

TEB
FAKTORİNG

TEB FAKTORİNG A.Ş.
Genel Müdürlük (Merkez)
Gayrettepe Mahallesi
Yener Sokak No: 1 Kat: 7-8
Beşiktaş 34349 İstanbul
Tel : (0212) 370 45 00
Faks : (0216) 636 52 52
Ticaret Sicil No: 372141
Mersis No: 0833007688600010
Web: www.tebfactoring.com.tr
E-mail: tebfactoring@teb.com.tr

TEB FAKTORİNG ANONİM ŞİRKETİ

ANNUAL ACTIVITY REPORT FOR THE PERIOD 01.01.2015 – 31.12.2015

1- GENERAL INFORMATION

Period of the report	: 01.01.2015 – 31.12.2015
Trade Name	: TEB Faktoring Anonim Şirketi
Trade register no	: 372141
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	: Turan Güneş Bulvarı No: 17 Kat: 4 Çankaya / Ankara
- İzmir Branch	: Şair Eşref Paşa Bulvarı No: 23/A Çankaya / İzmir
- Antalya Branch	: Mehmetçik Mahallesi, Aspendos Bulvarı, No:81 Murat Paşa / Antalya
- Bursa Branch	: Doğan Bey Mahallesi Doğan Bey Sokak No:3 Kat:9 Osmangazi / Bursa
- Gaziantep Branch	: Mücahitler Mahallesi Gazi Muhtar Paşa Bulvarı Teymur Plaza No: 48 Kat:7 Şehitkamil / Gaziantep
- Kayseri Branch	: Sahabiye Mahallesi Ahmet Paşa Caddesi No:31-B 31-C 31-D 31-E Kocasinan / 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	: Yeni Mahalle Sanayi Sitesi 28, Cadde No:23 Canik / Samsun
- Denizli Branch	: Saraylar Mahallesi İzmir Yolu Bulvarı No:57 Denizli
- İkitelli Branch	: İkitelli Organize Sanayi Bölgesi, Atatürk Bulvarı, Tümsan 1, Kısım Sanayi Sitesi, 3. Blok, No: 1-2 İkitelli Başakşehir / İstanbul

- Eskişehir Branch : İki Eylül Caddesi Başan Sokak No: 2 Eskişehir
- İmes Branch : İmes Sanayi Sitesi C Blok 301/3 Yukarı Dudullu, Ümraniye / İstanbul
- Topçular Branch : Rami Kışla Caddesi Koçbay İş Merkezi No: 25/B 7-8 Topçular Eyüp / İstanbul
- Trabzon Branch : Kemer kaya Mahallesi Kunduracılar Caddesi No:74 Ortahisar / Trabzon

Contact information (Head Office) : Telephone :0 212 370 45 00
Fax :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) 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 7 (seven) real persons, who are the members of the Board of Directors.

Members of the Board of Directors have been elected for a period of one year during the Ordinary General Assembly which was held on March 27, 2015.

On December 16, 2015, the Board Member , Jean-Milan Charles Dominique Givadinovitch had resigned from his position and Xavier Henri Jean Guilmineau was appointed on January 15, 2016 with the Decision of the Board of Directors.

Members of the Board of Directors

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

Name and Surname

Dr. Akın Akbaygil
Musa Erden
Ayşe Aşardağ
Turgut Boz
Xavier Henri Jean Guilmineau
Patrick Pierre Marie Galouzeau de Villepin
Mehmet Çağatay Baydar

- b) Senior Management of the Company

Title

Board Member and General Manager
Chief Consultant of the Board of Directors
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.2,281,425.-.

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.72,826.-.

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, the legislation in force and then the policies of TEB Group and the company and in line with the frame work 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 being subject to 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 Başaran Nas Bağımsız Denetim ve SMMM A.Ş., during the periods of March, June and September for the purpose of Banking Regulation and Supervision Board (BRSA) reporting and subject to a complete annual independent audit as of December 31, 2015 and subject to a limited audit in June for IFRS reporting and subject to a complete independent audit as of December period.

In 2015, our company is audited by BRSA and MASAK. There are no negative observations or evaluations as a result of the audits carried out. Our company had no private or public audit other than the aforementioned audits in 2015.

- 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:

As a result of the inspections made by the Ministry of Finance on the books and records of almost all companies which are active in the factoring sector for the year 2008 the Ministry criticized that the provisions put aside for the principal amounts of the non-performing loans are recorded as expense and imposed a fine of 616 thousand TRY on the company on the basis of corporate tax, 217 thousand TRY on the basis of the temporary tax. The parties could not reach a compromise through amicable negotiations and consequently the company opened a lawsuit. The 3rd Tax Court of Istanbul made a judgement favoring the company but the relevant tax office took the matter the Council of State and the hearing in the appeal court is still continuing. The company has put aside 735 thousand TRY in the financial statements as a provision for the said tax lawsuit.

Apart from the cases stated above, our company has also become a party to more than one lawsuit 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 provide.

- 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.7,624 million and a net profit of TRY.8.3 million in 2015 and its asset size was realized as TRY.1,240 million.

- 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: None.
- 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 2015: TRY.1,050.-.

- 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 2015, there is not any legal transaction made in favor of controlling companies and the subsidiaries of controlling companies upon the request 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 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 the domestic and foreign factoring services, which it offered to the business world with success in 2015 as being one of the largest companies of its sector and continued to provide services and support to corporate and commercial companies and SME's.

Contraction in the factoring sector, which started during the last quarter of 2008 and continued until mid-2009, was replaced by growth in 2010. The sector turnover, which decreased by 7% on the basis of TRY in 2011 when compared to the previous year, realized a growth of 9% in 2012, 22% in 2013, 27% in 2014 and 3.7% in 2015.

2015 was a year in which there were economic and political uncertainties both in the world and in our country, economic recession continued, inflation and foreign exchange rates were high and all such factors influenced our sector negatively. While the negative influence of this process on SMEs and even the large companies increased the bad debts, decrease of credit demand in the market, caused a decrease in the net profit margins considerably due to the severe competition.

In spite of such negative conditions our company distributed to its partners, a profit of 12,653 thousand TRY in 2015 and realized a net profit of 8,301 thousand TRY as of the year end. With this net profit, our return on equity (ROE) was realized as 11.1%. According to the data published by the Association of Financial Institutions the return on equity of the sector in 2015 was realized as 8.8%.

The fact that 2015 was a double election year, together with the existing unfavorable political, geopolitical and economic conditions impacted loans granted mostly in the finance sector and consequently NPL (non-performing loans) ratio in the sector increased. Our company's NPL ratio at the end of 2015 was 2.66%; according to the data published by the Association of Financial Institutions, NPL rate of the sector in 2015 was realized as 5.5%.

With the receivable sales and assignment agreement signed on October 22nd, 2015, our company sold and assigned its non-performing factoring loans of 15,111 thousand TRY to Turkasset Varlık Yönetimi A.Ş..

Our services and amount of credit provided to SMEs and small customers have increased in line with the vision given to us by the Board of Directors and consequently the number of our customers increased by 14% when compared to the previous year, the risk management was spread more to the base and also a wider customer portfolio was achieved. At the same time, our company continued concentrating on export factoring transactions and realized an export factoring volume of 2.6 billion USD in 2015. These figures mean that TEB Faktoring acted as an intermediary for approximately 2% of the export volume of Turkey. In this way TEB Faktoring was ranked among the first two companies in Turkey and among the first five companies in the world in terms of export factoring volume in 2015.

- 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>2015 (Thousand TRY)</u>	<u>2014 (Thousand TRY)</u>
Banks	18,762.-	9,009.-
Factoring receivables	1,208,323.-	1,332,923.-
Equity	72,684.-	76,941.-
Loans received	1,140,556.-	1,256,369.-
Total assets	1,240,129.-	1,355,151.-
Revenues from main activities	108,128.-	89,588.-
Financial expenses	65,910.-	47,715.-
General operating expenses	24,112.-	22,871.-
Provisions	11,536.-	4,168.-
Profit before tax	10,320.-	19,521.-
Tax	2,019.-	3,690.-
Net profit	8,301.-	15,831.-
Return on assets	0.64%	1.27%
Return on equity	11.10%	22.93%
General operating expenses/net Operating revenues	57.11%	54.62%

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

As shall be seen on the balance sheet of our company dated 31.12.2015, 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 shall be used:

Policies of our company regarding the distribution of dividends, is based on the principle of maximizing the income of our partners taking into consideration the requirement to maintain the existence of the enterprise.

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 shall 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 shall 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 distribute dividends.

6- RISKS AND EVALUATION BY THE BOARD OF DIRECTORS

- a) Information on the risk management policy, if any, that the company shall 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 shall 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 the guaranties which may be measured and reduce the credit risk by obtaining sufficient amount of guaranty. Credit risks incurred by the company and the information about the customers and their performance of repayment of credits are continually monitored. Credit risk is implemented according to the Credit Delegation Limits and Credit Policy decision taken by the Board of Directors and controlled by Board of Directors and Audit Committee. In 2015, our company focused even more on the compliance issues.

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 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 is expected to grow by approximately 10% in 2016. Exports and accordingly, export factoring shall continue to protect its significance in our country, where growth rate is around 3% and export is 144 billion USD. Non-payment of the debts even by those companies in the developed countries increase the need of the exporters and specifically SMEs in Turkey, for the guarantees, collection and financing support which they shall receive from the factoring companies. Factoring sector shall 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 2016. TEB Faktoring shall continue to support SMEs and to lead the sector in this field.

Due to financing of the trade, the recession in the economy influenced the factoring companies more negatively in the domestic market. Although the recognition of factoring and the number of companies benefitting from this product had increased rapidly, the improvement, which we see as the main threat for the factoring sector, was unfortunately the increase in the number of unpaid checks and the recession in the domestic market. Due to the economic developments in the world, with the influence of the high foreign exchange rates, the companies with foreign exchange deficit in our country where the rate of growth dropped, had difficulties in payment of their debts and as a result of non-management of their cash flows, the number of bounced checks increased and the companies, especially construction companies, which are in financial difficulty, began trying to avoid fulfilling their obligations against the financial institutions by opening legal negative declaratory actions, legal actions filed for the purpose of bankruptcy postponement stopped having the real purpose of liquidating the debts and turned into an environment where laws are abused. In the light of these developments and the economic recession, improving our credit allocation procedures was brought to our agenda and necessary actions have been taken. Also, parallel to the decrease in profit margins, the savings measures gained more importance for the operating expenses. Our company, which achieved keeping the general expenses below the inflation increase in 2015, shall show the same sensitivity in 2016 as well.

One of the main topics of the market for the last year was the establishment of the Central Invoice Record System as per the law no.6361 on Financial Leasing, Factoring and Financing Companies. Regarding the relevant infrastructure works, Association of Financial Institutions has cooperated with Credit 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 recorded. 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 recorded until today, are determined and the real factoring volume of Turkey is reached for the first time in 2015. It is expected that the system will provide efficiency in terms of struggle for black economy.

With the Central Invoice Record System, all the payment instruments and collection information are planned to be included in the system in 2016 in addition to the invoices assigned to the factoring companies and the banks carrying out factoring transactions. Consequently, it is aimed to record and report very extensive information, which the whole sector can benefit from, and to become a significant instrument in risk control. Furthermore, recording all assigned receivables into the Central Invoice Record System in medium term 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.

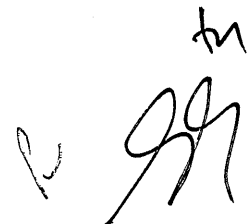
Another development expected in the sector is the expansion of the credit insurance. In Western European countries where non-banking financial instruments have a widespread usage and factoring penetration is high, almost all domestic factoring implementations include guarantee services by the help of credit insurance system being in cooperation with the factoring market. In case credit insurance gains a widespread usage in Turkey and the factoring companies may efficiently profit from credit insurance system like their peers abroad, it would be possible to provide more financing and guarantee service to domestic customers most of which are SMEs. Our company started to offer guarantee service in 2015 with credit insurance in the domestic factoring transactions.

According to the Central Bank decision; 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. Accordingly, export companies will be provided with credit facility at a better price funded by Central Bank. Our company succeeded being the first company in the sector who made a loan available within this scope.

Moreover, the factoring companies shall be able to offer guarantee service to the customers for many countries, to which they cannot currently offer service, thanks to the agreements concluded with Eximbank, and it shall be enabled for the exporters to export to different countries safely.

Supply Chain Financing, which is another product commonly used in the world, is also included in the agenda of the factoring companies in 2016. Our company started to work with respect on this issue and aims to offer this product to its customers in the near future.

Our company started digitalization projects in 2015 for risk management, increase of productivity and automation, which are among the most important factors of profitability and some of the projects are already implemented. In 2016, our company shall continue to focus on this field.

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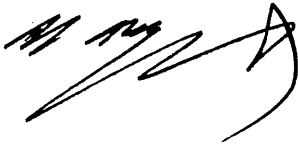
7- OTHER ISSUES

- 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:

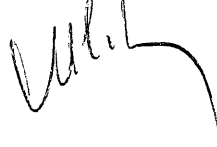
Chairman

Dr, Akın AKBAYGİL



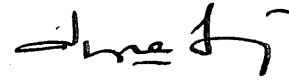
Vice Chairman

Musa ERDEN



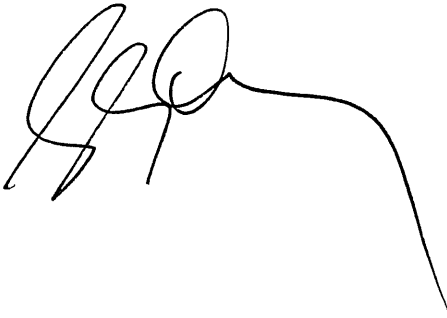
Member

Ayşe AŞARDAĞ



Member and General Manager

Mehmet Çağatay BAYDAR



Member

Turgut BOZ



Member

Xavier Henri Jean
GUILMINEAU



Member

Patrick Pierre Marie
GALONZEAU deVILLEPIN

