

TEB FAKTORİNG ANONİM ŞİRKETİ**ANNUAL ACTIVITY REPORT FOR THE PERIOD 01.01.2019 – 31.12.2019****1- GENERAL INFORMATION**

Period of the Report	: 01.01.2019 - 31.12.2019
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 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	: Anbar Mahallesi 14. Cadde No:20 Melikgazi-KAYSERİ
- Konya Branch	: Fevzi Çakmak Mahallesi KOSGEB Caddesi No:1/1 Karatay / Konya
- Adana Branch	: Çınarlı Mahallesi Atatürk Caddesi No:15 Kat: 2 Seyhan / Adana
- Ankara Ostim Branch	: Ostim Mah. 100. Yıl Bulvarı (Sanayi) Ofim İş ve Finans Merkezi No:99/69 Zemin Kat Yenimahalle/Ankara
- Samsun Branch	: Kuzey Yıldız Mah. 100. Yıl Bulvarı No:38/58-59-60-61-66-67-68-69 Canik/ Samsun
- Denizli Branch	: Saraylar Mahallesi İzmir Yolu Bulvarı No:57 Denizli
- Eskişehir Branch	: İki Eylül Caddesi Başan Sokak No: 2 Eskişehir
- İmes Branch	: İmes Sanayi Sitesi C Blok 301/3 Yukarı Dudullu, Ümraniye / İstanbul
- Trabzon Branch	: Sanayi Mah. Devlet Karayolu Cad. No: 85A Ortahisar/Trabzon



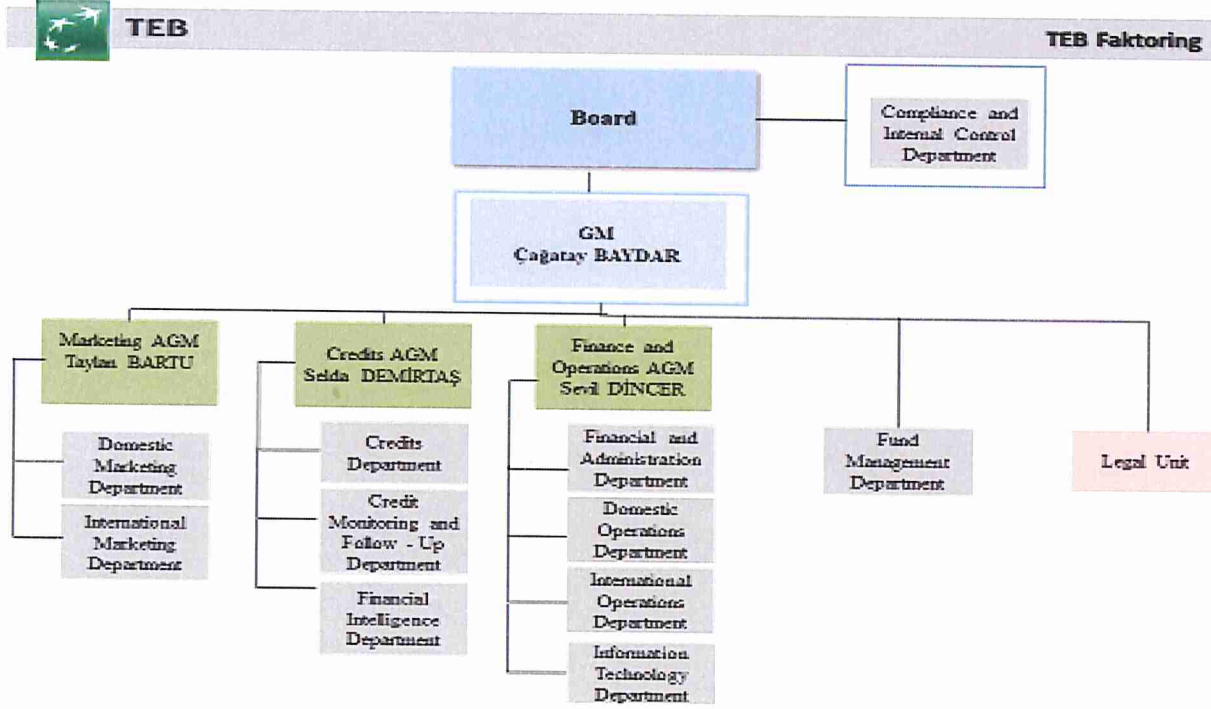
Contact information (Head Office) : Telephone : 0 212 370 45 00
 Fax : 0 216 636 52 52

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

Web site : www.tebfactoring.com.tr

A- ORGANIZATION, CAPITAL AND PARTNERSHIP STRUCTURE OF THE COMPANY

a) 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

Handwritten signatures and initials in blue ink are present below the table.

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 9 (nine) 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
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
Metin Toğay
Mehmet Çağatay Baydar

b) Senior Management of the Company

Title

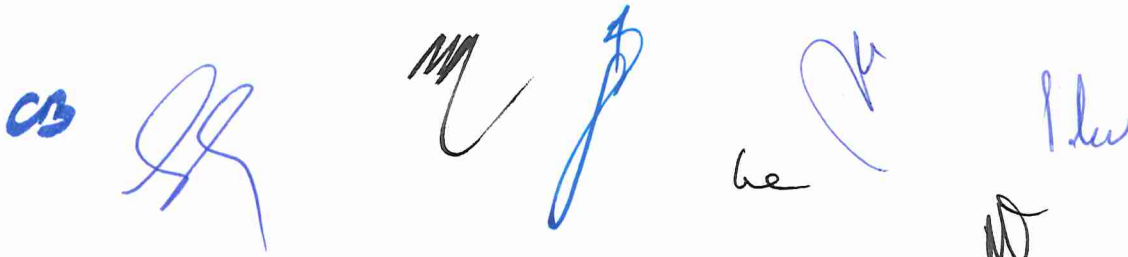
Board Member and General Manager
Chief Advisor to the Board
Assistant General Manager
Assistant General Manager
Assistant General Manager

Name and Surname

Mehmet Çağatay Baydar
Canan Bumin
Selda Demirtaş
Sevil Dinçer
Taylan Bartu

c) Number of Personnel

113



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.3.698.092,-

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.114.361,-

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

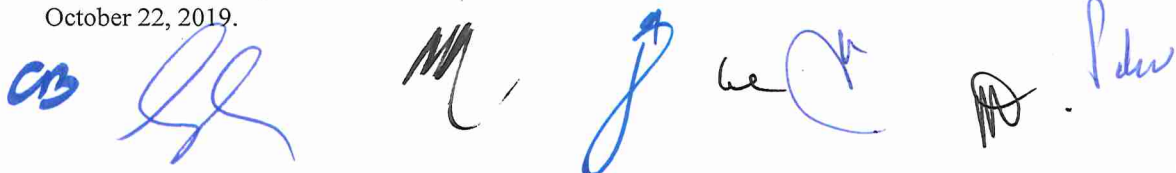
- c) Information on the direct or indirect affiliates of the Company and its corresponding shares:

<u>Direct affiliates</u>	<u>Percentage of Share</u>
TEB Yatırım Menkul Kıymetler A.Ş.	3,38%
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

TEB Portföy Yönetimi A.Ş.	0,98%
---------------------------	-------

The Company has purchased 1 (one) share in Ekonomi Yatırımlar Limited from TEB ShA for TRY.1.000,- on October 22, 2019.



- 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 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, 2019 ; 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 DRT Bağımsız Denetim ve SMMM 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.230 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.8.936 million and a net profit of TRY.37,6 million and its asset size was realized as TRY.2.087 million in 2019.

It was decided at the Company's Ordinary General Assembly that was held on March 29, 2019 not to distribute any distributable profit for 2018 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:

By holding an Extraordinary General Assembly meeting on the 26th of July, 2019, it has been unanimously resolved: to amend the 10th article of the Company's articles of association as stated below; the number of the Board of Directors to be nine; Mr. Metin Toğay to be elected as the ninth member in line with the amendment of the articles of association; that no re-election be held for the other Board Members yet their term of office continues until the Ordinary General Assembly to be held next year and the term of office of Mr. Metin Toğay, the newly elected Board Member, to continue until the Ordinary General Assembly to be held next year as it is the case with the tenure of other Board Members.





“NEW VERSION:
BOARD OF DIRECTORS

Article 10- the Company shall be managed, represented and bound by a Board of Directors of at least three members to be elected by the General Assembly. The chief executive officer, and where not available, his/her deputy are the natural members of the Company Board of Directors.

The Provisions of the Financial Leasing, Factoring and Financing Companies Law relating to the appointment and qualifications of Board members are reserved.

The number and term of office of the members of the Board of Directors are determined by the General Assembly prior to elections. The Board of Directors shall carry out its duties in accordance with the provisions of the Turkish Commercial Code, these articles of associations and the legislation and the decisions adopted by the General Assembly of the Company.

The provisions of the Turkish Commercial Code regarding the undelegated duties and powers of the Board of Directors are reserved."

- 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 2019 is TRY.1.200,-.

- 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 2019, 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 business world of our country in 2019, 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.

The strong impact of the trade battles in the world to the Turkish economy, especially in the second half of 2018, caused stagnation, high inflation and high exchange rates, and especially in the first half of 2019, these negative conditions brought about a lack of domestic demand, postponement in investments due to the uncertainties, reduced funding sources, increased funding costs as well as collection and employment problems.

Handwritten signatures in blue ink: CB, SH, M, J, C, R, P.

With the help of the measures taken in Turkey's economy in the second half of 2019, the loosening financial conditions, interest rate deductions, re-balancing in TRY, contribution of exports turning the economic growth momentum to positive and reduction in inflation eased the markets slightly. In light of all these developments, 2019 was closed with a growth of around 0.5%.

The business volume of the factoring sector, which acts as a mediator in the financing of trade and has been adversely affected by the shrinking economy since the second half of 2018, was approximately TRY.129 billion in 2019, marking an 11% decrease compared to the last year. The factoring receivables of the sector grew by 8% compared to 2018, reaching TRY.34 billion, due to the impact of the economy that turned to positive in the second half of the year.

TEB Faktoring managed to maintain its turnover last year, particularly with the effective service provided in export factoring. Our company showed a better turnover performance compared to the sector and realized a TRY.8.936 million turnover in 2019 and increased its factoring receivables by 25% to TRY.2.051 million.

TEB Faktoring achieved a net profit of TRY.37.568 thousand by the end of 2019. With this net profit, our return on equity (ROE) has been realized as 25,54%. In 2019, the sector return on equity was 18,00%.

In 2019, our Company decided not to distribute profits to its shareholders, further strengthening its equity.

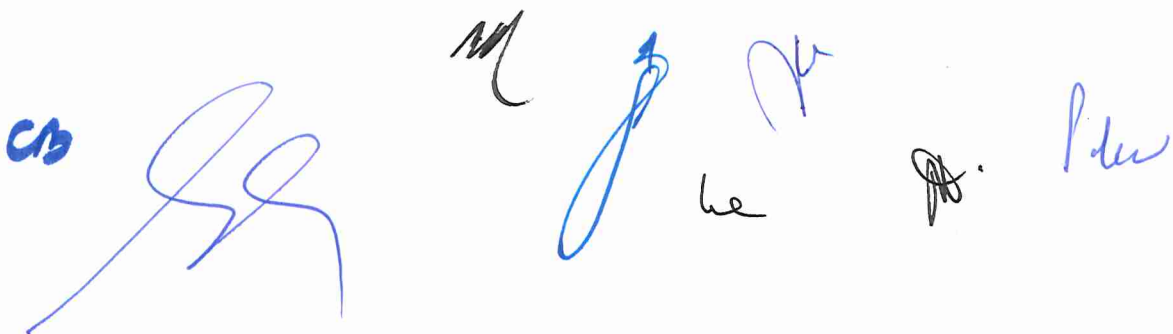
The rapid increase in the number of companies that became insolvent and obtained a bankrupt's certificate in parallel to the recession in the economy, increased input costs and the deterioration of cash flows also affected the loan repayments. In 2019, the non-performing loans (NPL) ratio was 2,47% and the cost of risk ratio was 5,92% in the factoring sector. The NPL ratio and the cost of risk ratio of TEB Faktoring, who focused more on risk management in 2019, was 1,53% and 0,30% respectively, well below the industry average. In 2019, our Company realized an NPL sale of TRY.31,9 million.

In line with our vision given to us by our Board of Directors, our Company continued to support SMEs and corporates in the financing of domestic and foreign trade in 2019 as well. In the export factoring transactions in 2019, TEB Faktoring 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 and was selected as the world's best export factoring company at FCI for the seventh time, becoming the first and only factoring company to win the 'Best Export Factor' seven times.

TEB Faktoring was also awarded the prize of the most creditable company of the factoring sector in our country once more.

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 2019. Thus, one of the most important elements of profitability; risk management, increasing efficiency and ensuring automation became possible.

- 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>2019 (Thousand TRY)</u>	<u>2018 (Thousand TRY)</u>
Banks	4.949,-	2.625,-
Factoring receivables	2.051.312,-	1.643.104,-
Equity	162.955,-	125.482,-
Loans received	1.896.944,-	1.529.427,-
Total assets	2.087.066,-	1.682.248,-
Revenues from main activities	219.332,-	232.733,-
Financial expenses	133.509,-	139.167,-
General operating expenses	38.661,-	34.553,-
Provisions	4.942,-	12.977,-
Profit before tax	47.907,-	50.991,-
Tax	10.339,-	11.034,-
Net profit	37.568,-	39.957,-
Return on assets	%2,18	%2,19
Return on equity	%25,54	%36,02
General operating expenses/net Operating revenues	%42,25	%35,07

- 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, 2019, is TRY.30,000,000,-. The capital of Company is not uncovered and our current assets can meet our current liabilities.

The minimum paid-in capital of factoring companies was raised to fifty million Turkish Liras with article 22 of the "Law No. 7222 Banking Law and Amendments to Some Laws", which was published in the Official Gazette No: 31050 dated February 25, 2020. In addition, factoring companies have been granted an adjustment period of 1 year from the effective date and, if deemed appropriate by the Board, it has been ruled that this period may be extended, not longer than 2 years.

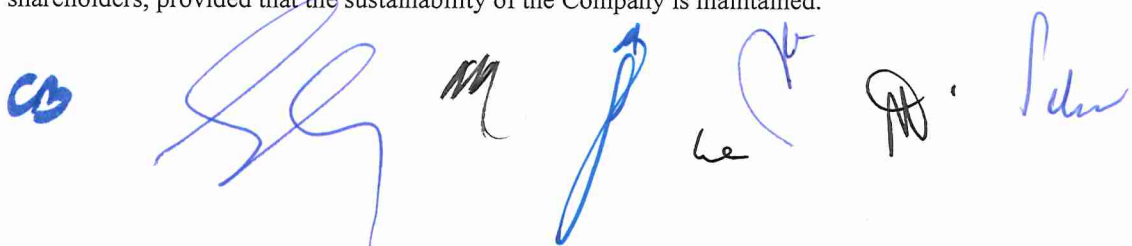
Accordingly, our Company will propose capital increase to its Board in 2020.

- 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 2019, and to transfer them to the extraordinary reserves account as will be seen in the Statement of Profit Distribution for 2019 presented below.

TEB FAKTORİNG A.Ş. STATEMENT OF PROFIT DISTRIBUTION 2019 (TRY)		
	31/12/2019	
A- DISTRIBUTION OF CURRENT YEAR INCOME		
1- CURRENT YEAR INCOME		47.907.606,09
2- TAXES & STATUTORY LIABILITIES PAYABLE (-)		- 10.339.574,02
- Corporate Tax (Income Tax)	- 6.982.026,01	
- Income Tax Deduction		
- Other Taxes & Statutory Liabilities	- 3.357.548,01	
NET INCOME FOR THE YEAR		37.568.032,07
3- PRIOR YEARS' LOSSES (-)		-
4- FIRST LEGAL RESERVES (-)		-
5- OTHER STATUTORY RESERVES (-)		-
NET INCOME AVAILABLE FOR DISTRIBUTION		37.568.032,07
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)	- 37.568.032,07	
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		125,23
- To Owners of Ordinary Shares (KR%)	125,23	
- 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%)		

CS [Signature] [Signature] [Signature] [Signature] [Signature] [Signature]

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 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:

Following the difficulties brought about by the recession, which started in 2018 and affected 2019, 2020 is expected to be a year in which the economy will grow, the inflation and interest rates will be on a downward trend, borrowers will benefit from the low interest rate environment due to reduced financing costs, loans will increase in the financial sector, and the collection problems will decrease by the help of improved liquidity conditions. However, the global economic and political problems can pose a threat to the industry which is at the heart of trade thus may immediately be affected by all downturns and upturns in the economy.

Although the awareness about factoring, which is inside the trade flow, contributes to the country's economy by providing domestic and international financial services also including the management of the receivables and aims at protecting the country's own resources, as well as the number of firms that benefit from this product rapidly increase, the exclusion of the factoring sector, which contributes to the real economy to such a degree, from some legislative regulations that other financial institutions benefit is another negative factor the industry faces. A significant step was taken in 2019, and article 26 of the Law No. 7186 amended the term "Financial leasing and financing companies" as "Company" in paragraph two of article 16 of the Financial Leasing, Factoring and Financing Companies Law No. 6361, making it possible for specific provisions allocated by factoring companies to be deducted from the company profit. In addition, article 16 of the Law No. 7186 introduced another amendment for the Banks and Financial Institutions by which receivables for which a specific provision is made but which later become uncollectible and are written off are deemed worthless receivables under the provisions of the Tax Procedure Law.





The importance of proper management of the risks in the economy, especially in the domestic market, is increasing. The biggest need for SMEs, which must focus on exports that have more positive conditions in order to be able to grow in a healthy manner in today's economic climate is to open up to new markets, do business with unfamiliar countries and companies with unknown risk, while maintaining their cash flow and equity. Factoring companies which provide all these services will also be their biggest contributor by providing guarantee, collection and financing services. In this context, TEB Faktoring has led the way in the sector and signed the Turkish Exporters' Assembly (TIM) protocol for co-operation together with TEB A.S. in order to meet the financing needs of exporters. With the protocol, special interest advantages are offered on export foreign currency loans with a term of up to one year. In this period where the repayment terms get longer, the collection capacity of receivables is very important, and funding resources are difficult to get, TEB Faktoring continues to support SMEs and exporting companies that are the cornerstones of the country's economy by providing a very important service.

Pursuant to the "Financial Leasing, Factoring and Financing Companies Law No. 6361", with the Central Invoicing System (MFKS), which is established under the umbrella of the Association of Financial Institutions, receivables assumed by factoring companies and banks, and payment instruments and collection information relating to these receivables are recorded to prevent double financing, thus creating an important instrument for the reporting of a very comprehensive information available to the whole sector and for risk control. With the e-invoice implemented in the recent years, major steps have been taken to prevent the informal economy, and the percentage of e-invoice based transactions, which is the indicator of the digitalization in business life, in the factoring sector reached 57% in 2019. In addition to the e-invoice system, which is a huge benefit to companies including such as reduced archiving costs, the availability of requested information, early awareness and correction of errors, e-assignment, when it is implemented, will be a very important cornerstone for our industry to keep pace with the evolving, changing and digitized world.

In 2018, a digital platform was developed by the Association of Financial Institutions specifically for the Supply Chain Financing, which is a widely used product in the world. This platform, which is called the Supply Chain Financing System (TZFS), enables financial institutions, buyers and suppliers to meet in the same electronic environment. This provides lower cost financing for SMEs using the TZFS. TEB Faktoring started offering this product to its customers in 2019 and became the first company in the industry to perform transaction via the TZFS. The Association aims to include retail finance, export and participation banking products as well as credit insurance in this platform in the future, thus providing insured credit financing facility. It is aimed to create asset-based securities with the accumulated receivables, creating new funding resource for firms.

In addition, pursuant to the protocol signed by the Association of Financial Institutions and the Ministry of Customs and Trade with regard to risk management and digitalization, it will be possible to perform cross-inquiry electronically on the Central Invoicing System (MFKS) where banks and factoring companies record the assumed trade receivables and the Pledged Movable Assets Registry (TARES) to avoid the same receivable being double assigned and pledged at the same time thus causing multiple financing. In addition, factoring companies and banks which become a member of this system will have the ability to carry out the pledge transactions contained in the Law on the Pledge of Movable Assets from a single central location.

TEB Faktoring, which increased its new customers through innovation and projects accomplished in digital platforms in 2019, aims to continue to support SMEs by increasing the use of digital platforms in its transactions in 2020 and beyond. It continues its efforts in 2020 to add new ones to the new digital partnerships it launched in 2019.

TEB Faktoring has adopted the principles of "faster, cheaper, safer business" and in this context implemented the Automated Decision System (ADS) project in 2018 in which customers/debtors are parametrically queried and scored by the artificial intelligence transferred to the Decision Tree, resulting in automated completion of transactions that meet the specified criteria. This minimizes the risk of manual errors, resulting in faster processing times and cost savings. TEB Faktoring will implement the Automated Limit Allocation Project (ALS) in the first quarter of 2020, which will enable the automatic completion of the customer limit requests within a given range, in line with the same query and scoring methods.

Cost management, one of the main drives of profitability, has become more important in this environment where profit margins are falling due to the interest rate deductions and competition, and has resulted in the need for saving measures. In 2019, our Company managed its general expenses well and will demonstrate the same care in 2020 and continue to create a more efficient working environment with less manpower with the help of 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**

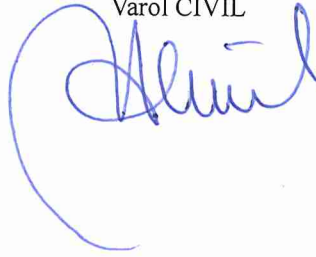
Mehmet Çağatay BAYDAR

**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

