



TEB FAKTORİNG ANONİM ŞİRKETİ

ANNUAL ACTIVITY REPORT FOR THE PERIOD 01.01.2020 – 31.12.2020

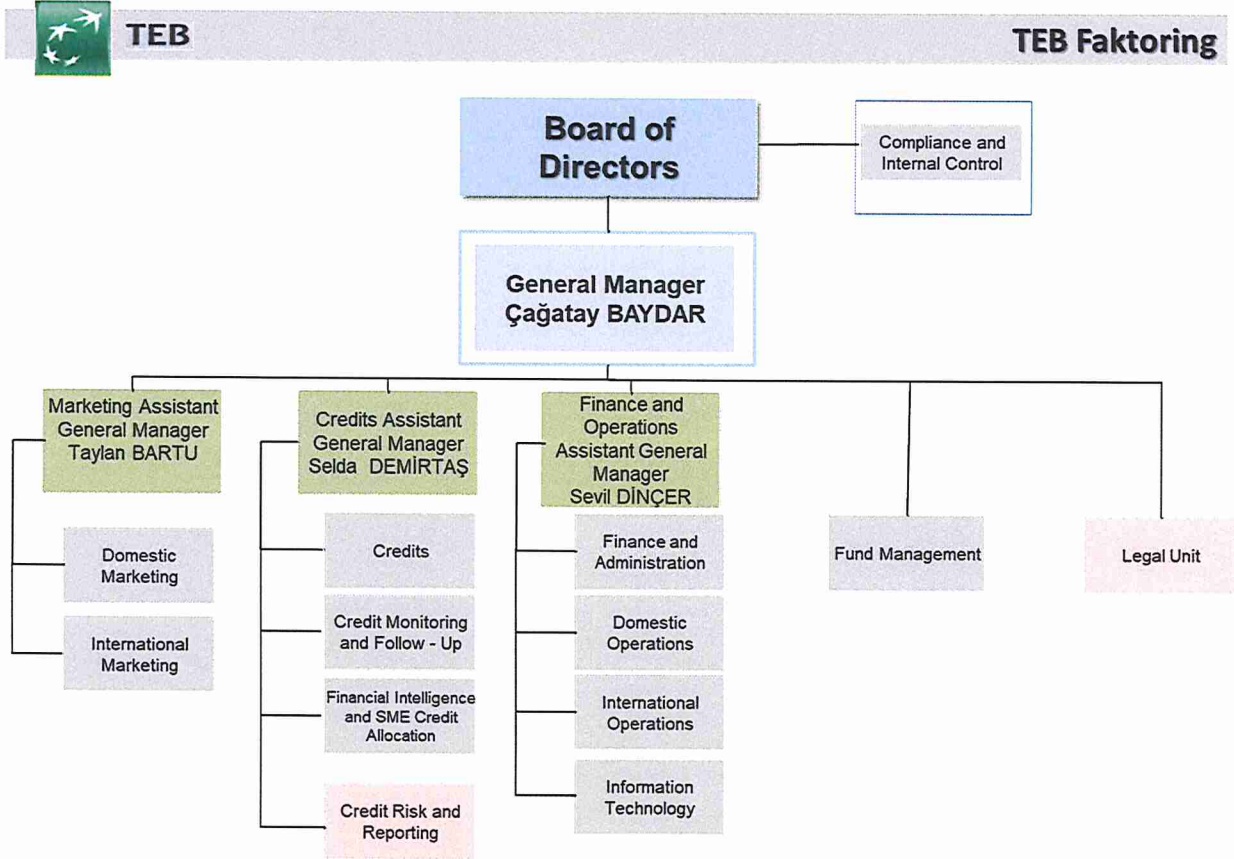
1- GENERAL INFORMATION

Period of the Report	01.01.2020 - 31.12.2020
Trade Name	TEB Faktoring Anonim Şirketi
Trade Register Number	372141
Central Reg. System No.	833007688600077
Registered address	Gayrettepe Mahallesi Yener Sokak No: 1 Kat: 7-8 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 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	Zeytinli Mh. 79006 Sk. No:3 Koluman Tower K:15 D:34 Şehitkamil Gaziantep
Kayseri Branch	Anbar Mahallesi 14. Cadde No:20 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 Ostim Branch was closed on 07.01.2021 with the registration of the Board of Directors Resolution dated 30.12.2020.)
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)	Telefon :0 212 370 45 00 Faks :0 216 636 52 52
E-mail address	tebfaktoring@teb.com.tr
Web Site	www.tebfaktoring.com.tr



A- ORGANIZATION, CAPITAL AND PARTNERSHIP STRUCTURE OF THE COMPANY

a) Organization Chart :



b) Capital : TRY.50.000.000,-

c) Partnership Structure :

NAME, SURNAME AND TITLE OF THE SHAREHOLDER	RESIDENTIAL ADDRESS	NUMBER OF SHARES	CAPITAL AMOUNT (TRY)
TÜRK EKONOMİ BANKASI A.Ş.	TEB Kampüs C ve D Blok, Saray Mahallesi, Sokullu Caddesi, No:7/A-7B Ümraniye 34768 İstanbul	49.999.989,48	49.999.989,48
TEB HOLDİNG A.Ş.	TEB Kampüs C Blok, Saray Mahallesi, Sokullu Caddesi, No:7/A Ümraniye 34768 İstanbul	2,63	2,63
TEB YATIRIM MENKUL DEĞERLER A.Ş.	TEB Kampüs D Blok, Saray Mahallesi, Sokullu Caddesi, No:7 Ümraniye 34768 İstanbul	2,63	2,63
BNPP YATIRIMLAR HOLDİNG A.Ş.	Gayrettepe Mahallesi, Yener Sokak, No:1 Kat: 10 Beşiktaş	2,63	2,63
GALATA YATIRIM HOLDİNG A.Ş.	Rüzgarlıbahçe Mahallesi Kavak Sokak No: 16 Kat: 5 34805 Kavacık, Beykoz İstanbul	2,63	2,63

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

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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 9 (nine) real persons, who are the members of the Board of Directors.

Members of the Board of Directors	Name and Surname
Chairman	Dr. Akın Akbaygil
Deputy Chairman	Ayşe Aşardağ
Board Member	Varol Civil
Board Member	Gökhan Özdil
Board Member	Canan Bumin
Board Member	Nicolas de Baudinet de Courcelles
Board Member	Patrick Pierre Marie Galouzeau de Villepin
Board Member	Metin Toğay
Board Member and General Manager	Mehmet Çağatay Baydar

- b) **Senior Management of the Company**

Title	Name and Surname
Board Member and General Manager	Mehmet Çağatay Baydar
Chief Advisor to the Board	Canan Bumin
Assistant General Manager	Selda Demirtaş
Assistant General Manager	Sevil Dinçer
Assistant General Manager	Taylan Bartu

- c) **Number of Personnel:** 100

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.4.609.308,-

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.60.458,-

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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 Audit 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 subject to internal auditing periodically conducted by its controlling shareholder TEB A.Ş.'s Inspection Hub Turkey.

In 2020, our processes for the prevention of money laundering, fight against corruption and financing of terrorism and compliance with international financial sanctions rules within the framework of legal regulations, especially the Financial Crimes Investigation Board (MASAK) legislation, BNP Paribas Group procedures, ethical principles and internal regulations were assessed by TEB A.Ş. Inspection Hub Turkey under the scope of Financial Sanctions Practices Audit.

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

Direct Affiliates	Percentage of Share
TEB Yatırım Menkul Kıymetler A.Ş.	3,38%
Ekonomi Yatırımlar Limited	0,13%
BNP Paribas Finansal Kiralama A.Ş.	0,00%
TEB Portföy Yönetimi A.Ş.	0,00%
TEB Arval Araç Filo Kiralama A.Ş.	0,00%

Indirect Affiliates	Percentage of Share
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 DRT Bağımsız Denetim ve SMMM 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

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individual BRSA reporting and for the purpose of main shareholder, TEB A.Ş.'s consolidated Banking Regulation and Supervision Agency (BRSA) reporting as of December 31, 2020 ; subject to a limited audit in June and subject to a complete independent audit as of December period for IFRS reporting.

As of 06.04.2020, Our Company has been audited on Information Systems by DRT Bağımsız Denetim ve SMMM A.Ş. within the scope of the Communiqué on the Management and Audit of Financial Leasing, Factoring and Financing Companies and a positive opinion was given as a result of the audit. Our company is also audited annually by DRT Bağımsız Denetim ve SMMM A.Ş. on a consolidated basis within the scope of TEB A.Ş. Information Systems audit.

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.363 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.9.950 million and a net profit of TRY.29.073 thousand and its asset size was realized as TRY.2.624 million in 2020.

It was decided at the Company's Ordinary General Assembly that was held on March 31, 2020 not to distribute any distributable profit for 2019 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:

The following decisions were taken unanimously at an Extraordinary General Assembly meeting held on 16 December 2020:

The Company's capital shall be increased by a total amount of TRY.20.000.000,- through payment of TRY.19.918.873,32 from Undistributed Profits under Extraordinary Reserve Accounts, TRY.81.126,82 from the reserve fund account allocated in accordance with the General Assembly Resolution under Extraordinary Reserve Accounts, from TRY.30.000.000,- to TRY.50.000.000,-

The share certificates, which will be issued for the increased capital sum of TRY.20.000.000 that is divided into 20.000.000. be issued as registered share certificates, shareholders be granted share certificates free of charge in proportion to the shares owned by them prior to the increase, the Board of Directors be authorized to fulfill and finalize any and all formalities regarding the classification, number, form and denomination, time of issuance, capital increase, and similar matters regarding the share certificates to be issued and distributed free of charge in consequence of the capital increase, certificates for the right to free of charge shareholding to be delivered to those shareholders having such a share that is not sufficient to get a share certificate of TRY.1 (fractional share receipts), and the interim share certificates; and

Article 6 "the Company's Capital" of the Company's articles of association be amended as follows according to the permit obtained on 10 November 2020 under number 50035491/431.02-E-00058901845 as a result of an application filed with Republic of Turkey, Ministry of Customs and Trade, General Directorate of Domestic Trade:



NEW WORDING

THE COMPANY'S CAPITAL

ARTICLE 6- The Company's share capital is TRY. 50.000.000,- (FIFTY MILLION Turkish Liras) divided into 50.000.000,- (FIFTY MILLION) registered shares, each with a nominal value of ONE Turkish Lira.

1- Out of TRY.30.000.000,- which corresponds to the previous share capital,

- a) TRY. 11.250.000,- has been fully paid by the shareholders in cash.
- b) TRY.16.042.169,78,- was provided by the extraordinary reserve funds, TRY.1.087.199,54,- was provided by Positive Distinction from Share Capital Adjustment, TRY.1.620.630,68 was provided by the Positive Differences of Inflation Adjustment belonging to Legal Reserves, and for this part of the share capital gratis shares were delivered to the shareholders pro rata to their shareholding before the capital increase.

This time, of TRY.20.000.000,- which constitutes the increased portion of the capital and divided into 20.000.000,- registered shares each with a nominal value of ONE Turkish Lira; TRY.19.918.873,18- shall be provided by the Undistributed Profits under Extraordinary Reserve Accounts; TRY.81.126,82 shall be provided from the Reserve Fund Account Allocated in Accordance with the General Assembly Resolution under Extraordinary Reserve Accounts, and in connection with this capital increase, for this part of the share capital gratis shares shall be delivered to the shareholders pro rata to their shareholding before the capital increase.

The Board of Directors is authorized to issue share certificates in various different series, and if and when deemed necessary for the sake of easy safekeeping, to issue share certificates in denominations representing more than one share, and if required, dividing the shares into different denominations, in strict compliance with the terms and conditions of the applicable laws.

- 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 2020 is TRY.105.300,-.

- 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 2020, 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.



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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 business world of our country in 2020, as being one of the biggest companies of the sector. It has been supporting corporate companies and SMEs all through this process and has continued to serve and support the real economy.

While the global growth predictions were downward in 2019, the markets eased to a certain extent , especially in the second half, thanks to the quantitative easing that occurred in the wake of the measures taken in Turkish economy, interest rate reductions, rebalancing of TRY, positive momentum of growth in economy underpinned by exports, and reduction of inflation. In the light of all of these developments, Turkish economy grew by 0,9% during the year 2019 and made a good start in 2020.

However, 2020 has been a difficult year for financial markets due to the Covid-19 virus outbreak that has effects at a global scale. Quarantine and lockdown measures, especially during April and May, negatively affected the economy as well as the social life.

With the decrease in the global appetite, the flow of funds into developing countries slowed down, the currencies of developing countries depreciated, and, at the same time, our export and tourism revenues decreased in consequence of the stagnation in the economy.

Measures have been taken in monetary and fiscal policies in order to limit these impacts. In the light of the measures taken, the upward trend in inflation along with the recovery in the economy in the second half of the year brought interest rate increases to the agenda again after a long period with an aim to ensure price stability. In line with all of these developments, the economy, which followed a fluctuating course in 2020, started to recover with the increase in domestic demand, resumption of production, and grant of incentive packages in the second half of the year.

Factoring sector, which is directly affected by the economic changes and which finances the trade, increased its business volume by 14,3%, despite all this volatility, to TRY 148,5 billion.

Factoring receivables of the sector grew by 31% compared to 2019 and reached TRY.44,5 billion.

Despite the lockdown and quarantine measures imposed in response to the pandemic for most part of the year, our Company realized a turnover of TRY.9.950 million in 2020 with the effective services it provided to its customers, especially in domestic factoring, and increased its factoring receivables by 21% to TRY. 2.486 million.

TEB Faktoring has accomplished a net profit of TRY.29.073 thousand as of the end of 2020. Thanks to this net profit, our return on equity (ROE) was 16,14%. Our sector's return on equity ratio in 2020 was 11,3%.

Our company decided not to distribute profits to its shareholders in 2020 and, as a result, further strengthened its equity.

The reduction in economic activities due to the lockdowns led by the Covid-19 outbreak caused supply shortages. With the concordant increase in costs and deterioration of cash flows, the number of companies with insolvency increased and the repayment of loans was negatively affected therefrom. On the other hand, thanks to the measures taken to alleviate these negative effects of the global pandemic, support packages, increases in loans extended by the financial sector, restructuring operations, and temporary



extensions of due dates in the definition of non-performing loans, the rates of bounced checks and non-performing loans decreased in 2020.

In 2020, the non-performing loan (NPL) ratio in the factoring sector was 3,9%, while the cost of risk ratio was 1,6%. Focusing predominantly on the risk management, TEB Faktoring's 2020 NPL ratio and cost of risk ratio remained well below the sector's average, being 0,73% and 0,15%, respectively.

By the end of the 2020, our Company conducted a total write-off operation of TRY.19.632.651. The Company's the NPL ratio is 1,50% excluding the write-off impact.

In line with the vision that we have been provided with by our Board of Directors, our Company continued to support SMEs and corporate companies in the financing of domestic and international trade in 2020.

In terms of export factoring transactions, TEB Faktoring, also in 2020, continued to be one of the largest factoring companies in Turkey and also in the world among the members of the world's largest factoring chain, FCI. Our company was selected as the world's best export factoring company for the seventh time in 2019 by FCI and is still the first and only factoring company that won the "Best Export Factor" award seven times in history.

In 2020, TEB Faktoring was also awarded the most creditable company prize in the factoring industry in our country for the third time.

Adopting the principle of efficient and effective company management, TEB Faktoring attaches great importance to the digital transformation process in order to provide its customers with a better service and to achieve success under difficult conditions that has given rise by the economic fragility. Our company has been implementing many basic projects in recent years in this context. Thus, risk management, increase in efficiency, and automation were achieved which are the most important factors of profitability.

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:

(Thousand TRY)	2020	2019
Banks	98.725,-	4.949,-
Factoring receivables	2.485.670,-	2.051.312,-
Equity	191.526,-	162.955,-
Loans received	2.397.830,-	1.896.944,-
Total assets	2.623.555,-	2.087.066,-
Revenues from main activities	196.518,-	219.332,-
Financial expenses	125.969,-	133.509,-
General operating expenses	40.256,-	38.661,-
Provisions	3.155,-	9.997,-
Profit before tax	38.448,-	47.907,-
Tax	9.375,-	10.339,-
Net profit	29.073,-	37.568,-
Return on assets	1,33%	2,18%
Return on equity	16,14%	25,54%
General operating expenses/net Operating revenues	49,77%	42,51%



Continuing to serve its customers as well as maintaining its asset quality in 2020, TEB Faktoring aims to increase its transaction volume and profitability also in 2021 in line with the growth in the economy.

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:

The minimum paid-in capital of factoring companies was increased to fifty million Turkish Liras under Article 22 of the "Law 7222 Amending the Banking Law and Certain Laws", which entered into force after having been released in the Official Gazette dated 25 February 2020 and numbered 31050. Further, factoring companies were given an adjustment period of one year as of the effective date thereof and a provision was set forth that this period may be extended for a maximum period of two years where deemed appropriate by the Board.

Maintaining its steady growth together with its strong capital structure, our Company increased its paid-in capital to TRY.50.000.000 at the Extraordinary General Assembly meeting held on 16 December 2020.

As disclosed in our Company's balance sheet dated 31.12.2020, our Company's paid-in capital amounts to TRY.50.000.000. The Company's capital is not uncovered and our current assets are in a position to cover 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.

Our Company will propose to its General Assembly not make any distribution to its shareholders from its distributable profits for 2020, and to transfer them to the extraordinary reserves account as will be seen in the Statement of Profit Distribution for 2020 presented below.





TEB FAKTORİNG A.Ş. STATEMENT OF PROFIT DISTRIBUTION 2020 (TRY)		
	31/12/2020	
A- DISTRIBUTION OF CURRENT YEAR INCOME		
1- CURRENT YEAR INCOME		38.448.385,93
2- TAXES & STATUTORY LIABILITIES PAYABLE (-)		- 9.375.085,86
- Corporate Tax (Income Tax)	- 8.877.124,35	
- Income Tax Deduction		
- Other Taxes & Statutory Liabilities	- 497.961,51	
NET INCOME FOR THE YEAR		29.073.300,07
3- PRIOR YEARS' LOSSES (-)		-
4- FIRST LEGAL RESERVES (-)		- 1.453.665,00
5- OTHER STATUTORY RESERVES (-)		-
NET INCOME AVAILABLE FOR DISTRIBUTION		27.619.635,07
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)	- 27.619.635,07	
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		58,15
- To Owners of Ordinary Shares (KR%)	58,15	
- 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%)		

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, companies may be exposed to market risk, interest rate risk, credit risk, liquidity risk, and operational risk due to their activities. Our Company's risk management program focuses on the minimization of the potential negative impacts of uncertainty in financial markets on the financial performance of our Company.



Credit Risk:

In the context of the transactions that are conducted within the framework of factoring contracts made with customers, the financial loss that the Company suffers due to the failure of the debtor (debtors) to fulfill its/their obligations under the said contracts is defined as a credit risk.

One of the most important values of our Company is its strong asset structure that we maintain with the help of conservative credit policies.

The Company's credit exposure (factoring receivables / guarantees) has been spread over various sectors and geographical areas and covers a large number of customers. Our Company makes efforts to reduce the credit risk by performing its transactions only with the parties having measurable credibility and reliable collaterals and, where possible, by obtaining collaterals at sufficient amounts. Credit risks that the Company faces and the intelligence and loan repayment performances of the customers are constantly 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.

Although the factoring limit allocation and utilization authorization is basically exercised by the Board of Directors, the Board of Directors has delegated a part of this authority to the Credit Committee and the General Manager. The General Manager has, in turn, delegated some of this authority to the business lines on the basis of the rules approved by the Board of Directors.

Our Company also takes into account the counterparty risk for the guarantees it receives from counterparties in the scope of the guarantee service it offers its customers and conducts risk assessment and limit allocation in accordance with the Company's credit policies.

Liquidity Risk:

Liquidity risk means the risk of not having enough cash or cash inflow to ensure that the cash outflows are made in due time and in full.

A suitable liquidity risk management has been established for the short, medium and long term funding and liquidity requirements of our Company's activities. The Company manages the liquidity risk by regularly monitoring estimated and actual cash flows and by maintaining adequate funds and borrowing reserves through the matching of financial assets and debt maturities.

Interest Rate Risk:

Interest rate risk means the risks that the Company may be exposed to due to maturity mismatches between its receivables and liabilities due to fluctuations in interest rates.

Our Company diligently performs the Asset-Liability Management, regularly monitors the maturity mismatch, and takes actions to minimize the negative effects of interest rate fluctuations in the market.

Operational Risk:

Operational risk incidents are defined as events that cause or may result in loss of earning (money, resources, physical assets, etc.), possible loss or loss of opportunity due to human error, system interruption or failure, insufficiently/poorly designed processes or external incidents.

Operational risk incidents encountered are the most objective and sensitive risk indicators reflecting our Company's structural characteristics and operational risk profile.

Regarding the management of operational risks, an "Operational Risk Incidents Database" has been created to provide information flow for the identification, digitization, and quantification of the risks encountered by our Company and the processes and responsibilities have been determined.

The risks that we are exposed to are monitored regularly by the Audit Committee and necessary actions and corrective measures are considered and implemented.



Our Company also carries out its activities within the framework of its legal obligations and responsibilities, led by the Know Your Customer Principles, and the Group's compliance principles and policies, by also taking into account the compliance risk.

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

There is a Credit Monitoring and Follow-up 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:

Turkish economy grew to a limited extent in 2020 due to the global pandemic. This negative effect is expected to be prevented with the launching of vaccination campaigns in 2021 and the measures taken, along with positive monetary and fiscal policies.

It is forecasted that the year 2021 will be a period in which the economic growth will increase slightly, uncertainties will decrease and investments will rebound thanks to the stabilization of financial markets, our country risk premium will decrease, and the industries affected from the epidemic will recover rapidly.

However, the slow recovery of the global economy poses a risk especially to our exports. Economic fluctuations, rising inflation, and political problems are the other factors that may pose a threat to the sector, which is immediately affected by any rises and falls of the economy, as it is at the heart of trade.

In our rapidly changing age, sustainable digital transformation and digital services play an important role in the real economy and competition. TEB Faktoring continued to develop its digital channels also in 2020, in accordance with its customer-oriented and innovative vision.

Digitalization projects, which are amongst the most significant elements of profitability and enable the use of different channels to reach customers, effective risk management, increase in efficiency, automation, and fast service, will continue also in 2021.

TEB Faktoring meets the customer needs that change in the wake of the developing technology by providing an effective and lean digital experience, by standing by the customer wherever and whenever they need it. Providing all of its customers, led by SME's, with an ever-increasing support, TEB Faktoring has been contributing to Turkey's sustainable economy.

TEB Faktoring has been focusing on TEB Faktoring mobile application as a company that puts both business processes and customer at the heart of digitalization efforts.

TEB Faktoring's mobile application, where customers can make their applications digitally and get quick feedbacks and price offers, is planned to be further ameliorated and enriched with additional services that will provide a leaner user experience in 2021.

Under the "Law 7247 Amending Certain Laws and Decrees" that was released in the Official Gazette of 26 June 2020 with the provisions that also concern our sector with an aim to keep in step with the technological development, it is set out that factoring contracts can be entered into as distance contracts in writing or by means of telecommunication devices or via an information technology or electronic communication device that the Agency determines to replace the written form whether or not being made as a distance contract.



Paragraph two of Article 38 of the Law 6361 is modified as follows:

“(2) A factoring contract can be entered into as a distance contract in writing or by means of telecommunication devices or through such methods that will be conducted via an information technology or electronic communication device that the Agency determines to replace the written form whether or not being made as a distance contract and with the possibility to verify the customer’s identity. The procedures and principles regarding the implementation of this paragraph shall be set by the Board.”

Upon determination by the Banking Regulation and Supervision Agency of the relevant procedures and principles, a very important step will be taken in the digital transformation of our sector.

Preparing for the future with the assistance of Fintech companies and digital platforms, which are the important elements of digital transformation and digital business models, TEB Faktoring will maintain its place amongst the players that steer the market with its digital products and solutions, as it has always been the case.

Continuing its relevant negotiations in 2020, TEB Faktoring will finalize its supplier financing platforms and information bridge projects at the beginning of 2021 and will put in place the applications that allow customers to easily establish contact, get feedbacks quickly, and have a better user experience.

The importance of the accurate management of domestic market risks is increasing remarkably. In today's economic climate, SMEs need to focus on exports that offer favorable conditions for healthy growth. The most important source of motivation of these companies is to open up to new markets, to trade with companies that they cannot assess their risk in countries they do not know, and at the same time to protect their cash flow and equity. Offering all of these services, TEB Faktoring is the biggest supporter of SMEs by providing guarantee, collection and financing services.

In addition to the support that it offers SMEs, TEB Faktoring also delivers solutions to multinational groups in foreign trade financing with the contribution of the global network and synergy of BNP Paribas, which is in the top three in the world and is the leading organization of its line in Europe. The Company offers the service, which is a leading support as a free approach and received via Multi-Local from BNP Paribas Group companies by the multinational groups' global sister companies, in Turkey at a maximum level within the framework of the local rules and regulation.

TEB Faktoring also adopts the Group's strategy of "create value for all stakeholders" with the contribution of the strong domestic and international relations of both TEB and BNP Paribas Group. In this context, the Company supports its customers with its factoring product, while continuing to cross-sell and synergize at such points where it can provide assistance and support as a Group.

TEB Faktoring adopted the principles of "faster, cost-efficient, safer business" as a part of its digitalization projects, and, within this scope, the Automated Decision Making System (ADS) project was put in place by the beginning of 2018 to ensure the automatic finalization of such transactions that meet the specified criteria by using the parametric inquiry and decision trees developed by TEB Faktoring for creating a scoring system for customers/borrowers. In this way, the process has been accelerated, customer satisfaction has been improved, and, at the same time, cost savings have been achieved. The transactions and results realized through this channel were monitored regularly and the share of this channel has been increased over time. Although we experienced various difficulties in our domestic market operations in 2020 due to both the global pandemic and other unfavorable developments, the performance of ADS in 2020 was extremely positive.

TEB Faktoring put in place the Automatic Limit Allocation Project (ALS), which enables automatic finalization of customer limit requests in a certain range in line with similar query and scoring methods, in the first quarter of 2020, and plans to increase its limits in this segment in 2021. As a result of the successful implementation of both automatic approval systems and conventional approval systems, the bad debt risk that the Company is exposed to is below the industry's averages.

Cost management, which is one of the main drives of profitability, has gained more importance in the current environment, where profit margins are low and competition is intense, and it has brought about the requirement to take savings measures. Our Company, which achieved to manage its general expenses well



in 2020, will display the same sensitivity in 2021 and will continue to create a more efficient working environment with less manpower thanks to the digitalization projects.

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. Akın AKBAYGİL

Vice Chairman

Ayşe AŞARDAĞ

Member and General Manager

Mehmet Çağatay BAYDAR

Member

Canan BUMİN

Member

Varol CİVİL

Member

Nicolas DE BAUDINET DE
COURCELLES

Member

Gökhan ÖZDİL

Member

Metin TOĞAY

Member

Patrick Pierre Marie GALOUZEAU de
VILLEPIN