

**TEB FAKTORİNG ANONİM ŞİRKETİ****ANNUAL ACTIVITY REPORT FOR THE PERIOD 01.01.2018 – 31.12.2018****1- GENERAL INFORMATION**

Period of the Report	: 01.01.2018 - 31.12.2018
Trade Name	: TEB Faktoring Anonim Şirketi
Trade Register Number	: 372141
Central Reg. System No.	: 0833007688600010
Registered address	: 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



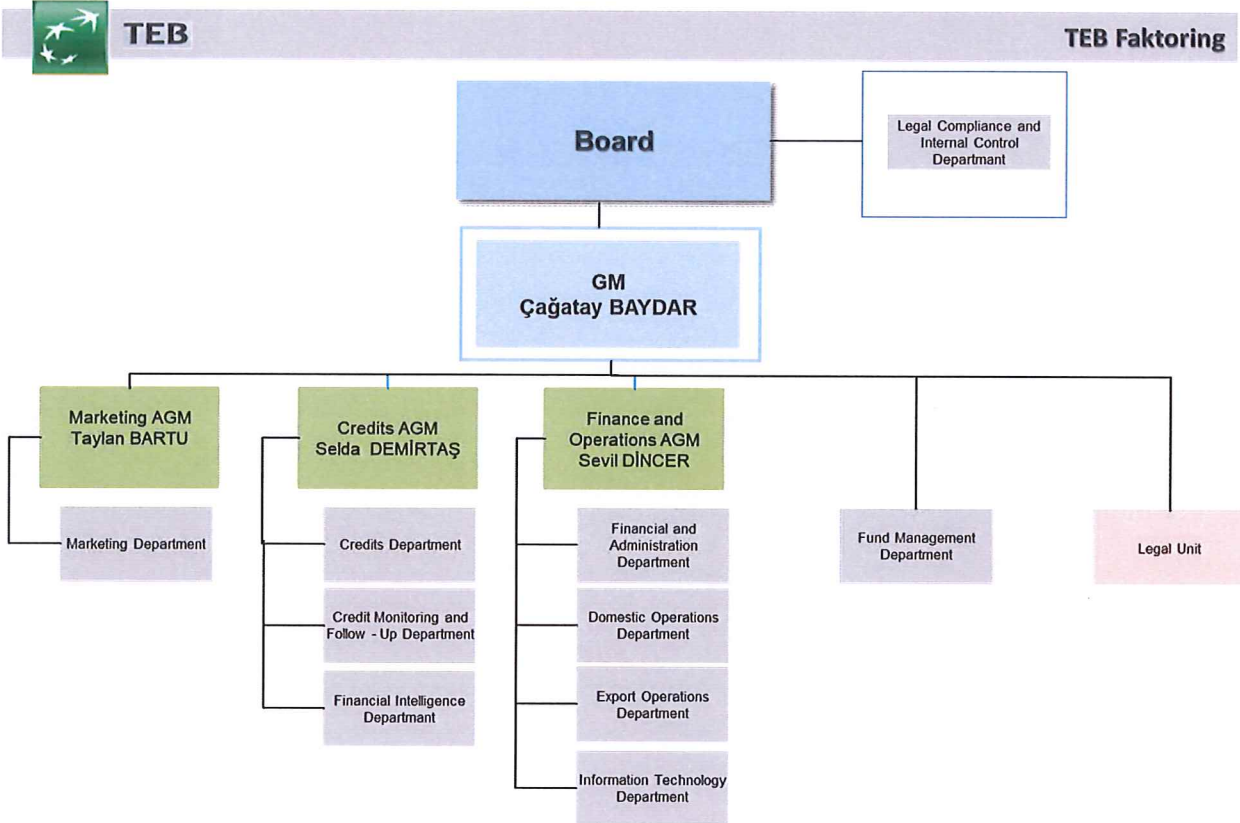
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#### A- ORGANIZATION, CAPITAL AND PARTNERSHIP STRUCTURE OF THE COMPANY

a) Organization Chart :



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

c) 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

d) 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  
Board Member and General Manager

##### Name and Surname

Dr. Akın Akbaygil  
Ayşe Aşardağ  
Varol Civil  
Gökhan Özdil  
Canan Bumin  
Nicolas de Baudinet de Courcelles (\*)  
Patrick Pierre Marie Galouzeau de Villepin  
Mehmet Çağatay Baydar

(\*) Xavier Henri Jean Guilmineau has resigned as of December 31, 2018. As of December 31, 2018, Nicolas De Baudinet De Courselles is appointed to the membership that was vacated.

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

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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.3,037,761.-

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.122,356.-

### 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 the 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.

TEB Faktoring A.Ş. is also subject to internal auditing periodically conducted by its controlling shareholder TEB A.Ş.'s Inspection Hub Turkey. Our Company has been audited by TEB A.Ş.'s Inspection Hub in 2018 within the context of all TEB Faktoring Activities and its IT Operations and its audit rating was evaluated as 'Generally Satisfactory'.

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 related to the interim private and public auditing conducted during the accounting period:





Financial statements of our company are subject to a quarterly limited-scope 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, 2018 ; subject to a limited audit in June and subject to a complete independent audit as of December period for IFRS reporting. Our company is also audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. annually within the scope of Risk Center processes and information systems.

- f) Information on lawsuits that are filed against the Company and may affect its financial position and operations and their possible consequences:

Our Company has been a party to more than one lawsuit as a defendant and a plaintiff during the period within the scope of its ordinary factoring operations. Thereunder, the Company management has the opinion that there is not an ongoing litigation or legal proceedings that is not disclosed in the footnotes of the financial statements or for which required provisions are not allocated and that may have a negative impact on the financial position or the results of the Company operations. Our company has also allocated the provision of TRY.130 thousand for the ongoing employee lawsuits.

- g) Explanations on administrative or judicial sanctions imposed on the company and the members of the managing body due to practices contrary to the legislation provisions: None.
- h) Information and assessments on whether or not the targets set in the previous periods were reached, whether or not the decisions of the general assembly were fulfilled and the justifications if the targets were not reached or the decisions were not fulfilled:

Our Company achieved turnover of TRY.8,853 million and a net profit of TRY.40 million and its asset size was realized as TRY.1,682 million in 2018.

It was decided at the Company's Ordinary General Assembly that was held on March 30, 2018 not to distribute any distributable profit for 2017 to its shareholders but to transfer all of the net distributable profit to the extraordinary reserves account.

- i) Information about the extraordinary general assembly including the date of the meeting, the decisions taken at the meeting and the related transactions, in the event that an extraordinary general meeting was held during the year: None.
- j) Information on the donations and grants made by the Company during the year and the expenditures made within the scope of social responsibility projects:

The total amount of donations and grants made in 2018 is TRY.1,450.-.

- 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 2018, 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 operating results, the level of realization of the planned activities, the situation of the company against the specified strategic targets:

As an affiliate of TEB Group, TEB Faktoring A.Ş. has been operating since 1997 and has successfully continued to provide domestic and international factoring services to Turkish business world of our country in 2018, as being one of the biggest companies of the sector. It has been supporting the corporate companies and SMEs all through this process and has continued to serve and support the real economy.

While starting 2018 with positive expectations, the tensions in the geography where Turkey is located and in the world, caused by the world trade war that had a major impact on the world trade, adversely affected specifically the developing countries starting from the second quarter of the year. These developments had particularly harsh impacts on Turkey's economy in the second half of 2018 that consequently brought recession in the economy, high inflation and high exchange rates. Following these adverse developments, the rapid decisions taken regarding the economy enabled the balancing process of the economy.

While Turkish economy had a 7.4% growth in 2017, it completed the year 2018 with a growth rate below 3% in the light of all the adverse developments.

Due to the decline in demand in the domestic market and the increasing credit risks as a result of this shrinkage, the factoring sector that mediates the financing of trade completed the year 2018 with a financial turnover of TRY.146 billion and had a 1% increase compared to last year. For these reasons, the factoring receivables in the sector decreased by 24% in 2018.

Our company has realized a factoring turnover that exceeds the sector growth and grew by 8.4% and decreased by 18% in the factoring receivables in 2018. Our company demonstrated a high performance above the profitability increase of the sector, obtained TRY.39,957 thousand net profit by the end of year 2018 and by increasing its profit by 142%, achieved the highest profitability in the company's history. Our return on equity (ROE) with this net profit was 36.02%. In 2018, the rate of return on equity of the sector realized as 20.4%.

Our Company decided not to distribute profit to its shareholders in 2018, thus further strengthened its equity.

The economic shrinkage, the increase in input costs, the rapid increase in the number of companies having difficulty in paying and announcing concordatum in parallel with the deterioration of their cash flow also affected the collection of loans and the non-performing loan (NPL) ratio in the factoring sector increased to 6 % in 2018. By concentrating more on risk management our Company remained below the sector average in 2018 with its NPL ratio of 3.8 %.

Our Company continued providing services to its SME and corporate customers in 2018, both domestic and international trade financing in line with the vision given to us by the Board of Directors in 2018. In terms of international factoring transaction volume, TEB Faktoring continued to be among the largest companies in the world by the members of the FCI, which is the largest factoring chain in the world and also in Turkey. In 2018, our Company has been selected as the second best export factoring company in FCI and is the first and only factoring company to have won the 'FCI Best Export Factor' award 6 times.

Continuing its development by increasing its volume, offering new products and entering new sectors, our Company also attaches great importance to digitalization with the principle of efficient and effective company management in order to achieve success under the difficult economic conditions, therefore, it continued to launch many projects in 2018.

- 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>2018 (Thousand TRY)</u>	<u>2017 (Thousand TRY)</u>
Banks	2,625.-	4,887.-
Factoring receivables	1,643,104.-	2,002,882.-
Equity	125,482.-	84,804.-
Loans received	1,529,427.-	1,929,950.-
Total assets	1,682,248.-	2,032,906.-
Revenues from main activities	232,733.-	131,533.-
Financial expenses	139,167.-	75,765.-
General operating expenses	34,553.-	27,816.-
Provisions	12,977.-	8,813.-
Profit before tax	50,991.-	20,076.-
Tax	11,034.-	3,532.-
Net profit	39,957.-	16,544.-
Return on assets	2,19%	1,04%
Return on equity	36,02%	21,45%
General operating expenses/net Operating revenues	36,55%	49,87%

- c) Determination and managing body evaluations as to whether or not the capital of Company is unsecured or whether or not the Company went into debt:

Pursuant to the Decision of Banking Regulation and Supervision Agency dated November 29, 2018 and numbered 8122, and paragraph 2 of Article 5 of the Financial Leasing, Factoring and Financing Companies Law No. 6361, it has been decided that the paid-in capital of companies including factoring companies that are subject to the Law shall be set at TRY.30,000,000 and that one year shall be granted to the companies as of November 29, 2018 regarding the said capital increase.

The paid-in capital of our Company, as can be seen from the balance sheet of our Company dated December 31, 2018, is TRY.30,000,000. The capital of Company is not uncovered and our current assets can meet our current liabilities.

- d) Measures planned to be taken to improve the financial structure of the company, if any:

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

- e) The information on the policy of dividend distribution and if profit distribution is not to be made, the justification for the reason why dividend distribution will not be made and proposal of how the undistributed dividend will be used:

The policy of dividend distribution of our Company is made on the purpose of maximizing the income of our shareholders, provided that the sustainability of the Company is maintained.

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 is 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 is determined by the General Assembly taking into consideration the liquidity of the Company and the investments to be made by the Company.





The Banking Regulation and Supervision Agency made an announcement with its letter dated November 14, 2018 to the companies that fall under the Financial Institutions Association, that, in the event that the profits to be obtained in 2018 and the profits and reserves, which were acquired before 2018 but were not distributed and are kept under equity, are planned to be distributed as dividend in a way that causes cash outflow, the companies shall apply to the Agency by specifying its justifications, and, if permitted, such profits and reserves shall be entreated in the distribution in question.

Our Company did not apply for permission to dividend distribution to the BRSA for the reason that a proposal will be made to the Board of Directors not to distribute any of the distributable profit for 2018 and to transfer them to the extraordinary reserves account as shown in the below mentioned Statement of Profit Distribution for 2018.

TEB FAKTORİNG A.Ş. STATEMENT OF PROFIT DISTRIBUTION 2018 (TRY)		
	31/12/2018	
A- DISTRIBUTION OF CURRENT YEAR INCOME		
1- CURRENT YEAR INCOME		50.991.121,84
2- TAXES & STATUTORY LIABILITIES PAYABLE (-)		- 11.033.646,87
- Corporate Tax (Income Tax)	- 12.842.871,07	
- Income Tax Deduction		
- Other Taxes & Statutory Liabilities	1.809.224,20	
NET INCOME FOR THE YEAR		39.957.474,97
3- PRIOR YEARS' LOSSES (-)		-
4- FIRST LEGAL RESERVES (-)		-
5- OTHER STATUTORY RESERVES (-)		- 1.809.224,20
NET INCOME AVAILABLE FOR DISTRIBUTION		38.148.250,77
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)	-	38.148.250,77
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		133,19
- To Owners of Ordinary Shares (KR%)	133,19	
- 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%)		





## **6- ASSESSMENT OF RISKS AND MANAGING BODY**

- 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 executed within the framework of the factoring agreements 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 is 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 only with the parties having measurable credibility and reliable collaterals and reduce the credit risk by obtaining sufficient amount of collateral 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 the 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 the 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 liabilities.

- b) Information on the activities and reports of the early risk detection and risk management committee if established:

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 detected and to eliminate the risk.

- c) Prospective risks on sales, productivity, revenue generation capacity, profitability, debt/equity ratio and similar issues:

The factoring sector in which 58 factoring companies operate and more than 250,000 debtors and approximately 100,000 customers are provided service, created a total business volume of TRY.146 billion in 2018. The export factoring services to SMEs support the continuation of their activities who enter international markets to balance negative impacts of the shrinkage in the domestic market and their safe trading in these markets they have little knowledge of, will continue to maintain its importance. Some of the companies even in developed countries do not pay their debts which put hardship on exporters and especially SMEs in Turkey and this further increases their need for support from factoring companies for guarantees, cash collection and financing.

Although recognizability of factoring (which operates in the flow of trade, manages the receivables, contributes to the national economy by providing domestic and foreign financing services and aims at protecting the country's own resources) and the number of companies benefiting from this product rapidly increase, the exclusion of the factoring sector, which contributes to the real economy, from some legislative regulations that other financial institutions benefit, is one of the most adverse factors facing the sector. Global economic and political negativities are the other factors that may pose a threat to the sector which is at the heart of the trade and immediately affected by all the fluctuations in the economy.





The effects of political and economic fluctuations and uncertainties are expected to continue in 2019. The shrinkage of the economy, especially in the domestic market, increases the importance of correct risk management. In today's economic climate, the most important factor for the SMEs in order for them to grow healthier is for them to concentrate on export that has more positive conditions, to enter in new markets, to trade with unknown countries and companies whose risks they cannot measure, and at the same time to protect their cash flow and equity. The factoring companies that provide all these services will also be their major supporters by providing guarantees and financing. In this context, our Company that supports the SMEs signed a cooperation agreement with the Turkish Exporters Assembly (TİM) to provide factoring services to exporters with favorable conditions and will provide USD.50 million to its customers with special interest rates in 2019.

This year, taking austerity measures has become more important because of high inflation and high exchange rates together with increasing personnel costs and operating costs. In 2018, our Company managed its general expenses well and will continue to be diligent in this manner in 2019. It will continue to create a more efficient working platform with less employment by means of its digitalization projects.

In accordance with the "Financial Leasing, Factoring and Financing Companies Law' No. 6361, the information about the receivables of the factoring companies and banks started to be recorded as of 2015 with the Centralized Invoice Registration System (MFKS) formed under the Financial Institutions Association and with the inclusion of the banks performing factoring transactions in this system, double financing is prevented and credit risks are reduced; this also mitigated the operational burden on factoring companies and banks. Thus, the factoring volumes of banks, which have not been registered until today, are also being determined and the real factoring volume of Turkey is now known. The application, which enables the factoring companies and banks performing the factoring transactions to enter all payment tools and collection information in addition to the assigned receivables, has also been implemented as of 2016. Thus, very comprehensive information from which the whole sector can benefit is recorded and reported and consequently it became an important instrument in risk control. With the registration of all assigned receivables, including guarantees, an important second data center will be formed from which financial sector in Turkey will be able to benefit and companies will be able to grow healthier with the effective risk management.

Giant steps are taken in overcoming the informal economy with the e-invoicing system implemented in the recent years and the rate of transactions in the factoring sector realized with e-invoicing, which is the indicator of digitalization in business life increased to 54 % in 2018. In addition to the e-invoicing system, which provides great benefits to companies such as decreasing the companies' cost of archiving, reaching the desired information at any time, realizing and correcting the errors earlier etc., the implementation of e-assignment will be a very significant milestone for our sector to keep pace with the developing, changing and digitalizing world.

The companies have been given the opportunity to use export rediscount credits after dispatch with the acceptance of the promissory notes (which are issued in accordance with the export receivables transferred to the factoring companies according to the decision taken by Central Bank in 2015 and are endorsed by the factoring companies for Türk Eximbank) for rediscount and our Company has succeeded to be the first company in the sector to provide loans in this context.

In 2017, the factoring companies, including our Company, started to provide guarantee service to their customers by means of the protocols they signed with Türk Eximbank for many countries where they could not offer services before and have enabled the exporters to trade more safely with different countries. With its service spread to a total of 238 countries, the factoring sector will be the biggest supporter of SMEs that are in search of new markets due to the recession in European countries where exports are the highest in this respect.

The Supply Chain Financing, which is another product widely used in the world, was also put on the agenda of the factoring sector, completing the infrastructure studies a Supply Chain Financing Platform was established under the Financial Institutions Association. The factoring transactions will be realized and followed up in





electronic environment and will contribute to the corporate companies, SMEs and most importantly the country's economy by virtue of this platform, where the suppliers benefit from the credibility of the buyer to whom they sell their products/services and thus are financed by the financial institutions with lower costs without waiting for maturity dates and where buyers can manage their own cash flows through financial institutions. Our Company is ready to serve this product to its customers.

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 and implemented a major part of those projects in 2018, in order to mitigate the risks, increase efficiency and enable automation, which are the most important pillars of profitability. Our Company will continue to concentrate on this matter in 2019.

#### **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

**Member**

Canan BUMİN

**Member**

Gökhan ÖZDİL

**Vice Chairman**

Ayşe AŞARDAĞ

**Member**

Varol CİVİL

**Member and General Manager**

Mehmet Çağatay BAYDAR

**Member**

Nicolas DE BAUDINET DE  
COURCELLES

**Member**

Patrick Pierre Marie GALOUZEAU  
de VILLEPIN