	**1,103,013**	**246,393**	**1,349,406**
II.	**FACTORING PAYABLES**		**645**	**137**	**782**	**1,962**	**103**	**2,065**
III.	**LEASING TRANSACTIONS PAYABLES (Net)**		**4,061**	**196**	**4,257**	**3,239**	**1,113**	**4,352**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2**	**320,568**	**-**	**320,568**	**164,116**	**-**	**164,116**
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS**		-	-	-	**-**	**-**	**-**
VI.	**DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	**-**	**-**	**-**
VII.	**PROVISIONS**	**6**	**7,099**	**-**	**7,099**	**5,610**	**-**	**5,610**
7.1	Restructuring Provision		-	-	-	-	-	-
7.2	Employee Benefits Obligation Provision		6,812	-	6,812	5,598	-	5,598
7.3	General Provision		-	-	-	-	-	-
7.4	Other Provisions		287	-	287	12	-	12
VIII.	**CURRENT TAX LIABILITY**	**5**	**4,228**	**-**	**4,228**	**2,005**	**-**	**2,005**
IX.	**DEFERRED TAX LIABILITY**		-	-	-	**-**	**-**	**-**
X.	**LOANS**		-	-	-	**-**	**-**	**-**
XI.	**OTHER LIABILITIES**	**3-4**	**4,837**	**428**	**5,265**	**2,920**	**301**	**3,221**
	SUBTOTAL		**1,656,273**	**337,130**	**1,993,403**	**1,282,865**	**247,910**	**1,530,775**
XII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
12.1	Held for sale purpose		-	-	-	-	-	-
12.2	Held from terminated operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS’ EQUITY**		**213,163**	**-**	**213,163**	**180,731**	**-**	**180,731**
13.1	Paid-in Capital	7	65,000	-	65,000	65,000	-	65,000
13.2	Capital Reserves		**-**	**-**	**-**	-	-	-
13.2.1	Share Premiums		**-**	**-**	**-**	-	-	-
13.2.2	Share Cancellation Profits		**-**	**-**	**-**	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Other Comprehensive Income or Expenses that Will Not Be Reclassified in Profit or Loss		(894)	-	(894)	(636)	-	(636)
13.4	Other Comprehensive Income or Expenses that Will Be Reclassified in Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves	8	6,460	-	6,460	4,046	-	4,046
13.5.1	Legal Reserves		6,460	-	6,460	4,046	-	4,046
13.5.2	Status Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		142,597	-	142,597	112,321	-	112,321
13.6.1	Previous Years Profit or Loss		109,907	-	109,907	64,033	-	64,033
13.6.2	Period Net Profit or Loss		32,690	-	32,690	48,288	-	48,288
	TOTAL LIABILITIES		**1,869,436**	**337,130**	**2,206,566**	**1,463,596**	**247,910**	**1,711,506**

The accompanying notes are integral part of these financial statements.

(Convenience translation into English of financial statements originally prepared and issued in Turkish)

QNB Finans Faktoring A.Ş.
Off-Balance sheet (Statement of financial position)
as of December 31, 2020
(Amounts expressed in thousands of Turkish Lira (“thousand TL”) unless otherwise stated.)

II. OFF-BALANCE SHEET

			THOUSAND TURKISH LIRA					
			AUDITED			AUDITED		
	OFF-BALANCE SHEET ITEMS	Section 4	CURRENT PERIOD (31/12/2020)			PRIOR PERIOD (31/12/2019)		
		Note I	TL	FC	Total	TL	FC	Total
I.	**RECOURSE FACTORING TRANSACTIONS**		**8,886**	**81,593**	**90,479**	**12,741**	**42,045**	**54,786**
II.	**NON-RECOURSE FACTORING TRANSACTIONS**		**453,640**	**37,804**	**491,444**	**412,926**	**18,967**	**431,893**
III.	**GUARANTEES RECEIVED**		**44,482,268**	**5,086,229**	**49,568,497**	**34,552,490**	**3,615,813**	**38,168,303**
IV.	**GUARANTEES GIVEN**		**312,862**	**-**	**312,862**	**86,743**	**-**	**86,743**
V.	**COMMITMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1	Operating Lease Commitments		-	-	-	-	-	-
5.2.2	Other revocable commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**4**	**-**	**52,141**	**52,141**	**-**	**-**	**-**
6.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
6.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
6.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
6.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
6.2	Trading Transactions		-	52,141	52,141	-	-	-
6.2.1	Forward buy/sell transactions		-	-	-	-	-	-
6.2.2	Swap buy/sell transactions		-	52,141	52,141	-	-	-
6.2.3	Optional buy/sell transactions		-	-	-	-	-	-
6.2.4	Futures buy/sell transactions		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**990,511**	**165,829**	**1,156,340**	**871,144**	**122,421**	**993,565**
	TOTAL OFF BALANCE SHEET COMMITMENTS		**46,248,167**	**5,423,596**	**51,671,763**	**35,936,044**	**3,799,246**	**39,735,290**

The accompanying notes are integral part of these financial statements.

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

III. STATEMENT OF PROFIT OR LOSS

			THOUSANDS OF TURKISH LIRA	
			AUDITED	AUDITED
	INCOME STATEMENT	Section 4 Part III	CURRENT PERIOD (1/1-31/12/2020)	PRIOR PERIOD (1/1-31/12/2019)
I.	**OPERATING INCOME**	**1**	**231,107**	**270,375**
	FACTORING INCOME		**231,107**	**270,375**
1.1	Interest Income on Factoring Receivables		216,682	253,979
1.1.1	Discounted		123,960	150,988
1.1.2	Other		92,722	102,991
1.2	Fees and Commissions Income from Factoring Receivables		14,425	16,396
1.2.1	Discounted		5,811	6,629
1.2.2	Other		8,614	9,767
	FINANCE LOANS INCOME		**-**	-
1.3	Interest Income From Finance Loans		-	-
1.4	Fees and Commissions From Finance Loans		-	-
	FINANCE LEASE INCOME		**-**	**-**
1.5	Finance Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from the Leasing Transactions		-	-
II.	**FINANCIAL EXPENSES (-)**	**4**	**(150,984)**	**(167,683)**
2.1	Interest Expense From Funds Borrowed		(124,900)	(127,606)
2.2	Interest Expense From Factoring Payables		-	-
2.3	Interest Expense of Finance Lease Expenses		(408)	(500)
2.4	Interest Expense From Securities Issued		(20,142)	(33,032)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(5,534)	(6,545)
III.	**GROSS PROFIT/LOSS (I+II)**		**80,123**	**102,692**
IV.	**OPERATING EXPENSES (-)**	**2**	**(42,582)**	**(39,924)**
4.1	Personnel Expenses		(28,521)	(25,614)
4.2	Employee Severance Indemnity Expense		(447)	(339)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(13,374)	(13,791)
4.5	Other		(240)	(180)
V.	**GROSS OPERATING PROFIT/LOSS (III+IV)**		**37,541**	**62,768**
VI.	**OTHER OPERATING INCOME**	**3**	**37,882**	**39,754**
6.1	Interest Income From Bank Deposits		1,344	577
6.2	Interest Income From Securities Portfolio		-	-
6.3	Dividend Income		-	-
6.4	Trading Account Income		-	-
6.5	Income From Derivative Financial Instruments		10	1,993
6.6	Foreign Exchange Gains		26,112	21,197
6.7	Other		10,416	15,987
VII.	**EXPENSES**		**(7,024)**	**(19,127)**
7.1	Spesific Provisions		(7,024)	(19,127)
7.2	Allowances for Expected Credit Loss		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**5**	**(24,016)**	**(21,456)**
8.1	Impairment Losses From Securities Portfolio		-	-
8.2	Impairment Losses From Non-Current Assets		-	-
8.3	Trading Account Loss		-	-
8.4	Loss From Derivative Financial Instruments		(189)	-
8.5	Foreign Exchange Loss		(23,824)	(21,456)
8.6	Other		(3)	-
IX.	**NET OPERATING PROFIT/LOSS (V+…+VIII)**		**44,383**	**61,939**
X.	**INCOME RESULTED FROM MERGER**		-	**-**
XI.	**PROFIT/LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD**		-	**-**
XII.	**GAIN/LOSS ON NET MONETARY POSITION**		-	**-**
XIII.	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)**		**44,383**	**61,939**
XIV.	**INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)**	**6**	**(11,693)**	**(13,651)**
14.1	Current Tax Charge		(11,590)	(9,902)
14.2	Deferred Tax Charge (+)		(1,823)	(3,749)
14.3	Deferred Tax Benefit (-)		1,720	-
XV.	**NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)**		**32,690**	**48,288**
XVI.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
16.1	Income from Assets Held for Sale		-	-
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
16.3	Other Income from Discontinued Operations		-	-
XVII.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
17.3	Other Expenses from Discontinued Operations		-	-
XVIII.	**PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)**		**-**	**-**
XIX.	**INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)**		**-**	**-**
19.1	Current Tax Charge		-	-
19.2	Deferred Tax Charge (+)		-	-
19.3	Deferred Tax Benefit (-)		-	-
XX.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)**		**-**	**-**
XXI.	**NET PROFIT/LOSS FOR THE PERIOD (XV+XX)**		**32,690**	**48,288**
	Profit/Loss Per Share		-	-

The accompanying notes are integral part of these financial statements.

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	PROFIT OR LOSS ITEMS	Note	THOUSAND TURKISH LIRA	
			Audited	Audited
			CURRENT PERIOD (1/1-31/12/2020)	PRIOR PERIOD (1/1-31/12/2019)
I.	**PERIOD INCOME/LOSS**		**32,690**	**48,288**
II.	**OTHER COMPREHENSIVE INCOME**		**(258)**	**(234)**
2.1	**Items that will not be reclassified to profit or loss**		**(258)**	**(234)**
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans		(302)	(300)
2.1.4	Other items that will not be reclassified to profit or loss		-	-
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		44	66
2.2	**ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS**		-	-
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**32,432**	**48,054**

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

V. STATEMENT OF CHANGES IN EQUITY

CHANGE IN EQUITY ITEMS	Notes	Paid in capital	Share premium	Share cancellation profits	Other capital reserves	Change in Accumulated revaluation of fixed assets	Accumulated remeasurement gain / loss of defined benefit pension plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss	Foreign Currency Translition Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss	Profit reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Non-controlling interests	Total Shareholders Equity
PRIOR PERIOD (31/12/2019) (Audited)																		
Balances at the beginning period	7	**65,000**	-	-	-	-	**(402)**	-	-	-	-	-	-	**2,235**	**29,617**	**36,227**	-	**132,677**
Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balances		**65,000**	-	-	-	-	**(402)**	-	-	-	-	-	-	**2,235**	**29,617**	**36,227**	-	**132,677**
Total Comprehensive Income		-	-	-	-	-	(234)	-	-	-	-	-	-	-	-	-	-	(234)
Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Increase Through Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated loan		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease due to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,288	-	48,288
Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	1,811	34,416	(36,227)	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	1,811	34,416	(36,227)	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of period		**65,000**	-	-	-	-	**(636)**	-	-	-	-	-	-	**4,046**	**64,033**	**48,288**	-	**180,731**
CURRENT PERIOD (31/12/2020) (Audited)																		
Balances at the beginning period	7	**65,000**	-	-	-	-	**(636)**	-	-	-	-	-	-	**4,046**	**64,033**	**48,288**	-	**180,731**
Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balances		**65,000**	-	-	-	-	**(636)**	-	-	-	-	-	-	**4,046**	**64,033**	**48,288**	-	**180,731**
Total Comprehensive Income		-	-	-	-	-	(258)	-	-	-	-	-	-	-	-	-	-	(258)
Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Increase Through Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated loan		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease due to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,690	-	**32,690**
Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	**2,414**	**45,874**	**(48,288)**	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	2,414	45,874	(48,288)	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of period		**65,000**	-	-	-	-	**(894)**	-	-	-	-	-	-	**6,460**	**109,907**	**32,690**	-	**213,163**

The accompanying notes are integral part of these financial statements.

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

VI. STATEMENT OF CASH FLOWS

			THOUSAND TURKISH LIRA	
			AUDITED	AUDITED
		Note	CURRENT PERIOD (1/1-31/12/2020)	PRIOR PERIOD (1/1-31/12/2019)
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating profit before changes in operating assets and liabilities**		**30,392**	**46,554**
1.1.1	Interest received/leasing income		218,026	254,556
1.1.2	Interest paid / Leasing Expenses		(150,984)	(167,683)
1.1.3	Leasing Expenses		-	-
1.1.4	Dividends received		-	-
1.1.5	Fees and commissions received	III.1	14,425	16,396
1.1.6	Other income		-	-
1.1.7	Collections from previously written off doubtful receivables		10,416	15,987
1.1.8	Payments to personnel and service suppliers		(42,582)	(39,924)
1.1.9	Taxes paid		(11,693)	(13,651)
1.1.10	Other		(7,216)	(19,127)
1.2	**Changes in operating assets and liabilities**		**(194,499)**	**93,618**
1.2.1	Net (increase) decrease in factoring receivables		(498,622)	(427,941)
1.2.1	Net (increase) decrease in finance loans		-	-
1.2.1	Net (increase) decrease in lease receivables		-	-
1.2.2	Net (increase) decrease in other assets		(1,795)	(4,233)
1.2.3	Net increase (decrease) in factoring payables		(1,541)	(1,656)
1.2.3	Net increase (decrease) in lease payables		(95)	-
1.2.4	Net increase (decrease) in funds borrowed		301,798	531,667
1.2.5	Net increase (decrease) in due payables		-	-
1.2.6	Net increase (decrease) in other liabilities		5,756	(4,219)
I.	**Net Cash Used in Operating Activities**		**(164,107)**	**140,172**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	I.13	(6,125)	-
2.4	Disposals of Property and Equipment		-	-
2.5	Purchase of Investments Available-for-sale		-	-
2.6	Sale of Investments Available-for-sale		-	-
2.7	Purchase of Investment Securities Held to Maturity		-	-
2.8	Sale of Investment Securities Held to Maturity		-	-
2.9	Other		609	6,170
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(5,516)**	**6,170**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		320,568	164,116
3.2	Cash used for repayment of funds borrowed and securities issued		(164,116)	(282,946)
3.3	Issued capital instruments		-	-
3.4	Dividends paid		-	
3.5	Payments for finance leases		-	-
3.6	Other		-	-
III.	**Net Cash (Used in)/Provided from Financing Activities**		**156,452**	**(118,830)**
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**2,298**	**1,734**
V.	**Net increase / (decrease) in cash and cash equivalents**		**(10,873)**	**29,246**
VI.	**Cash and cash equivalents at beginning of the period**	I.1	**33,114**	**3,868**
VII.	**Cash and cash equivalents at end of the period**	I.1	**22,241**	**33,114**

The accompanying notes are integral part of these financial statements.

QNB Finans Faktoring A.Ş.
Profit distribution table
for the period ended December 31, 2020
(Amounts expressed in thousands of Turkish Lira ("thousand TL") unless otherwise stated.)

VII. STATEMENT OF PROFIT DISRTIBUTION

			THOUSAND TURKISH LIRA	
			AUDITED	AUDITED
		Note	CURRENT YEAR (31/12/2020)	PRIOR PERIOD (31/12/2019)
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT (*)**			
1.1	CURRENT PERIOD PROFIT		44,983	61,939
1.2	TAXES AND DUES PAYABLE (-)		11,693	13,651
1.2.1	Corporate Tax (Income Tax)		11,590	9,902
1.2.2	Withholding Tax		-	-
1.2.3	Other taxes and dues (**)		(103)	(3,749)
			-	-
A.	**NET PERIOD PROFIT (1.1-1.2)**		**32,690**	**48,288**
			-	-
1.3	PRIOR YEARS LOSSES (-)		-	-
1.4	FIRST LEGAL RESERVE (-) (-)		-	-
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)		-	-
B.	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**		**-**	**-**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1	To Owners of Ordinary Shares		-	-
1.6.2	To Owners of Preferred Stocks		-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)		-	-
1.6.4	To Profit Sharing Bonds		-	-
1.6.5	To Owners of the profit /loss Sharing Certificates		-	-
1.7	DIVIDENS TO PERSONNEL (-)		-	-
1.8	DIVIDENS TO BOARD OF DIRECTORS (-)		-	-
1.9	SECOND DIVIDENS TO SHAREHOLDERS (-)		-	-
1.9.1	To Owners of Ordinary Shares		-	-
1.9.2	To Owners of Preferred Stocks		-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)		-	-
1.9.4	To Profit Sharing Bonds		-	-
1.9.5	To Owners of the profit /loss Sharing Certificates		-	-
1.10	SECOND LEGAL RESERVES (-)		-	-
1.11	STATUS RESERVES (-)		-	-
1.12	EXTRAORDINARY RESERVES		-	-
1.13	OTHER RESERVES		-	-
1.14	SPECIAL FUNDS		-	-
II.	**DISTRIBUTION FROM RESERVES**		-	-
2.1	DISTRIBUTED RESERVES		-	-
2.2	SECOND LEGAL RESERVES (-)		-	-
2.3	SHARE TO SHAREHOLDERS (-)		-	-
2.3.1	To Owners of Ordinary Shares		-	-
2.3.2	To Owners of Preferred Stocks		-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)		-	-
2.3.4	To Profit Sharing Bonds		-	-
2.3.5	To Owners of the profit /loss Sharing Certificates		-	-
2.4	SHARE TO PERSONNEL (-)		-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)		-	-
III.	**EARNINGS PER SHARE**		-	-
3.1	TO OWNERS OF STOCKS		-	-
3.2	TO OWNERS OF STOCKS (%)		-	-
3.3	TO OWNERS OF PREFERRED STOCKS		-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)		-	-
IV.	**DIVIDEND PER SHARE**		-	-
4.1	TO OWNERS OF STOCKS		-	-
4.2	TO OWNERS OF STOCKS (%)		-	-
4.3	TO OWNERS OF PREFERRED STOCKS		-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)		-	-

(*) The decision regarding distribute profit for 2020 will be made at the General Assembly meeting. The General Assembly meeting has not been held as of the report date.

(**) Deferred tax expense is not subject to profit distribution.

SECTION THREE

ACCOUNTING PRINCIPLES

1. Basis of preparation of the financial statements

1.1. Basis of Presentation

The Company maintains its books of account in accordance with the Communiqué on “The Application of Uniform Charts of Accounts and its Guide Book In Connection to the Establishment and Main Activities of Finance Leasing, Factoring and Financing Companies and The Format of the Financial Statements for Public Presentation” published in the Official Gazette No: 28861 on December 24, 2013. The Company maintains its books of account in accordance with the Turkish Accounting Standards applying the disclosures of Banking Regulations and Supervision Agency(“BRSA”) and “BRSA Accounting and Financial Reporting Regulations”. As of December 31, 2018 financial statements are presented in new financial statement format in accordance with “regulation on amendments related to regulation on accounting applications and financial statements of financial leasing, factoring and financing companies” published by BRSA on February 1, 2019.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Authorization of financial statements:

The Board of Directors has approved the publication of financial statements of the Company on January 27, 2021. The General Assembly has the authority to modify the financial statements.

Additional paragraph for convenience translation into English

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

1.1.1 Functional Currency

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. Financial position and the results of operations of the Company have been presented in Turkish Lira (“TL”) the current currency of the company.

1. Basis of preparation of the financial statements (continued)

1.1.2 Clarification/Offsetting

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

1.1.3 Going Concern

The financial statements have been prepared based on the going concern assumption.

<u>Comparatives and restatement of prior year financial statements</u>

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation or reclassification of the financial statements.

1.1.4 Significant Estimations and Assumptions

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. As of December 31, 2020, Company Management believes that the effects of current situation is not material to the Financial statements. Also, current estimations and assumptions will be reviewed in the following periods.

1.2 Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

1.3 Changes in Accounting Estimates and Errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

1.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

1. Basis of preparation of the financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

1. Basis of preparation of the financial statements (continued)

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.
The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

1. Basis of preparation of the financial statements (continued)

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

1. Basis of preparation of the financial statements (continued)

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

1. Basis of preparation of the financial statements (continued)

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

2. Applied valuation principles / accounting policies

Significant valuation principles and accounting policies that are used to prepare financial statement are as follows:

a. Revenue:

Factoring service income is composed of collected and accrued interest income and commission income earned from advance payments made to customers.

Factoring commission income is composed of a certain percentage amount which is received on the value of invoices subject to factoring transactions or the prepayment.

All of the income and expenses are recognized with accrual basis accounting.

b. Property, plant and equipment:

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are depreciated principally on a straight-line basis considering the expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenses for the maintenance of property, plant and equipment are normally recorded in profit and loss statement. Gain or loss arising on the disposal or retirement of an item of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

2. Applied valuation principles / accounting policies (continued)

Estimated useful life of the assets as follows:

	Year
Furniture and Fixtures	5
Leasehold Improvements	5-10

c. Intangible Assets:

Computer Software

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.

Useful lives of intangible assets are as follows:

	Year
Computer Software	1-15

d. Impairment of Assets:

If there are events or situations which the book value of assets subject to amortization may not be recoverable, the impairment test is applied. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash generating unit). At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not.

e. Borrowing Costs:

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

f. Financial Instruments:

Financial assets and liabilities are recognized in balance sheet as long as the company is legally involved in particular financial instruments..

Financial Assets

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

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', '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.

2. Applied valuation principles / accounting policies (continued)

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 appropriates a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated as at fair value through profit or loss.

Factoring receivables and other receivables

Factoring receivables represent financial assets created through financing of debtors. Factoring receivables are first recognized at their acquisition cost and then valued at their costs discounted using the effective interest rate method.

The factoring receivables provision for the impairment of investments in factoring is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with the BRSA's "Communiqué on the Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Financing Companies" ("Provisions Communiqué") which was published in the Official Gazette No. 28861 of December 24, 2013.

The Company calculates and recognitions losses or expected losses about its receivables in accordance with the "Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies" dated December 24, 2013 and numbered 28861.

According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized factoring receivables overdue for 90 to 180 days, minimum 50% for collateralized factoring receivables overdue for 180 to 360 days, and 100% for collateralized factoring receivables overdue for more than 1 year.

By taking into account all data concerning the credibility level of debtors and the principles of reliability and prudence, the Company also creates specific provisions for receivables without including collaterals, even if they are collected when due or are not overdue beyond the time limits given.

The Communiqué on Provisions states, but not requires, that a general provision, not directly related to any specific transaction, may be created for potential, unmeasured losses associated with any principal or interest or both that are not overdue or are overdue for less than ninety days. The Company creates general provisions for its factoring receivables that have not yet become doubtful.

Receivables that cannot be collected, whether in whole or in part, are written off only after the relevant debtor is ruled insolvent by a court of competent jurisdiction. Once a receivable is written off, the provision created for the receivable is reversed and the receivable is removed from assets. Any account receivable written off in any previous year but later collected is recognized as income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. As of December 31, 2020, the Company follows their derivative financial instruments under this account. Dividends related to shares that are classified in this company are recognized in the income statement when the entity has the right to use dividend.

As at balance sheet date, the details of financial assets at fair value through profit or loss are given in Note 4.

2. Applied valuation principles / accounting policies (continued)

Impairment on Financial Asset

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For loans and receivables, the amount of the 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.

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

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

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand; demand deposits and other short-term highly liquid investments which their original maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of these assets approximates their fair 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 instruments. 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 fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in 'other gains/losses' line in the statement of comprehensive income.

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

2. Applied valuation principles / accounting policies (continued)

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 and the interest expense recognized on an effective yield basis.

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

g. Business Combinations:

None.

h. Foreign Currency Transactions:

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. Financial position and the results of operations of the Company are expressed in TL.

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

	December 31, 2020	December 31, 2019
USD	**7.3405**	5.9402
EUR	**9.0079**	6.6506

In preparing 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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. Foreign currency exchange differences of monetary items and collection and disbursement of foreign currency exchange gains and losses resulting from the profit or loss are included in the income statement..

ı. Earnings per Share:

In accordance with TAS 33 "Earnings per Share", companies whose shares are not traded on the stock exchange are not obliged to disclose earnings per share.

i. Subsequent Events:

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

2. Applied valuation principles / accounting policies (continued)

j. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

k. Finance Lease:

Lease - The Company as Lessee

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 lesser 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. Finance costs are charged to the profit or loss in accordance with the Company's general policy on borrowing costs as detailed above. The entity has no financial lease debts.

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

l. Related Parties:

Shareholding, contractual rights and institutions which can control or significantly affect directly or indirectly the other side with family relations , are defined as related party. Shareholders and company management are also included to related parties. Related party transactions include the assets and liabilities between related parties as the transfer price or free.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. Applied valuation principles / accounting policies (continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

m. ***<u>Segment Reporting:</u>***

The segment disclosure as per IFRS 8 is not presented since the Company's borrowing instruments or financial instruments based on equity are not traded on the stock exchange or other organized markets.

n. ***<u>Taxation on Income:</u>***

Income tax expense represents the sum of the current tax and deferred tax payable.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

<u>Deferred Tax</u>

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. Applied valuation principles / accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination.

o. <u>Employee Benefits/ Retirement Pay Provision:</u>

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "reserve for employment termination benefits" account in the balance sheet.

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. Provision of employee termination benefits are calculated over the present value of probable liability under the law by using actuarial estimates and recognized in financial statements (Section 4 Note II-6). The actuarial gains or losses occured after January 1, 2013 are accounted under equity in accordance with the revised IAS 19 standard.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

ö. <u>Statement of Cash Flows:</u>

In statement of cash flows, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities are those resulting from factoring operations of the Company.

Cash flows from investing activities indicate cash inflows and outflows resulting from fixed asset and financial investments.

Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

2. Applied valuation principles / accounting policies (continued)

Cash and cash equivalents comprise cash on hand and demand deposits with original maturities of 3 months or 3 months from the date of purchase, with less risk of significant value change readily convertible to cash and other short-term highly liquid investments.

Critical accounting assessments, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions affecting the assets and liabilities disclosed in the balance sheet, or the contingent assets and liabilities, and the income and expenses reported to have been incurred during the period involved. Although based on the best estimates and knowledge of the Company's Management, the actual results may differ from these estimates.

Critical assessments, estimates and assumptions that would significantly affect both the accompanying financial statements and the carrying amounts of recognized assets and liabilities in the next period include:

Recognition of deferred tax assets**;** Deferred income tax assets are classified to the extent that the related tax benefit is probable. The amount of profits that may be taxed in the future and the amount of prospective tax benefits are based on the medium term business plan prepared by the Company's Management and the extrapolated estimates made thereafter. The Company calculates deferred tax on its non performing loan receivable portfolio, which is included in the tax base of the Company, assuming that these receivables will be taxable through future collection and / or sale**.** The business plan is based on Management expectations regarded as reasonable under the circumstances. As of December 31, 2020, the Company's total deferred tax assets is TL 18,453 (Deferred tax assets on December 31, 2019: TL 18,719).

Impairment of factoring receivables; The assumptions and methods used to estimate the timing and volume of prospective cash flows from factoring receivables are frequently reviewed in order to resolve any differences between estimated impairment of factoring receivables and actual losses incurred. The Company has booked a provision of TL 68,393 for impaired factoring receivables (December 31, 2019: TL 71,034) (Section 4 Note I-5).

Provision of the employee termination benefit; has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IFRS requires entities to develop actuarial valuation methods to estimate the provision required for termination benefits. Using the assumptions in the calculation of the total liability as of December 31, 2020, provision has been recognized amounting to TL 2,518 (December 31, 2019: TL 1,769).

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

SECTION FOUR

I. Disclosures and footnotes on the balance sheet's active accounts

1. Cash,cash equivalents and central bank

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Banks	**18,947**	**3,294**	19	33,095
Demand Deposit	18,947	3,294	19	33,095
Time Deposit	-	-	-	-
	18,947	**3,294**	19	33,095

The Company has no time deposit as of December 31, 2020 (December 31, 2019: None).

As of December 31, 2020, the Company has demand deposit with total amount of TL 2,178 (TL 13 Turkish Lira and TL 2,165 foreign currency) at QNB Finansbank A.Ş which is related party of the Company.(As of December 31, 2019, the Company has demand deposit with total amount of TL 32,528 (TL 8 Turkish Lira and TL 32,520 foreign currency) at QNB Finansbank A.Ş which is related party of the Company.There is no lien or restriction on the Company's bank deposits. The details of all related party transactions of the Company is given at Section 4- Footnote I-7.

The reconciliation of the amounts of cash and cash equivalents in balance sheet and presented in the statement of cash flows:

	December 31, 2020	December 31, 2019
Cash and Cash Equivalents		
Demand Deposit	**22,241**	33,114
Time Deposit (1-3 months)	-	-
	22,241	33,114

2. Financial Assets at Fair Value Through Profit/Loss

None (December 31, 2019: None).

3. Financial assets at fair value through other comprehensive income

None (December 31, 2019: None).

4. Derivative Financial Assets/Liabilities

As of 31 December 2020, the company has total value of the swaps is 52,141 TL, the fair value of the positive value is 799 TL. (As of December 31, 2019: None)

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

5. Factoring receivables

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Domestic factoring receivables	**1,833,513**	**304,710**	1,443,217	166,846
Import and export factoring receivables	**-**	**32,594**	-	53,752
Unearned interest income	**(38,171)**	**(2,008)**	(25,739)	(1,146)
	1,795,342	**335,296**	1,417,478	219,452

Unearned interest income represents revenues collected in advance, calculated on the basis of the maturities of factoring receivables.

Factoring transactions are classified as follows:

	December 31, 2020	December 31, 2019
Domestic revocable	**1,537,341**	1,176,852
Domestic irrevocable	**560,704**	406,327
Foreign revocable	**6,693**	7,368
Foreign irrevocable	**25,900**	46,383
	2,130,638	1,636,930

As of December 31, 2020, the total amount of postdate cheques and bills received by the Company against its factoring receivables is TL 1,156,340 (December 31, 2019: TL 993,565). These cheques and bills are classified in off-balance sheet accounts.

	December 31, 2020	December 31, 2019
Factoring Receivables:		
Fixed Rate	**1,573,845**	1,095,073
Floating Rate	**556,793**	541,857
	2,130,638	1,636,930

Breakdown of factoring receivables by maturity:

	December 31, 2020	December 31, 2019
0-30 days	**655,086**	441,942
30-90 days	**870,077**	726,261
90-180 days	**487,043**	363,517
180-360 days	**104,871**	72,990
1 year and over	**13,561**	32,220
	2,130,638	1,636,930

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

5. Factoring receivables (continued)

Factoring receivables are analysed as follows:

	December 31, 2020	December 31, 2019
Neither overdue nor impaired	**2,121,961**	1,636,314
Overdue, but not impaired	**8,677**	616
Impaired	**79,808**	77,535
Total	**2,210,446**	1,714,465
(Less): Provision for impairment	**68,393**	71,034
Factoring receivables and doubtful receivables (net)	**2,142,053**	1,643,431

The Company's guarantees for factoring receivables which are as follows. To calculate the amount of guarantees, only the portion corresponding to the amount of the receivables taken into account in case of the amount of the guarantee exceeds the receivable amount:

Guarantees Received:	**December 31, 2020**	December 31, 2019
Notes	**2,039,448**	1,520,288
Pledges	**102,605**	123,143
	2,142,053	1,643,431

6. Doubtful receivables

	December 31, 2020	December 31, 2019
Doubtful factoring receivables	**79,808**	77,535
Specific provisions	**(68,393)**	(71,034)
	11,415	6,501

Aging of doubtful factoring receivables as at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
90 – 180 days	**16,966**	9,611
180 – 360 days	**939**	3,998
1 year and over	**61,903**	63,926
	79,808	77,535

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

6. Doubtful receivables (continued)

The movement of specific provision for doubtful factoring receivables is as follows:

	January 1 – December 31, 2020	January 1 – December 31, 2019
Balance as at January 1	**(71,034)**	(67,829)
Provision booked during the period	**(7,024)**	(19,127)
Collections	**10,416**	15,987
Currency difference	**(751)**	(65)
Balance at December 31	**(68,393)**	(71,034)

7. Related party transactions

<u>Funds borrowed from related parties</u>

<u>QNB Finansbank A.Ş.</u>

Currency Type	**Interest Rate**	**Maturity**	**December 31, 2020**
EUR	**%3.15**	**1 Feb 2021**	**55,893**
EUR	**%3.41**	**31 March 2021**	**11,710**
EUR	**%2.36**	**31 March 2021**	**6,756**
TL	**%20.48**	**4 Jan 2021**	**50,114**
TL	**%18.90**	**31 March 2021**	**37,435**
USD	**%3.94**	**31 March 2021**	**57,256**
USD	**%4.46**	**31 March 2021**	**14,681**
USD	**%3.68**	**12 Jan 2021**	**8,907**
USD	**%3.68**	**10 Feb 2021**	**7,400**
			250,152

<u>QNB Finansbank A.Ş.</u>

Currency Type	Interest Rate	Maturity	December 31, 2019
TL	15.12%	25 Sep 20	72,704
TL	14.70%	1 Apr 20	67,372
TL	11.81%	31 Mar 20	22,805
			162,881

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

7. Related party transactions (continued)

Deposits held on Related Parties

	December 31, 2020	December 31, 2019
QNB Finansbank A.Ş.Demand Deposit	**2,178**	32,528
	2,178	32,528

The Company has no time deposits with related parties as of December 31, 2020 (December 31, 2019: None).

	January 1 – December 31, 2020	January 1 - December 31, 2019
Interest Income from related parties		
QNB Finansbank A.Ş.	**22**	228
	22	228
Financing Expenses		
QNB Finansbank A.Ş.	**(20,045)**	(25,234)
QNB Finansbank A.Ş. (TFRS16)	**(179)**	(215)
	(20,224)	(25,449)

	January 1 – December 31, 2020	January 1 - December 31, 2019
General Administrative Expenses		
QNB Finansbank A.Ş.	**(3,651)**	(3,433)
IBTECH Uluslararası Bil. Ve İlt. Tekn. Ar. Ge. Dan. Des. San.	**(68)**	(72)
Cigna Finans Emeklilik ve Hayat A.Ş.	**(13)**	(13)
Efinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	**(9)**	(7)
QNB Finans Yatırım Menkul Değerler A.Ş.	**(957)**	(1,182)
	(4,698)	(4,707)
Benefits provided to Top Management	**5,141**	3,607
Short term Benefits(*)	**5,141**	3,607

(*) Top Management consists of general manager, assistant general managers and directors.

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

8. Property, plant and equipment

Depreciation expense is recognized under operating expenses in the statement of profit or loss (Section 4-Footnote I-1).

	Furniture and fixtures	Leasehold improvements	Land (**)	Rights of Use(*)	Total
Cost					
Opening Balance	**1,352**	**150**	**125**	**6,456**	**8,083**
Additions	**629**	**181**	**-**	**4,774**	**5,584**
Disposals(*)	**(1)**	**(42)**	**(125)**	**(4,377)**	**(4,545)**
Closing Balance, December 31, 2020	**1,980**	**289**	**-**	**6,853**	**9,122**
Accumulated Depreciation					
Opening Balance	**(765)**	**(78)**	**-**	**(2,347)**	**(3,190)**
Change for the period	**(309)**	**(37)**	**-**	**(4,698)**	**(5,044)**
Disposals(*)	**1**	**42**	**-**	**4,238**	**4,281**
Closing Balance, December 31, 2020	**(1,073)**	**(73)**	**-**	**(2,807)**	**(3,953)**
Net book value as of December 31, 2020	**907**	**216**	**-**	**4,046**	**5,169**

	Furniture and fixtures	Leasehold improvements	Land	Rights of Use(*)	Total
Cost					
Opening Balance	1,171	144	125	5,401	6,841
Additions	187	6	-	3,189	3,382
Disposals(*)	(6)	-	-	(2,134)	(2,140)
Closing Balance, December 31, 2019	**1,352**	**150**	**125**	**6,456**	**8,083**
Accumulated Depreciation					
Opening Balance	(564)	(49)	-	-	(613)
Change for the period	(207)	(29)	-	(4,447)	(4,683)
Disposals(*)	6	-	-	2,100	2,106
Closing Balance, December 31, 2019	**(765)**	**(78)**	**-**	**(2,347)**	**(3,190)**
Net book value as of December 31, 2019	**587**	**72**	**-**	**4,109**	**4,893**

(*)As of December 31, 2020, the asset classified under the tangible fixed assets item is TL 4,046, the lease obligation is TL 4,257, the financial expense is TL 408, and the depreciation expense is TL 4,698. Depreciation expense is recognized under the items of "Rent expenses and membership dues " and "Depreciation and Amortization Expenses" within the main operating expenses. (December 31, 2019: The asset classified under the tangible fixed assets item is 4,109 TL, the lease obligation is 4,352 TL, the financial expense is 500 TL, and the depreciation expense is 4,447 TL.)

(**)The land of the Company with a value of 125 thousand TL in the Real Estate account has started to be accounted in assets held for sale account as of December 31, 2020.

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

9. Intangible assets

Amortization expense is recognized under General Administrative expenses in the statement of profit or loss (Section 4-Footnote I-1).

	December 31, 2020	December 31, 2019
Cost (Computer software)		
Opening balance	**11,012**	7,496
Additions	**512**	3,516
Closing Balance	**11,524**	11,012
Accumulated amortization		
Opening balance	**(3,422)**	(2,255)
Charge for the period	**(1,397)**	(1,168)
Closing balance	**(4,819)**	(3,423)
Net Book Value	**6,704**	7,589

10. Goodwill

None (December 31, 2019: None).

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

11. Deferred tax assets and liabilities

The cumulative temporary differences subject to deferred tax has been calculated, and the deferred income tax assets and liabilities as of December 31, 2020 and 2019 are shown in the following table, which was prepared using the applicable tax rates:

	Total temporary differences		Deferred tax assets/(liabilities)	
	2020	2019	**2020(*)**	2019
Provision for impaired doubtful factoring receivables(***)	**46,042**	52,840	**9,208**	11,625
Unearned income	**40,922**	27,194	**8,184**	5,983
Provision for premiums	**3,500**	3,000	**700**	660
Provision for termination benefits	**2,519**	1,770	**505**	389
Provision for unused vacation	**794**	829	**159**	185
Provision for litigation	**287**	12	**57**	-
Use Rights(IFRS 16)	**218**	189	**44**	42
Rediscount for general administrative expense	**512**	282	**102**	62
Deferred Tax Assets	**94,794**	86,116	**18,959**	18,946
Income accrual on derivatives contracts	**(799)**	-	**(160)**	-
Net difference between carrying value and tax base of tangible assets and intangible assets	**(773)**	(818)	**(154)**	(180)
IRR difference of loans	**(61)**	(210)	**(12)**	(47)
Prepaid expenses	**(899)**	-	**(180)**	-
Deferred tax liabilities	**(2,532)**	(1,028)	**(506)**	(227)
Deferred tax (liabilities) / assets, net	**92,262**	85,088	**18,453**	18,719

Movement of deferred tax assets as of balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Opening Amount	**18,719**	**22,402**
Deferred tax income/ (expense) (*)	**(103)**	**(3,749)**
Amount accounted under equity	**44**	**66**
Deferred tax correction at the year end (**)	**(207)**	**-**
Closing Balance	**18,453**	**18,719**

(*) As of January 1, 2018, effective tax rate changed as 22%, for valid 3 years. As of June 30, 2020 and December 31, in the calculation of deferred tax, 22% is used for temporary differences that are expected to realized or closed in 3 years (2018, 2019 and 2020).

(**) The correction made in the 2019 Corporate tax within the scope of the Income Tax Law published in the Official Gazette dated 19 July 2019 and numbered 30836 and the law on making changes in some laws.

(***) The total amount of 46,042 TL, which is accounted in the provision for impaired doubtful factoring receivables accounts in the Company's balance sheet for the periods before 2019 and is subject to deferred tax, has the possibility of partial collection in the future. For the remaining part, it is planned to be sold to asset management companies following the formation of suitable market conditions. In line with these explanations, since there is a temporary difference that can be deducted from tax in the future, the related amount has been included in the deferred tax asset account.

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

12. Other assets

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Prepaid Expenses(*)	**1,215**	**-**	**720**	**-**
	1,215	**-**	**720**	**-**

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Advances Given	**138**	**-**	129	-
Other (**)	**3,476**	**191**	2,794	115
	3,614	**191**	2,923	115

(*) Prepaid expenses account consists of the amounts paid to Capital Markets Board (CMB) and Finans Yatırım A.Ş. and the BRSA Activity Shareholder's Equity regarding the issuance of bonds. This account is shown under other assets line at current period .

(**) Other item which is 3,476 TL consist of 3,385 TL and banking and insurance transaction tax receivables due to 91 TL stamp tax receivables. Amounting to TL 191 consist of banking and insurance transaction tax receivables due to domestic foreign exchange receivable (31 December 2019: TL 2,613 of the amount of TL 2,794 in the other item consists of factoring customers BMSV receivables, while TL 181 consists of stamp duty and other receivables. The portion of TL 115 consists of BSMV receivables from customers with respect to domestic foreign exchange receivables).

13. Assets Held for Sale

As of December 31, 2020, the company has TL 6,125 real estate for sale, acquired in return for its factoring receivables. (31 December 2019: None.)

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

II. Explanations and footnotes on the balance sheet's liabilities

1. Borrowings

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Short term borrowings	**1,314,835**	**336,369**	1,103,013	179,861
Long term borrowings	**-**	**-**	-	66,532
Total borrowings	**1,314,835**	**336,369**	1,103,013	246,393

<u>Short term borrowings are as follows:</u>

Currency Type	**Interest Rate**	**FC Amount**	**December 31, 2020**
TL	**%16.25-%20.48**	**-**	**1,314,835**
EUR	**%1.58-%3.41**	**24,484**	**220,550**
USD	**%2.75-%4.46**	**15,776**	**115,806**
GBP	**%2.57-%2.57**	**1**	**13**
	%16.25-%20.48	**-**	**1,314,835**

<u>Short term borrowings are as follows:</u>

Currency Type	Interest Rate	FC Amount	December 31, 2019
TL	%10.80-%20.16	-	1,103,013
EUR	%1.58-%2.25	15,637	104,005
USD	%3.05-%4.93	12,762	75,807
GBP	%3.26-%3.26	6	49
			1,282,874

<u>Long term borrowings are as follows:</u>

Currency Type	**Interest Rate**	**FC Amount**	**December 31, 2020**
TL	**-**	**-**	**-**
Total			**-**

Currency Type	Interest Rate	FC Amount	December 31, 2019
EUR	%1,58	5,001	38,051
Total			38,051

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

1. Borrowings (continued)

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Fixed rate	**1,277,400**	**224,311**	1,080,208	198,525
Floating rate	**37,435**	**112,058**	22,805	47,868
	1,314,835	**336,369**	1,103,013	246,393

2. Securities issued

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Bond issued	**320,568**	**-**	164,116	-
	320,568	**-**	164,116	-

Features of bonds that were issued by the Company to qualified investors are as follows:

ISIN CODE	**Date of Issue**	**Nominal Value**	**Interest Rate**	**Due Date**	**Payment Period**
TRFFINF22137	08/12/2020	98,600	17.30%	24/02/2021	End of the maturity
TRFFIN22129	25/11/2020	88,300	16.25%	10/02/2021	End of the maturity
TRFFINF22111	09/11/2020	43,000	15.75%	02/02/2021	End of the maturity
TRFFINF12112	02/11/2020	96,210	15.43%	26/01/2021	End of the maturity

3. Other liabilities

As of 31 December 2020, the "Other Liabilities" item amounting to TL 5,265 consists of the debts to the sellers of TL 884, other foreign resources amounting to TL 744 and the taxes and liabilities payable amounting to TL 3,637 detailed in Section 4 Note II-4.

3.1 Other payables and other liabilities

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Payables to suppliers (*)	**690**	**194**	386	154
	690	**194**	386	154

(*) The amounts shows the payables of the Company to the suppliers

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Other Liabilities (*)	**510**	**234**	163	147
	510	**234**	163	147

(*) This is an interim account that unearned income of interest, fees and commissions are followed under this account as of December 31, 2020.

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

4. Tax and liabilities payables

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Taxes and liabilities(*)	**3,637**	**-**	2,371	-
	3,637	**-**	2,371	-

(*) The amount includes income tax payable, BITT and Social Security Institution Premiums.

5. Current income tax assets/ liability

	December 31, 2020	December 31, 2019
Provision for current period corporate income tax	**(11,590)**	(9,902)
Less: prepaid taxes	**7,362**	7,897
	(4,228)	(2,005)

6. Employee benefits

Provision for Employee Termination Benefits

	December 31, 2020	December 31, 2019
Bonus Provision	**3,500**	3,000
Provision for employment termination benefits	**2,518**	1,769
Provision for unused vacation	**794**	829
	6,812	5,598

	December 31, 2020	December 31, 2019
Other Debt Provisions(*)	**287**	12
Total	**287**	12

* Provision of 87 TL for business lawsuits filed with the company and TL 200 for other lawsuits was reserved.

As of December 31, 2020 and December 31, 2019, the movement of the bonus provision as of is as follows:

	December 31, 2020	December 31, 2019
Provision amount, January 1	**3,000**	2,700
Bonus payments in the period	**(3,000)**	(2,700)
Additional payments in the period	**3,500**	3,000
Balance at the end of the period	**3,500**	3,000

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

6. Employee benefits (continued)

As of December 31, 2020 and December 31, 2019, the movement of the unused vacation payment provision during the period is as follows:

	December 31, 2020	December 31, 2019
Provision as of January 1	**829**	661
Charge for the period	**-**	168
Cancel for the period	**(35)**	-
Balance at the end of the period	**794**	829

Retirement Pay Provision:

The provision for employment termination benefits is provided for as explained below.

Under the Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has completed one year of service or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 7,117.17 for each period of service as of December 31, 2020 (December 31, 2019: TL 6,379.86).

The retirement pay liability is not funded. The provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans.

As of December 31, 2020 and December 31, 2019, the Company calculated the termination indemnity based on the estimated inflation rates and the factors arising from its own experience with the termination or termination of the employee and the government bond interest rate valid at the relevant balance sheet dates, and an independent actuarial study that discounts using " Projected Unit Credit Method" has been commissioned and reflected in its financial statements. Provisions in the balance sheet dates are calculated by using the real discount rate obtained based on the assumptions of 9.50% annual inflation, 12.80% discount rate and approximately 10.50% salary and rights increase (31 December 2019: 8.20% annual inflation, 12.1% discount rate and real discount rate based on assumptions of approximately 9.2% salary and benefits increase).

As of December 31, 2020 and 2019 the movement of provision for employee termination benefits is as follows;

	2020	2019
Provision as of January 1	**1,769**	1,130
Service Cost	**385**	334
Interest Cost	**213**	158
Actuarial Gain/Loss	**302**	300
Payments during the period	**(261)**	(153)
Other	**110**	-
Balance at the end of the period	**2,518**	1,769

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

7. Paid-in capital and capital reserves

At December 31, 2020 and 2019, the shareholders' of the Company and their share capitals with historical amounts are as follows:

Paid-in Capital:

Shareholders	**December 31, 2020**		December 31, 2019	
	% Share	**Amount**	% Share	Amount
QNB Finansbank A.Ş.	**99.99996**	**64,999**	99.99996	64,999
Ibtech Uluslararası Bilişim ve İletişim Tek. Araştırma Geliştirme Danışmanlık Destek San. ve Tic. A.Ş.	**0.00001**	**<1**	0.00001	<1
QNB Finans Finansal Kiralama A.Ş.	**0.00001**	**<1**	0.00001	<1
QNB Finans Yatırım Menkul Değerler A.Ş.	**0.00001**	**<1**	0.00001	<1
QNB Finans Portföy Yönetimi A.Ş.	**0.00001**	**<1**	0.00001	<1
	100	**65,000**	100	65,000

Capital Reserves

In statutory financial statements, accumulated profits may be distributed except for legal reserves and subject to following requirements for legal reserves.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The TCC stipulates that the first legal reserve is appropriated out of taxable profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves may only be used to offset losses unless they exceed 50 % of paid-in share capital, and may not be used for any other purpose

According to Law No. 5228 on Amendments to Certain Tax Laws published in Official Gazette No. 25539 if 31 July 2004, inflation adjustments to shareholders' equity line items arising from inflation adjusted financial statements and recognized in "Accumulated Profit/Loss" may be offset against inflation-adjusted accumulated losses or included in share capital by corporate taxpayers, and this transaction is treated as a dividend distribution.

BRSA has expressed its opinion that, income generated from deferred tax assets may not be qualified as cash or internal resource, and as such, the income generated in this manner should not be classified as part of the current term income subject to dividend distribution and capital increase. As of December 31, 2020, the Company has TL (103) deferred tax income (December 31, 2019:TL (3,749)).

All "inflation-adjustments to shareholders' equity" may only be used to increase capital through bonus issues or to offset losses, while the carrying amount of extraordinary reserves are permitted to be used to increase capital through bonus issues, payment of cash dividends or to offset losses.

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

8. Profit reserves

	December 31, 2020	December 31, 2019
Legal Reserves	**6,460**	4,046
Total	**6,460**	4,046

The Company booked first legal reserve amounting to TL 6,168 and second legal reserve amounting to TL 292 over the accumulated profit.

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 5% per annum, until the total reserve reaches 20% 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.

9. Foreign currency position

December 31, 2020	**US Dollar**	**EUR**	**Other**	**TL**	**Total**
Cash	-	-	-	-	-
Trading derivative financial assets	-	799	-	-	799
Banks	2,157	749	388	18,947	22,241
Factoring receivables	138,761	196,513	22	1,806,757	2,142,053
Subsidiaries	-	-	-	2	2
Property, plant and equipment	-	-	-	5,169	5,169
Intangible assets	-	-	-	6,704	6,704
Prepaid expenses	-	-	-	1,215	1,215
Other assets	119	72	-	22,067	22,258
	-	-	-	6,125	6,125
Total assets	**141,037**	**198,133**	**410**	**1,866,986**	**2,206,566**
Trading derivative financial liabilities	-	-	-	-	-
Borrowings	(115,806)	(220,550)	(13)	(1,314,835)	(1,651,204)
Factoring payables	-	(137)	-	(645)	(782)
Marketable securities issued	-	-	-	(320,568)	(320,568)
Payables from Leases	-	(196)	-	(4,061)	(4,257)
Tax and liabilities payables	-	-	-	(4,228)	(4,228)
Provisions	-	-	-	(7,099)	(7,099)
Other payables	(39)	(371)	(18)	(4,837)	(5,265)
Total liabilities	**(115,845)**	**(221,254)**	**(31)**	**(1,656,273)**	**(1,993,403)**
Net foreign currency position	**25,192**	**(23,121)**	**379**	**204,588**	**207,038**
Financial derivative instruments	**(25,692)**	**26,449**	**-**	**-**	**757**

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

9. Foreign currency position (continued)

December 31, 2019	US Dollar	EUR	Other	TL	Total
Cash	-	-	-	-	-
Trading derivative financial assets	-	-	-	-	-
Banks	771	30,444	1,880	19	33,114
Factoring receivables	69,948	142,975	6,529	1,423,979	1,643,431
Subsidiaries	-	-	-	2	2
Property, plant and equipment	-	-	-	4,893	4,893
Intangible assets	-	-	-	7,589	7,589
Prepaid expenses	-	-	-	720	720
Other assets	63	52	-	21,642	21,757
Total assets	**70,782**	**173,471**	**8,409**	**1,458,844**	**1,711,506**
Trading derivative financial liabilities	-	-	-	-	-
Borrowings	(75,808)	(170,536)	(49)	(1,103,013)	(1,349,406)
Factoring payables	-	(103)	-	(1,962)	(2,065)
Marketable securities issued	-	-	-	(164,116)	(164,116)
Payables from Leases	-	(1,113)	-	(3,239)	(4,352)
Tax and liabilities payables	-	-	-	(2,005)	(2,005)
Provisions	-	-	-	(5,610)	(5,610)
Other payables	(6)	(278)	(17)	(2,920)	(3,221)
Total liabilities	**(75,814)**	**(172,030)**	**(66)**	**(1,282,865)**	**(1,530,775)**
Net foreign currency position	**(5,032)**	**1,441**	**8,343**	**175,979**	**180,731**
Financial derivative instruments	**-**	**-**	**-**	**-**	**-**

10. Provisions, contingent assets and liabilities

Provision of TL 87 was reserved for business lawsuits filed with the company and TL 200 for other lawsuits. (31 December 2019: TL 12).

11. Segment reporting

None (December 31, 2019: None).

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

III. Disclosures and footnotes on income statement

1. Income from operating activities

	January 1 – December 31, 2020	January 1– December 31, 2020
Interest income on factoring operations, net	**216,682**	253,979
Factoring commission income	**14,425**	16,396
	231,107	270,375

2. Operating Expenses

	January 1 – December 31, 2020	January 1– December 31, 2019
Wages	**(19,150)**	(17,032)
Personnel premium expenses	**(3,500)**	(3,000)
Social security contributions	**(2,311)**	(2,120)
Other	**(1,955)**	(1,787)
Health insurance expenses	**(1,102)**	(890)
Meal expenses	**(401)**	(572)
Bonus payment	**(89)**	(102)
Outsourced personnel expenses	**(13)**	(111)
Personnel expenses	**(28,521)**	(25,614)
Rent expenses and membership dues(*)	**(3,332)**	(3,107)
Travel expenses(*)	**(2,291)**	(2,478)
Legal Consultancy and Litigation Expenses	**(2,546)**	(2,610)
Other General Administrative Expenses	**(1,564)**	(1,497)
Depreciation and amortization expenses	**(1,743)**	(1,404)
Representation expenses	**(457)**	(1,181)
Taxes and duties other than on income	**(776)**	(614)
Consultancy expenses	**(642)**	(576)
Provision for employment termination benefits	**(447)**	(339)
Provision for unused vacation	**-**	(168)
Communication expenses	**(132)**	(130)
Stationary Expenses	**(37)**	(118)
Public Relations and Advertising Expenses	**(94)**	(88)
Operating Expenses	**(42,582)**	(39,924)

(*) Within the scope of TFRS 16 application, there is TL 3,109 depreciation expense in Rent expenses and membership dues and TL 1,589 in Travel Expenses.

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

3. Other operating income

	January 1 – December 31, 2020	January 1– December 31, 2019
Foreign exchange gains	**26,112**	21,197
Profit from derivative financial transactions	**10**	1,993
Interest income on bank deposits	**1,344**	577
Other Income (*)	**10,416**	15,987
	37,882	39,754

(*) Collections from legal proceedings firms are recorded in other income

4. Financing expenses

	January 1 – December 31, 2020	January 1– December 31, 2019
Interest expenses	**(124,900)**	(127,606)
Interest expenses on securities issued	**(20,142)**	(33,032)
Interest expenses Related to Leasing Transactions	**(408)**	(500)
Fees and commissions paid	**(5,534)**	(6,545)
	(150,984)	(167,683)

5. Other operating expenses

	January 1 – December 31, 2020	January 1– December 31, 2019
Foreign exchange loss	**(23,824)**	(21,456)
Loss from derivative financial transactions	**(189)**	-
Other	**(3)**	
	(24,016)	(21,456)

6. Taxes

Tax Provision	**January 1 – December 31, 2020**	January 1– December 31, 2019
Provision for current period corporate income tax	**(11,590)**	(9,902)
Deferred tax income / (expense)	**(103)**	(3,749)
	(11,693)	(13,651)

Reconciliation of tax provision:	**January 1 – December 31, 2020**	January 1– December 31, 2019
Profit before tax	**44,383**	61,939
Effective Tax Rate	**22%**	22%
Calculated Tax Base	**(9,764)**	(13,626)
Non-allowable expenses	**(106)**	(25)
Changes in deferred tax rate (22%-20%)	**(1,823)**	-
Tax expense in statement of profit or loss	**(11,693)**	(13,651)

6. Taxes (continued)

Corporate Tax

The Company is subject to Turkish corporate taxes. The Company has no corporate tax liability based on the results for current period.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10^{th} article to the Corporate Tax Law, 20% corporate tax rate are applied as 22% to the profits of the entities relating to 2018, 2019 and 2020 tax periods (for the entities with special accounting period will be applied to the tax periods commenced in related year).

Companies calculate temporary tax at a rate of 20% over their quarterly financial profits (22% for taxation periods of 2018, 2019 and 2020) and declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. Despite the offset, if the amount of temporary tax paid remains, this amount can be refunded or deducted.

There is no procedure for a final and definitive agreement on tax assessments in Turkey. The companies prepare their tax returns between April 1-30 of the year following the closing period of the relevant year. These statements and the accounting records that are based on this can be examined and changed by the Tax Office within 5 years.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and surcharges 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% between 24 April 2003 and 22 July 2006. That withholding tax was increased to 15% by the Resolution of the Council of Ministers No 2006/10731, dated 22 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

7. Earnings per share

Since the Company's shares are not traded in stock exchange, earning per share has not been disclosed in the accompanying financial statements.

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

SECTION FIVE

1. Information on financial structure

a) Capital Risk Management

The Company aims to make the most efficient use of the debt and equity balance while trying to maintain the continuity of its operations,.

In accordance with Article 12 of the "Regulation on the Formation and Operations of Financial Leasing, Factoring and Financial Companies", published in Official Gazette of December 24, 2013, it is mandatory to achieve and maintain a minimum shareholders' equity to total assets ratio of 3%. The Company has reached standard rate as of December 31, 2020 (December 31, 2019: The Company has reached standard rate).

The Company's equity to debt ratios as at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
Total Debt	**1,993,403**	1,530,775
Less: Cash and Cash Equivalents	**(22,241)**	(33,114)
Net Debt	**1,971,162**	1,497,661
Total Equity	**(213,163)**	(180,731)
Equity/Debt Ratio	**10.81%**	%12.07

b) Significant Accounting Policies

The significant account policies of the Company have been explained in the Note 3 "Applied Valuation Principles / Accounting Policies".

c) Financial Instrument Categories

	December 31, 2020	December 31, 2019
Financial Assets:		
Cash	**-**	-
Trading Derivative Financial Assets	**799**	-
Banks	**22,241**	33,114
Factoring Receivables	**2,142,053**	1,643,431
Financial Liabilities:		
Borrowings	**(1,651,204)**	(1,349,406)
Securities issued	**(320,568)**	(164,116)
Factoring Payables	**(782)**	(2,065)
Other Payables	**-**	-
Other Miscellaneous Liabilities	**-**	-
Other Liabilities	**(5,265)**	(3,221)
Trading Derivative Financial Liabilities	**-**	-

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

1. Information on financial structure (continued)

The fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are measured on the basis of the stock exchange prices quoted for identical assets and or liabilities in active markets.

- Level 2: Financial assets and liabilities are measured on the basis of inputs, other quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

- Level 3: Financial assets and liabilities are measured on the basis of inputs that are unobservable in active markets and cannot be used to measure the fair value of an identical asset or liability

As of December 31, 2020, the levels of the financial assets of the entity at fair value are as follows:

December 31, 2020

	Level 1	**Level 2**	**Level 3**
Trading Derivative Financial Assets	**-**	**799**	-
	-	**799**	-

As of December 31, 2019, the levels of the financial assets of the entity at fair value are as follows:

December 31, 2019

	Level 1	Level 2	Level 3
Trading Derivative Financial Assets	**-**	**-**	-
	-	**-**	-

d) Financial Risk

The Company is exposed to market (foreign currency risk and interest rate risk) and liquidity risk relating to its operations.

e) Market Risk

The Company is exposed to financial risks which is related to changes in foreign exchange rates (please refer to f) and interest rates (please refer to g) and its operations. At a company level, market risk is measured by sensitivity analysis.

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

1. Information on financial structure (continued)

f) Currency Risk

Currency risk is a result of the foreign currency transactions. The Company manages its exposure to currency risk which is a result of the Company's operations and cash flows due to the financing agreement regularly.

The foreign currency details of monetary assets and liabilities of the Company is disclosed at Note: 23

Foreign Currency Sensitivity

The Company is mainly exposed to foreign currency risk in USD and EUR.

The table below shows the Company's sensitivity to 10% increases and decrease in foreign currency exchange rate. 10% is the rate used for the Company's foreign currency risk reporting to senior management, and expresses the contingent change the management expects on exchange rates. Sensitivity analysis only covers monetary items with open foreign currency type at the end of period and shows the effects of the 10% foreign currency change to the subjected items at the end of the period. Positive value expresses the increase in income.

	December 31, 2020			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL				
1 - USD net asset/liability	(50)	50	(50)	50
2- Secured portion from USD Risk (-)	-	-	-	-
3- USD Effect – net (1+2)	**(50)**	**50**	**(50)**	**50**
Change of EUR by 10% against TL				
4 - EUR net asset/liability	333	(333)	333	(333)
5 - Secured portion from EUR risk (-)	-	-	-	-
6- EUR Effect – net (4+5)	**333**	**(333)**	**333**	**(333)**
Change of other currency by 10% against TL				
7- Other currency net asset/liability	38	(38)	38	(38)
8- Secured portion from Other FC risk (-)	-	-	-	-
9- Other FC Effect – net (7+8)	**38**	**(38)**	**38**	**(38)**
TOTAL (3 + 6 +9)	**321**	**(321)**	**321**	**(321)**

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

1. Information on financial structure (continued)

	December 31, 2019			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL				
1 - USD net asset/liability	(503)	503	(503)	503
2- Secured portion from USD Risk (-)	-	-	-	-
3- USD Effect – net (1+2)	**(503)**	**503**	**(503)**	**503**
Change of EUR by 10% against TL				
4 - EUR net asset/liability	144	(144)	144	(144)
5 - Secured portion from EUR risk (-)	-	-	-	-
6- EUR Effect – net (4+5)	**144**	**(144)**	**144**	**(144)**
Change of other currency by 10% against TL				
7- Other currency net asset/liability	834	(834)	834	(834)
8- Secured portion from Other FC risk (-)	-	-	-	-
9- Other FC Effect – net (7+8)	**834**	**(834)**	**834**	**(834)**
TOTAL (3 + 6 +9)	**475**	**(475)**	**475**	**(475)**

g) Interest Rate Risk Management

The Company is exposed to interest rate risk which is related to the Company's factoring transactions to over fixed and floating interest rates and debt. Such risk is allocated to receivables and payables properly and controlled by the Company.

Interest Rate Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non derivative instruments at the balance sheet date. Management of the Company operates sensitivity analysis through fluctuating scenarios in interest rates of 100 basis points. The mentioned ratio is also used for reporting to senior management.

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

1. Information on financial structure (continued)

	December 31, 2020	December 31, 2019
Financial instruments with fixed interest rate		
Financial Assets:		
Cash and cash equivalents (Banks)	**22,241**	33,114
Factoring receivables	**1,573,845**	1,095,073
Financial Liabilities:		
Borrowings	**1,501,711**	1,278,733
Securities issued	**320,568**	164,116
Financial Instruments with floating interest rate		
Financial Assets:		
Factoring receivables	**556,793**	541,857
Financial Liabilities:		
Borrowings	**149,493**	70,673

Changes in interest rates as of the balance sheet date do not have a significant effect on the Company's floating rate financial assets and liabilities.

h) Other Pricing Risks

None (December 31, 2019: None).

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

1. Information on financial structure (continued)

ı) *Credit Risk Management*

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. 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 and the credit ratings of its counterparties are continuously monitored.

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

The sectoral categorization of factoring receivables is as follows:

	December 31, 2020	**%**	December 31, 2019	**%**
Construction	**379,960**	**18%**	293,567	18%
Wholesale Trade and Brokering	**324,110**	**15%**	186,693	11%
Transportation	**292,957**	**14%**	161,364	10%
Other	**160,238**	**7%**	157,876	10%
Petroleum refinery products	**139,547**	**7%**	151,476	9%
Financial Institutions	**138,716**	**6%**	140,864	9%
Textile	**96,354**	**4%**	87,835	5%
Chemicals, Plastics and Pharmaceuticals	**96,327**	**4%**	80,729	5%
Tourism	**85,650**	**4%**	69,488	4%
Metal Industry	**80,950**	**4%**	60,044	4%
Mining	**67,816**	**3%**	42,230	3%
Food	**62,247**	**3%**	39,734	2%
Electrical and Electronics Industries	**59,451**	**3%**	37,460	2%
Organization for Social Services and Sports	**50,362**	**2%**	36,976	2%
Other Manufacturing	**38,121**	**2%**	31,197	2%
Motorized Vehicles	**31,313**	**1%**	22,019	1%
Wood and Wood Products Industry	**19,240**	**1%**	17,316	1%
Machinery and Equipment	**18,031**	**1%**	13,438	1%
Computer System	**663**	**0%**	13,125	1%
	2,142,053	**100%**	1,643,431	100%

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

1. Information on financial structure (continued)

The loan risks that are exposed in terms of financial instrument;

	Factoring Receivables			
December 31, 2020	**Related Party**	**Third Party**	**Deposit on bank accounts**	**Financial Assets at Fair Value Through Profit or Loss**
Maximum credit risk exposure at reporting date (*)	-	2,142,053	22,241	799
- Maximum credit risk secured guarantees etc.	-	2,142,053	-	-
A. Net book value of financial assets either not due or not impaired	-	2,121,961	22,241	799
- Net value secured by guarantees etc.	-	2,121,961	-	-
B. Book value of financial assets with renegotiated conditions, Otherwise would be classified as past due or impaired	-	-	-	-
C. Net book value of assets past due but not impaired	-	8,677	-	-
- Net value secured by guarantees etc.	-	8,677	-	-
				-
D. Net book value of assets impaired	-	11,415	-	-
- Past due (gross book value)	-	79,808	-	-
- Impairment amount (-)	-	68,393	-	-
- Net value secured by guarantees etc.	-	11,415	-	-
- Not due (gross book value)	-	-	-	-
- Impairment amount (-)	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-
E. Off balance items exposed to credit risk				

(*) The factors that increase the credibility such as guarantees received are not taken into account while determining the amount.

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

1. Information on financial structure (continued)

The loan risks that are exposed in terms of financial instrument;

	Factoring Receivables			
December 31, 2019	**Related Party**	**Third Party**	**Deposit on bank accounts**	**Financial Assets at Fair Value Through Profit or Loss**
Maximum credit risk exposure at reporting date (*)	-	1,643,431	33,114	-
- Maximum credit risk secured guarantees etc.	-	1,643,431	-	-
A. Net book value of financial assets either not due or not impaired	-	1,636,314	33,114	-
- Net value secured by guarantees etc.	-	1,636,314	-	-
B. Book value of financial assets with renegotiated conditions, Otherwise would be classified as past due or impaired	-	-	-	-
C. Net book value of assets past due but not impaired	-	616	-	-
- Net value secured by guarantees etc.	-	616	-	-
D. Net book value of assets impaired	-	6,501	-	-
- Past due (gross book value)	-	77,535	-	-
- Impairment amount (-)	-	71,034	-	-
- Net value secured by guarantees etc.	-	6,501	-	-
- Not due (gross book value)	-	-	-	-
- Impairment amount (-)	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-
E. Off balance items exposed to credit risk				

(*) The factors that increase the credibility such as guarantees received are not taken into account while determining the amount.

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

1. Information on financial structure (continued)

i) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which 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 liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity Risk Table

The following table details the Company's remaining maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interests that will be charged and interests that will be paid over the Company's assets and liabilities.

December 31, 2020

Contractual Maturities	Carrying amount	Contractual cash outflows (I+II+III+IV)	Less than 3 Month (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Borrowings	**1,651,204**	**1,681,761**	**1,400,825**	**280,936**	**-**	**-**
Securities issued	**320,568**	**326,110**	**326,110**	**-**	**-**	**-**
Liabilities from leasing transactions	**4,257**	**4,767**	**1,238**	**2,472**	**841**	**216**
Factoring payables	**782**	**782**	**782**	**-**	**-**	**-**
Other Liabilities	**5,265**	**5,265**	**5,265**	**-**	**-**	**-**
	1,982,076	**2,018,685**	**1,734,220**	**283,408**	**841**	**216**

December 31, 2019

Contractual Maturities	Carrying amount	Contractual cash outflows (I+II+III+IV)	Less than 3 Month (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Borrowings	817,739	827,308	734,311	8,269	84,728	-
Securities issued	282,946	292,559	292,559	-	-	-
Factoring payables	3,721	3,721	3,721	-	-	-
Other Liabilities	1,036	1,036	1,036	-	-	-
	1,105,442	**1,124,624**	**1,031,627**	**8,269**	**84,728**	**-**

The Company performs its payments according to contract maturities.

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

1. Information on financial structure (continued)

As at December 31, 2020 and December 31, 2019, assets and liabilities of the entity based on their remaining maturity are as follows:

December 31, 2020

Contractual Maturities	**Carrying amount**	**Contractual cash outflows (I+II+III+IV)**	**Less than 3 Month (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**Over 5 years (IV)**
Derivative financial liabilities						
Derivative cash inflows	**26,449**	**26,449**	**26,449**	**-**	**-**	**-**
Derivative cash outflows	**(25,692)**	**(25,692)**	**(25,692)**	**-**	**-**	**-**
	758	**758**	**758**	-	-	-

December 31, 2019

Contractual Maturities	Carrying amount	Contractual cash outflows (I+II+III+IV)	Less than 3 Month (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Derivative financial liabilities						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
	-	**-**	**-**	-	-	-

j) Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (other than in a forced sale) between market participants at the measurement date. The best indication of fair value is a quoted price, if any, in an active market.

The Company has estimated the fair values of its financial instruments, using relevant market information and adequate fair valuation techniques. However, using market information to measure fair values of financial instruments requires interpretation and judgment skills. Accordingly, the estimates presented in the accompanying financial statements are not necessarily indicative of the fair values that the Company could achieve in a current market transaction.

Fair values of financial instruments are measured on the basis of reliable information from the capital markets in Turkey. Fair values of other financial instruments are measured with reference to the current price of a similar instrument or by using assumption techniques, such as discounting futures cash flows using current market interest rates.

Fair values of short-term assets and liabilities are expected to be close to their carrying values due to the negligible effect of discount.

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

1. Information on financial structure (continued)

j) Fair value measurement of financial instruments (continued)

Carrying values of factoring accounts, along with the provisions for doubtful accounts, are assumed to have been measured at fair value due to their short-term nature.

December 31, 2020	**Carrying Amount**	**Fair Value**
Financial assets		
Cash and cash equivalents (Banks)	**22,241**	**22,241**
Factoring receivables	**2,142,053**	**2,142,053**
Financial liabilities		
Factoring payables	**782**	**782**
Other Liabilities	**132,677**	**132,677**
Borrowings	**1,651,204**	**1,651,204**
Securities issued	**320,568**	**320,568**

December 31, 2019	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents (Banks)	33,114	33,114
Factoring receivables	1,643,431	1,643,431
Financial liabilities		
Factoring payables	2,065	2,065
Other Liabilities	-	-
Borrowings	1,349,406	1,349,406
Securities issued	164,116	164,116

The Company believes that the carrying amount of factoring receivables reflects its fair value due to the short-term nature of a significant portion of factoring receivables.

9. Subsequent events

The sale of real estate amounted TL 6,000 (Footnote V Section I-13), which the company acquired in return for its factoring receivables and classified in Assets Held for Sale and Discontinued Operations, was realized.