

TEB FAKTORİNG ANONİM ŞİRKETİ**ANNUAL ACTIVITY REPORT FOR THE PERIOD 01.01.2017 – 31.12.2017****1- GENERAL INFORMATION**

Period of the Report	: 01.01.2017 – 31.12.2017
Trade Name	: TEB Faktoring Anonim Şirketi
Trade Register No.	: 372141
Central Reg. System No.	: 0833007688600010
Registered address İstanbul	: Gayrettepe Mahallesi Yener Sokak No: 1 Kat: 7-8 Gayrettepe Beşiktaş / İstanbul
Branch address	: The addresses of our branches are given below:
- İstanbul European Branch	: Dünya Ticaret Merkezi B1 Blok K:13 Yeşilköy / İstanbul
- İstanbul Anatolian Branch	: Çınardere Mahallesi E5 Yanyolu Caddesi No:85 K:2 Pendik/İstanbul
- Ankara Branch	: Mustafa Kemal Mah. 2120 Cad. No:4/A K:1 Çankaya/ Ankara
- İzmir Branch	: Şair Eşref Paşa Bulvarı No: 23/A Çankaya / İzmir
- Antalya Branch	: Mehmetçik Mahallesi, Aspendos Bulvarı, No:81 Muratpaşa / Antalya
- Bursa Branch	: Odunluk Mah. Akpınar (180) Caddesi Efe Towers A Blok K:11 No: 15A/38-39-40-41-42-43 Nilüfer / Bursa
- Gaziantep Branch	: Mücahitler Mahallesi Gazi Muhtar Paşa Bulvarı Teymur Plaza No: 48 Kat:7 Şehitkamil / Gaziantep
- Kayseri Branch	: Cumhuriyet Mah. Millet Cad. No:26 Melikgazi/Kayseri
- Konya Branch	: Fevzi Çakmak Mahallesi KOSGEB Caddesi No:1/1 Karatay / Konya
- Adana Branch	: Çınarlı Mahallesi Atatürk Caddesi No:15 Kat: 2 Seyhan / Adana
- Ankara Ostim Branch	: Ostim Mah. 100. Yıl Bulvarı (Sanayi) Ofim İş ve Finans Merkezi No:99/69 Zemin Kat Yenimahalle/Ankara
- Samsun Branch	: Kuzey Yıldız Mah. 100. Yıl Bulvarı No:38/58-59-60-61-66-67-68-69 Canik/ Samsun
- Denizli Branch	: Saraylar Mahallesi İzmir Yolu Bulvarı No:57 Denizli



- Eskişehir Branch : İki Eylül Caddesi Başan Sokak No: 2 Eskişehir

- İmes Branch : İmes Sanayi Sitesi C Blok 301/3 Yukarı Dudullu, Ümraniye / İstanbul

- Trabzon Branch : Sanayi Mah. Devlet Karayolu Cad. No: 85A Ortahisar/Trabzon

Contact information (Head Office) : Telephone :0 212 370 45 00
Fax :0 216 636 52 52

E-mail address : tebfactoring@teb.com.tr

Web site : www.tebfactoring.com.tr

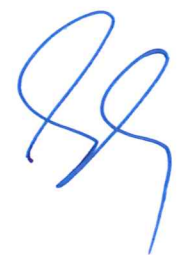
A- ORGANIZATION, CAPITAL AND PARTNERSHIP STRUCTURE OF THE COMPANY

a) Capital : TRY.30,000,000.-

b) Partnership Structure :

NAME, SURNAME AND TITLE OF THE SHAREHOLDER	RESIDENTIAL ADDRESS	NUMBER OF SHARES	CAPITAL AMOUNT (TRY)
1-TÜRK EKONOMİ BANKASI A.Ş.,	TEB Kampüs C ve D Blok, Saray Mahallesi, Sokullu Caddesi, No:7/A- 7B Ümraniye 34768 İstanbul	29,999,993.68	29,999,993.68
2-TEB HOLDİNG A.Ş.,	TEB Kampüs C Blok, Saray Mahallesi, Sokullu Caddesi, No:7/A Ümraniye 34768 İstanbul	1.58	1.58
3-TEB YATIRIM MENKUL DEĞERLER A.Ş.,	TEB Kampüs D Blok, Saray Mahallesi, Sokullu Caddesi, No:7 Ümraniye 34768 İstanbul	1.58	1.58
4- BNPP YATIRIMLAR HOLDİNG A.Ş.,	Gayrettepe Mahallesi, Yener Sokak, No:1 Kat: 10 Beşiktaş 34349 İstanbul	1.58	1.58
5-GALATA YATIRIM HOLDİNG A.Ş.,	Rüzgarlıbahçe Mahallesi Kavak Sokak No: 16 Kat: 5 34805 Kavacık, Beykoz İstanbul	1.58	1.58

c) Changes that Occurred during the Financial Year : None.



B- INFORMATION ON PRIVILEGED SHARES

There are no privileged shares.

C- INFORMATION ON THE MANAGING BODY, TOP LEVEL MANAGERS AND PERSONNEL OF THE COMPANY

- a) Managing Body of the Company: It is the Board of Directors which is formed of 8 (eight) real persons, who are the members of the Board of Directors.

Members of the Board of Directors

Chairman
Deputy Chairman
Board Member
Board Member
Board Member
Board Member
Board Member
Villepin
Board Member and General Manager

Name and Surname

Dr. Akın Akbaygil
Ayşe Aşardağ
Varol Civil
Gökhan Özdil
Canan Bumin
Xavier Henri Jean Guilmineau
Patrick Pierre Marie Galouzeau de
Mehmet Çağatay Baydar

Members of the Board of Directors other than Gökhan Özdil have been elected during the Ordinary General Assembly which was held on March 31, 2017 to serve until the Ordinary General Assembly scheduled to be held in 2018; and Gökhan Özdil has been elected during the Extraordinary General Assembly which was held on September 14, 2017, to serve until the Ordinary General Assembly scheduled to be held in 2018 in parallel to the membership term of other Members of the Board of Directors.

- b) Senior Management of the Company

Title

Board Member and General Manager
Chief Advisor to the Board
Assistant General Manager
Assistant General Manager
Assistant General Manager

Name and Surname

Mehmet Çağatay Baydar
Canan Bumin
Selda Demirtaş
Sevil Dinçer
Taylan Bartu

- c) Number of Personnel

121

D- INFORMATION ON THE ACTIVITIES OF THE BOARD MEMBERS WHICH ARE WITHIN THE SCOPE OF THE PERMISSION GIVEN TO THEM BY THE GENERAL ASSEMBLY AND ARE RELATED TO TRANSACTIONS CARRIED OUT BY THE RELEVANT BOARD MEMBERS WITH THE COMPANY EITHER IN HIS/HER OWN NAME OR ON BEHALF OF THIRD PERSONS AND THE ACTIVITIES WHICH ARE WITHIN THE SCOPE OF PROHIBITION OF COMPETITION: None.

2- FINANCIAL RIGHTS GRANTED TO THE BOARD OF DIRECTORS AND THE SENIOR MANAGERS

Financial benefits paid to the members of the Board of Directors: None.

Total financial benefits and fees paid to the senior managers: TRY.2,851,187.-



Information on the total amount of the cost of allowances, travel, accommodation and representation expenses, material means in kind or in cash, insurance and similar guarantees: TRY.80,375.-.

3- RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY

Research and Development activities carried out: None.

4- ACTIVITIES OF THE COMPANY AND SIGNIFICANT DEVELOPMENTS RELATED TO THE ACTIVITIES OF THE COMPANY

- a) Information on the investments realized by the Company during the relevant financial year: None.
- b) Information on the internal control system and internal auditing activities of the Company and the opinion of the managing body in this regard:

Internal control mechanisms, which are to be complied with and implemented by the Company personnel at every level, have been established in order to ensure that the activities of the Company are carried out in compliance with, first of all, the applicable legislation in force and, then, the policies of TEB Group and the Company and in line with the framework determined by the Board of Directors and further ensure the integrity and reliability of the accounting and reporting systems. Compliance and Internal Control Department which operates as reporting to the Board of Directors through Auditing Committee supervises the efficiency and effectiveness of the internal control system such that the whole body of the Company is covered within the framework of the annual supervision plan which has been prepared pursuant to the risk assessments.

- c) Information on the direct or indirect affiliates of the Company and its corresponding shares:

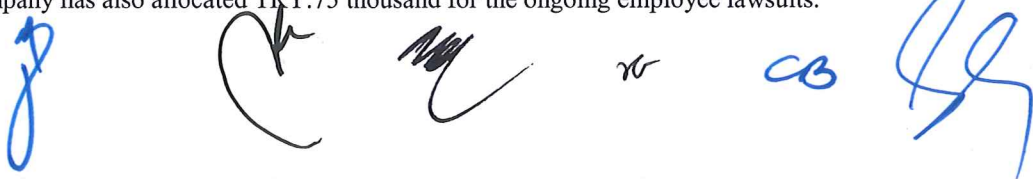
<u>Direct affiliates</u>	<u>Percentage of Share</u>
TEB Yatırım Menkul Kıymetler A.Ş.	3.38%
<u>Indirect affiliates</u>	
TEB Portföy Yönetimi A.Ş.	0.98%

- d) Information on the own shares acquired by the company: None.
- e) Explanations on the private auditing and public auditing which have been performed during the accounting period:

Financial statements of our company are subject to a limited quarterly review by the independent audit firm PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., during the periods of March, June and September for the purpose of main shareholder, TEB A.Ş.'s consolidated Banking Regulation and Supervision Agency (BRSA) reporting and subject to a complete annual independent audit for the purpose of Company's individual BRSA reporting as of December 31, 2017 and subject to a limited audit in June for IFRS reporting and subject to a complete independent audit as of December period.

- f) Information on the lawsuits which have been brought against the Company and may affect the financial situation and the activities of the Company and the potential outcome of the said lawsuits:

Our company has become a party to more than one lawsuits either as the claimant or the defendant during the relevant period with respect to ordinary factoring activities. Within this scope, the Company management has the opinion that there are no ongoing lawsuits or legal proceedings which could have a negative impact on the financial situation or on the results of the activities of the Company that have not been stated in the footnotes to the financial statements or for which no provisions have been provided. Our Company has also allocated TRY.75 thousand for the ongoing employee lawsuits.





- g) Explanations related to the administrative or juridical sanctions imposed against the Company or its Board of Directors by reason of the practices contradicting the provisions of legislation: None.
- h) Information and assessments about whether the targets for the previous periods have been reached, whether the resolutions of the general assembly have been implemented or not, if it has actually failed to achieve the targets or to perform decisions, reasons explaining why the Company failed to reach its targets or failed to perform the decisions:

Our company has achieved a turnover of TRY.8,164 million and a net profit of TRY.16.5 million in 2017 and its asset size has been realized as TRY.2,033 million.

During the Company's Ordinary General Assembly held on March 31, 2017, it was decided that all of TRY.8,455,598.10 of the distributable profit for the year 2016 and TRY.120,674.55 of the amount of the Retained Earnings Account under the Extraordinary reserves account be distributed to the shareholders and the mentioned amount be distributed as from March 31, 2017, and this distribution was realized on March 31, 2017.

- i) If an extraordinary general assembly meeting has been held during the year, information on the meeting including but not limited to the information on the date of the meeting, decisions taken during the meeting and the transactions effected in relation to the meeting:

An Extraordinary General Assembly meeting has been held on September 14, 2017, which resolved to amend Article 10 of the Company's Articles of Association as drafted hereinbelow with an eye to raising the number of Members of the Board of Directors.

"NEW VERSION:
BOARD OF DIRECTORS

Article 10- The Company will be managed, represented and obligated towards outsiders by a Board of Directors composed of minimum three and maximum eight members to be elected at the General Assembly. General Manager and, in his/her absence, Deputy General Manager is natural member of the Board of Directors.

The provisions of the Leasing, Factoring and Financing Law concerning the appointment and qualifications of members of the Board of Directors remain reserved.

The number and membership term of members of the Board of Directors will be determined at the General Assembly before proceeding with the elections. The Board of Directors is liable to perform such duties and functions as entrusted to it as the governing body by the Turkish Commercial Code, the present Articles of Association and the applicable legislation, as well as by the resolutions passed at the General Assembly with respect thereto.

The provisions of the applicable article of the Turkish Commercial Code concerning the non-delegable duties and powers of the Board of Directors remain reserved."

At the same meeting, it was resolved that Gökhan Özdil be elected as the eighth member of the Board of Directors.

- j) Information on the amounts of donations made by the Company within the year and information on the expenses made within the framework of social responsibility projects in which the Company has participated:

Total amount of the donations granted in the year 2017: TRY.2,850.-.

- k) If the Company is an affiliate of a group of companies, legal transactions effected with the parent company or an affiliate of the parent company or at the order of the parent company or for the benefit of the parent company or an affiliate of the parent company and all other measures taken in favor of the parent company or an affiliate of the parent company during the previous activity period or actions which the Company has refrained from taking for the same purpose:

Within the activity period of the year 2017, there is not any legal transaction made in favor of Controlling Companies and the subsidiaries of Controlling Companies under guidance of the direct and indirect Controlling Companies. All legal transactions made between our Company and Controlling Companies and the Subsidiaries of Controlling Companies were conducted according to market practices, the rules of honesty and diligence of commercial life and the rule of compliance with precedent (under arm's length principle) under appropriate conditions, and our Company has not made any loss due to such transactions. Therefore, no adjustment was necessary.

There is not any loss of our Company as there is not any measure taken or refrained from taking in favor of direct and indirect Controlling Companies and the Subsidiaries of direct and indirect Controlling Companies.

5- FINANCIAL SITUATION

- a) Analysis and evaluation of the managing body regarding the financial situation and the results of activity, the level of realization of the planned activities, the position of the Company against the specified strategic targets:

TEB Faktoring A.Ş., which has been active as an affiliate of TEB Group since 1997, has also continued to provide domestic and international factoring services to the business world with success in 2017 as being one of the largest companies of its sector and has continued to support corporates and SME's, thereby keeping up to back up the real economy.


The developed economies managing to recover in 2017 thanks to positive macroeconomic data and positive momentum gained in global economy despite the ongoing political and geopolitical uncertainties also supported the developing economies in turn. In the aftermath of the weak growth in 2016, Turkish economy, too, managed to close the year 2017 with a higher-than-expected growth rate thanks to a strong global demand as well as to such measures taken in domestic market as Credit Guarantee Fund.

In parallel with these developments, while the factoring sector, which is the intermediary for the financing of trade, grew by 3.4% in 2016 in terms of turnover, the growth rate turned out to be 18.2% in 2017. The factoring receivables of the sector grew by 34% in 2017.

Leaving the negative effects of 2016 behind, our Company achieved a growth rate of 6% in terms of turnover and 20% in terms of factoring receivables in 2017.

Although our Company performed worse than the sector in terms of growth in turnover and factoring receivables, it managed to perform better than the sector in terms of growth in profitability and realized a net profit of TRY.16,544 thousand as of the year end by increasing its net profit by 44%. With this net profit, our return on equity (ROE) was realized as 21.4%. According to the data published by the Association of Financial Institutions, the return on equity of the sector in 2017 was realized as 17.0%. Moreover, our Company distributed to its partners a profit of TRY.8,576 thousand in 2017.

While the NPL ratio in the Factoring sector fell down to about 3.5% in 2017, in parallel to the positive economic developments and such measures as Credit Guarantee Fund. Concentrating more on risk management, our Company's NPL ratio was 2.1%, which is well below the budget and sector average for 2017.



6 / 11



While we kept up providing our services to the customers in the field of domestic and foreign trade financing in line with the vision given to us by the Board of Directors, our Company focused more on providing support to SMEs which played a significant role in Turkish economy gaining momentum in 2017. In this way in 2017, TEB Faktoring has ranked among the top 3 companies in Turkey and among the largest companies in the world in terms of export factoring volume according to the figures of the biggest factoring chain in the world, FCI. In 2017, our Company was rewarded as the best export factoring company with a full score of 100% at FCI and it is the first and only factoring company to win the 'Best Export Factor' award 6 times in history.

Digitalization, one of the main solutions for maintaining profitability in the market where profit margins are falling, market share is shrinking and competition is increasing, is given great importance by our Company, and in this context many digitalization projects were launched in 2017.

- b) Information on sales, efficiency, capacity to generate revenues, profitability and proportion of debts/equity of the Company for the current period in comparison to previous periods and information on other issues that might give an idea about the results of the activities of the Company and expectations for the future:

Comparative financial data of our Company for the last two years are as follows:

	<u>2017 (Thousand TRY)</u>	<u>2016 (Thousand TRY)</u>
Banks	4,887.-	10,061.-
Factoring receivables	2,004,847.-	1,680,036.-
Equity	84,804.-	76,703.-
Loans received	1,929,950.-	1,599,608.-
Total assets	2,032,906.-	1,704,802.-
Revenues from main activities	131,533.-	106,353.-
Financial expenses	75,765.-	56,812.-
General operating expenses	27,816.-	25,695.-
Provisions	8,813.-	13,639.-
Profit before tax	20,076.-	14,158.-
Tax	3,532.-	2,651.-
Net profit	16,544.-	11,507.-
Return on assets	1.04%	0.80%
Return on equity	21.45%	15.97%
Expense/Revenue ratio (excluding FX, derivatives)	49.87%	51.54%

- c) Evaluation of the Managing Body regarding whether the Company capital is uncovered or is deeply in debt:

As will be seen on the balance sheet of our Company drawn up at 31.12.2017, our capital is not uncovered and our current assets can cover our current liabilities.

- d) Measures, if any, planned to improve the financial structure of the Company:

The financial structure of the Company is sufficiently strong so as to enable the Company to carry out its activities.

- e) Information on the policy of distribution of dividends, and the reason if no dividends would be distributed and proposal regarding how the undistributed profit will be used:

Policies of our Company regarding the distribution of dividends, is based on the principle of maximizing the income of our partners while maintaining the sustainability of the Company.



Distribution of dividends by the Company is carried out in line with the provisions of the Turkish Commercial Law and in accordance with the principles and procedures specified in the Articles of Association, within the due period of time. Each shareholder will be entitled to have a dividend amount which is proportionate to the distributed profit. No privileges are given regarding the distribution of dividends. The dividend to be distributed will be determined by the General Assembly taking into consideration the liquidity of the Company and the investments to be made by the Company. It will be proposed to the General Assembly to transfer the distributable profits for the year 2017 to the extraordinary reserves accounts without making any distribution to the shareholders.

TEB FAKTORING A.Ş. STATEMENT OF PROFIT DISTRIBUTION 2017 (TRY)		
	31/12/2017	
A- DISTRIBUTION OF CURRENT YEAR INCOME		
1- CURRENT YEAR INCOME		20,076,726.92
2- TAXES & STATUTORY LIABILITIES PAYABLE (-)		- 3,532,675.69
- Corporate Tax (Income Tax)	- 9,451,474.22	
- Income Tax Deduction		
- Other Taxes & Statutory Liabilities	5,918,798.52	
NET INCOME FOR THE YEAR		16,544,051.23
3-PRIOR YEARS' LOSSES (-)		-
4- FIRST LEGAL RESERVES (-)		- 500,476.16
5- OTHER STATUTORY RESERVES (-)		- 5,918,798.52
NET INCOME AVAILABLE FOR DISTRIBUTION		10,124,776.54
6- FIRST DIVIDEND TO SHAREHOLDERS (-)		-
- To Owners of Ordinary Shares	-	
- To Owners of Preferred Shares (Preemptive rights)	-	
7- DIVIDEND TO PERSONNEL (-)		-
8- DIVIDEND TO BOARD OF DIRECTORS (-)		-
9- SECOND DIVIDEND TO SHAREHOLDERS (-)		-
- To Owners of Ordinary Shares	-	
- To Owners of Preferred Shares (Preemptive rights)	-	
10- SECOND LEGAL RESERVES (-)		-
11- STATUTORY RESERVES (-)		-
12- EXTRAORDINARY RESERVES (RETAINED EARNINGS)	-	10,124,776.54
13- OTHER RESERVES		-
14- SPECIAL FUNDS		-
B- DISTRIBUTION OF RESERVES		
1- DISTRIBUTED RESERVES		-
2- SECOND LEGAL RESERVES (-)		-
3- DIVIDENDS TO SHAREHOLDERS (-)		-
- To Owners of Ordinary Shares	-	
- To Owners of Preferred Shares (Preemptive rights)	-	
3- DIVIDENDS TO PERSONNEL (-)		-
3- DIVIDENDS TO BOARD OF DIRECTORS (-)		-
C- EARNINGS PER SHARE		55.15
- To Owners of Ordinary Shares (KR%)	55.15	
- To Owners of Preferred Shares (Preemptive rights) (TRY%)		
D- DIVIDEND PER SHARE		-
- To Owners of Ordinary Shares (KR%)	-	
- To Owners of Preferred Shares (Preemptive rights)(TRY%)		

[Handwritten signatures and initials in blue ink]



6- RISKS AND EVALUATION BY THE BOARD OF DIRECTORS

- a) Information on the risk management policy, if any, that the Company will apply against the risks envisaged:

Generally speaking the companies may incur market risks, credit risks and liquidity risks due to their activities. Risk management program of our Company is focused on the minimization of the potential negative effects of the ambiguity in the financial markets on the financial performance of the Company.

With regard to the transactions effected within the framework of the factoring contracts signed with the customers, the financial loss incurred by the Company as a result of the failure of the debtor(s) to fulfill their obligations under this contract will be defined as a credit risk.

The credit risk of the Company (factoring receivables/guarantees) is distributed to various sectors and geographical areas and covers a huge number of customers. The Company tries to make transactions with only those parties that the credibility of the credit and the guaranties may be measured and reduce the credit risk by obtaining sufficient amount of guaranty when possible. Credit risks incurred by the Company and the information about the customers and their performance of repayment of credits are continuously monitored. Credit risk is implemented according to the Credit Delegation Limits and Credit Policy decision taken by the Board of Directors and controlled by the Board of Directors and Audit Committee.

Our Company also carries out its activities within the framework of the Group Compliance Policy, taking into account the compliance risk, in observance of the Regulatory liabilities including Know Your Customer, in particular.

An appropriate liquidity risk management has been formed to meet the short, middle and long-term funding and liquidity needs of company activities. The Company manages the liquidity risk by following up estimated and actual cash flows regularly and ensuring the continuity of sufficient funds and borrowing reserve in the basis of matching the maturity dates of the financial assets and obligations.

- b) If the risk is generated, information on the activities and reports of the committee for early detection and management of risks:

There is a Credit Follow-up and Monitoring Department subordinated to the Credits Group within the body of the Company. The said Department issues daily, weekly, monthly, quarterly and annual reports, various works and researches either about the whole credit risk, or credit risks which are problematic or have begun becoming problematic in order to enable an early warning system for the risk to be set up and to remove the risk.

- c) Future oriented risks concerning sales, efficiency, capacity to generate revenues, profitability, rate of debts/equity and similar issues:

Total business volume of the factoring sector, in which 61 factoring companies offering services to over 250.000 debtors and about 110.000 customers, grew approximately 18.2% in 2017 achieving a total business volume of TRY.145 billion. Exports and, accordingly, export factoring would maintain its significance in our country, where growth rate is around 7% and export is USD.157 billion. Non-payment of the debts even by those companies in the developed countries increases the need of the exporters and specifically SMEs in Turkey, for the guarantees, collection and financing support which they will receive from the factoring companies. Factoring sector will contribute to the growth of our economy, protection of the country's capital by providing guarantees and operational capital for SMEs that expand to the other markets in 2017. TEB Faktoring will continue to support SMEs and to lead the sector in this field.

Due to its financing of the trade, the positive developments in the economy influence the factoring companies positively in the domestic market, as well. The improved check-collecting performance, the falling bounced check rates and the lower non-performing loans, in particular, are among the positive indicators for the market-financing enterprises. On the other hand, although the recognition of factoring and the number of companies benefiting from this product had increased rapidly, the fact that the factoring sector making such a significant contribution to the real economy is excluded from some regulations offering benefits to other financial institutions is one of the most negative factors facing the sector.



Global political negativities likely to be faced in 2018 come out as another factor which might jeopardize the sector situated right in the heart of trade therefore instantly affected by all economic ups and downs.

In parallel to the falling profit margins, the savings-oriented measures gained more importance for the operating expenses. Our Company, which managed to handle the general expenses well in 2017, will show the same sensitivity in 2018, as well, and will set up a more efficient operational management with a lesser level of employment on the strength of digitalization projects.

As per the law no.6361 on "Financial Leasing, Factoring and Financing Companies" regarding establishment of the Central Invoice Record System (MFKS), the Association of Financial Institutions cooperated with the Credit Registration Bureau (KKB) and, in 2015, started the application of the system through which the information on the receivables assigned to the factoring companies and the banks are registered. Upon inclusion of the banks carrying out factoring transactions within this system, double assignments are prevented and also the operational load on the factoring companies and the banks is reduced. Consequently, the factoring volumes of the banks, which were not registered until today, are determined and the real factoring volume of Turkey is reached for the first time. In 2016, the second phase of the MFKS, which allows factoring companies and banks carrying out factoring activities to register in the system all payment instruments and collection information beside the receivables assigned, has been launched. Thus, comprehensive information can be registered and reported which the whole sector can benefit from and it is ensured to become a significant instrument in risk control. Furthermore, registering all assigned receivables as collaterals into the Central Invoice Record System will provide a significant secondary database that the financial market in Turkey may profit from; and a healthier growth for companies will be eventual thanks to efficient risk management.

E-invoicing practice launched in recent years has enabled the authorities to take huge steps towards prevention of unrecorded economic activity, with the rate of e-invoiced transactions in the factoring sector, being an indicator of the level of digitalization in business, reaching 53% in 2017. Apart from e-invoicing system which offers significant benefits to individual firms in terms of reduced archiving costs, instant accessibility to any required information and earlier detection and correction of errors, etc., the launch of e-assignment would turn out to be a very important milestone for our sector being able to keep up with the ever-developing, changing and digitalizing world facing us. Infrastructural works needed for this to happen have been given a start within the Association of Financial Institutions.

According to the Central Bank decision taken in 2015; the promissory notes drawn on the basis of the export receivables assigned to factoring companies and endorsed by the latter to Turk Eximbank are now eligible for rediscount; and thus the companies have been provided with the possibility to use export rediscount credit facility after the dispatch, with our Company becoming the first company in the sector who provided a loan within this scope.

Moreover, in 2017, the factoring companies including our Company started to offer guarantee service to the customers for many countries, to which they could not offer service, thanks to the agreements concluded with Eximbank, and are now enabling the exporters to export to different countries safely. The factoring sector will be the biggest supporter of SMEs in this respect with the service they will spread to 238 countries for SMEs seeking a new market due to the stagnation in European countries where the export have been the highest previously.

Supply Chain Financing, which is another product commonly used in the world, was also included in the agenda of the factoring companies in 2016. As a result, a Supply Chain Financing Platform has been set up under the roof of the Association of Financial Institutions with its infrastructure completed in 2017. Thanks to this platform, which is a system enabling the suppliers to create financing, especially at lower costs, through financial institutions, without waiting for the maturity, making use of the credibility of their buyers, and enabling the buyers to manage their own cash flows through financial institutions, the factoring transactions might be executed and monitored electronically and would thus contribute to corporations, SMEs and, most importantly, national economy. Our Company aims to offer this product as well to its customers.



TEB
FAKTORING

Moreover, as part of risk management and digitalization and within the framework of the protocol executed by and between the Association of Financial Institutions and the Ministry of Customs and Commerce of Turkey, it would now be possible to electronically query, mutually, the data available on MFKS (Central Invoice Registration System), wherein the commercial receivables taken over by banks and factoring companies are entered and on TARES (Register of Pledges on Movables), wherein the commercial receivables pledged are entered, thereby preventing any possibility to make out a variety of financing facility rendering the same commercial receivables subject to assignment and pledge simultaneously. Apart from this, the banks and factoring companies taking their place in this system would be able to execute such pledging transactions as defined in the Law on Movables Pledge via a single center.

Our Company has focused on digitalization projects since 2015 for risk management, improved productivity and automation, which are among the most important pillars of profitability, and some of the projects have already been implemented in 2017. In 2018, our Company will continue to focus on this field.

7- OTHER ISSUES

- a) Explanations about any development that arises with regard to the Company after the end of the activity year and has a special importance so as to affect the rights and interests of the partners, creditors and other relevant individuals and entities; None.
- b) Additional information: None.

This report has been issued pursuant to the provisions of the regulation on "The Determination of Minimum Content of the Annual Activity Report of the Companies" issued by the Ministry of Customs and Trade and published in the Official Gazette, No. 28395, dated 28.08.2012, and it has been signed and approved by the Members of the Board of the company whose names are given below:

Chairman

Dr. Akin AKBAYGİL

Vice Chairman

Ayşe AŞARDAĞ

Member and General Manager

Mehmet Çağatay BAYDAR

Member

Canan BUMİN

Member

Varol CİVİL

Member

Xavier Henri Jean
GUILMINEAU

Member

Gökhan ÖZDİL

Member

Patrick Pierre Marie
GALOUZEAU deVILLEPIN