

## **Annual Report 2017**



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## **INDEPENDENT AUDITOR REPORT ON THE ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS**

To the Board of Directors of Yapı Kredi Faktoring A.Ş.

### **1. Opinion**

We audited the annual report of Yapı Kredi Faktoring A.Ş. for the accounting period between January 1, 2017 and December 31, 2017.

In our opinion, the financial information included in the annual report of the Board of Directors and Board of Directors' financial statements of the company's situation is consistent with the audited financial statements in all material respects and reflects the facts.

### **2. Foundation of the Opinion**

Our independent audit has been carried out according to the Independent Audit Standards (IAS), which is a part of the Turkish Audit Standards published by the Public Oversight, Accounting, and Auditing Standards Authority. Our responsibilities within the scope of these standards are explained in detail in the section of The Responsibility of the Independent Auditor regarding the Independent Audit of Annual Report. We declare our independence from the Company in accordance with the Codes of Conduct for Independent Auditors ("Codes of Conduct") and ethical provisions that are in the regulations of independent audit. Codes of Conduct and other responsibilities related to the ethics within the scope of regulation are performed by us. We believe that the independent audit evidence obtained during the independent audit constitutes a sufficient and appropriate basis for our opinion.

### **3. Our Auditor Opinion on Full Financial Statements**

In our auditor report dated February 5, 2018, we express our positive opinion on the full financial statements of the accounting period between January 1, 2017 – December 31, 2017.

#### **4. Responsibility of the Board of Directors Regarding the Annual Activity Report**

According to Article 514 and 515 of the Turkish Commercial Code (TCC) No. 6102 and the “Communiqué on Principles Regarding Financial Reporting in Capital Markets” (the “Communiqué”) No. 11-14.1 of the Capital Markets Board (CMB), management is responsible for the following:

- a) Management prepares the annual report within three months following the balance sheet day and submits it to the General Assembly.
- b) Management prepares the annual report to reflect current years’ activity flow with financial statement in an accurate, complete, straightforward, honest and consistent way on all points. In this report, the financial situation is evaluated according to the financial statements. Also, in this report, management explicitly refers to the Company’s development and possible risks. Evaluation of the Board of Directors on these subjects is included in the report.
- c) The Annual Report also includes the below given aspects:
  - Events which are realized in the Company after activity year end and particularly important events,
  - Company’s research and development activities,
  - Financial benefits paid to Board Members and senior executives such as salaries, premiums, bonuses, allowances, travel, accommodation, representation expenses, in cash and in kind benefits, insurances and similar guarantees.

While preparing the annual report, the Board of Directors considers the secondary legislative arrangements made by the Ministry of Customs and Trade and relevant institutions.

## **5. Responsibility of the Independent Auditor Regarding the Annual Activity Report Audit**

Our responsibility is to provide an opinion, within the frame of Turkish Trade Law and Communiqué's articles, on whether financial information indicated in the annual activity report and Board of Directors' examination made by using information in the audited financial statement are accurate and coherent with the Company's audited financial statements and data obtained during our independent audit, and to provide a report covering this opinion.

Our independent audit has been carried out in accordance with the Independent Audit Standards (IAS). These standards require planning and conducting an independent audit by providing compliance with the ethical judgements to provide a reasonable guarantee on whether financial information indicated in the annual activity report and Board of Directors' examination made by using information in the audited financial statement are accurate and coherent with the financial statements and data obtained during independent audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

(Stamp and Signature)  
Didem Demer Kaya, SMMM  
Responsible Auditor  
Istanbul, February 5, 2018

**Section I**

# **Presentation**

## General Information

Company Name : Yapı Kredi Faktoring A.Ş.  
Annual Activity Report Period : 01/01/2017 – 31/12/2017  
Trade Registration Number : 417822  
Central Registration System Number : 0570008094900013  
Capital : 31.916.695 TL  
Address : Büyükdere Caddesi Yapı Kredi Plaza A Blok Kat:14 Levent, İstanbul / Turkey  
Telephone/Fax Number : 212 371 99 99 / 212 371 99 00  
Website : [www.yapikredifaktoring.com.tr](http://www.yapikredifaktoring.com.tr)  
E-mail Address : [info@ykfaktoring.com.tr](mailto:info@ykfaktoring.com.tr)  
Number of Employees : 122  
Branches : The Company has 9 branches in Adana, Ankara, Antalya, Beyoğlu, Bursa, Güneşli, İzmir, Kadıköy, Kartal.

### Adana Branch

Reşatbey Mahallesi Atatürk Caddesi Mimar Semih Rüstem  
İş Merkezi B Blok No:18/1 İç Kapı No:102 Seyhan /  
Adana  
Telephone: (0322) 459 04 91

### Ankara Branch

Atatürk Bulvarı No: 93 Kat: 5 Kızılay / Ankara  
Telephone: (0312) 435 93 36

### Antalya Branch

Kızıltoprak Mahallesi Aspendos Bulvarı YKB  
Şubesi No:35 Antalya  
Telephone: (0242) 312 75 40

### Bursa Branch

Ulubatlı Hasan Bulvarı No: 59 Osmangazi / Bursa  
Telephone: (0224) 271 41 15

### İzmir Branch

Gazi Bulvarı No: 3 Egehan Kat: 4 Pasaport / İzmir  
Telephone: (0232) 441 20 71

### Beyoğlu Branch

Sanayi Mah. Yavuz Sultan Selim Cad. No 18 Kat :3  
34416 Kağıthane / İstanbul  
Telephone: (0212) 514 36 73

### Güneşli Branch

Çobançeşme Mahallesi Sanayi Caddesi No:44A İç  
Kapı No: 31- 32-33-34 Bahçelievler/ İstanbul  
Telephone: (0212) 422 02 42

### Kadıköy Branch

Kozyatağı Mah.Ş.Mehmet Fatih Öngül Sok.No:1 Kat:4  
Kadıköy / İstanbul  
Telephone: (0216) 362 37 30

### Kartal Branch

Esentepe Mahallesi, Cevizli D-100 Güney Yanyol  
Caddesi, No:25/8-24 Lapışan Kartal/İstanbul  
Telephone: (0216) 510 60 46

## Partnership Structure

Shareholders	Share Percentage	Amount (TRY)
Yapı ve Kredi Bankası A.Ş.	99,95%	31.901.499
Temel Ticaret ve Yatırım A.Ş.	0,04%	11.393
Yapı Kredi Finansal Kiralama A.O.	0,01%	3.799
Koç Yapı Malzemeleri A.Ş.	0,00%	2
Zer Merkezi Hizmetler ve Ticaret A.Ş.	0,00%	2
	<b>100,0%</b>	<b>31.916.695</b>

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## ***Yapı Kredi Faktoring in Summary***

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Yapı Kredi Faktoring has been the leader of the industry for 17 years in terms of total turnover.

Turkey's pioneering and innovative factoring company, Yapı Kredi Faktoring, has a solid position in the market through its strong operational performance, deep-rooted structure, and understanding of high quality service.

Yapı Kredi Faktoring, a leader in the Turkish factoring market, has a total transaction volume of 15,26% and an international factoring volume of 24,17% of the market share. Yapı Kredi Faktoring operates from its Istanbul Head Office and its branch offices in Adana, Ankara, Antalya, Beyoğlu, Bursa, Güneşli, İzmir, Kadıköy, and Kartal to provide factoring services nationwide.

One of the most important competitive advantages of Yapı Kredi Faktoring results from the synergy created by its close relationship with Yapı Kredi Bank and its national sales and service structure.

The service points of Yapı Kredi Bank facilitate comprehensive market access.

Yapı Kredi Faktoring is a member of Factors Chain International (FCI), headquartered in Amsterdam, and the Financial Institutions Association.

It is one of the top-ranking companies among the “Best Export Factoring Companies,” an international index that has been organized by FCI since 2002. In 2017, the company was placed third after being evaluated as “excellent” in terms of service quality.

Yapı Kredi Faktoring is well positioned in both domestic and international markets. The company delivers superior operational performance and clearly defined strategies, while providing sustainable quality factoring services. The company's capable and experienced team generates unique critical solutions for its customer portfolio.

Thanks to its powerful capital structure, extensive experience, proven service quality and expert human resources, Yapı Kredi Faktoring has been at the top of the industry for the last 17 years in terms of total factoring turnover.



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## *From the Chairman of the Board*

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*Yapı Kredi Faktoring has been the uninterrupted industry leader in terms of total transaction volume since 2001.*

Dear Shareholders,

In a challenging global task environment, despite geopolitical and political problems, Turkey has shown great success by achieving powerful growth. Banks and nonbank financial institutions played a great role in the realization of this success by supporting production.

Yapı Kredi Faktoring continued its operations in 2017 with a superior customer-focused service approach. Yapı Kredi Faktoring continued to successfully implement a positive growth strategy, and realized a total international factoring transaction volume of 24,17% ,closing the year as the industry leader with 15,26 percent of the market, a situation that hasn't been changed since 2001.

Yapı Kredi Faktoring's total transaction volume has reached 22 billion Turkish Liras. 70% of this volume was from domestic sources and 30% from international factoring transactions. In 2017 the factoring income grew by 39%, surging to 267 million Turkish Liras and the company kept on benefiting from the nationwide branch network of Yapı Kredi Bank.

The company service approach is centered on creating functional solutions that focus on customers and markets, designing customized products at a high standards that are fast and suitable to all needs. This approach reflects Yapı Kredi Faktoring's corporate culture, and also promotes development and progress in all its business processes. Furthermore, Yapı Kredi Faktoring won second place in the “Best Export Factoring Companies” of Factors Chain International (FCI) in 2017, after being listed in this index since 2002. Yapı Kredi Faktoring was honored by FCI with an assessment of worldwide “excellent” service quality. In 2017, the success of Yapı Kredi Faktoring was documented by Global Banking and Finance by being chosen “Turkey’s Best Faktoring Company”.

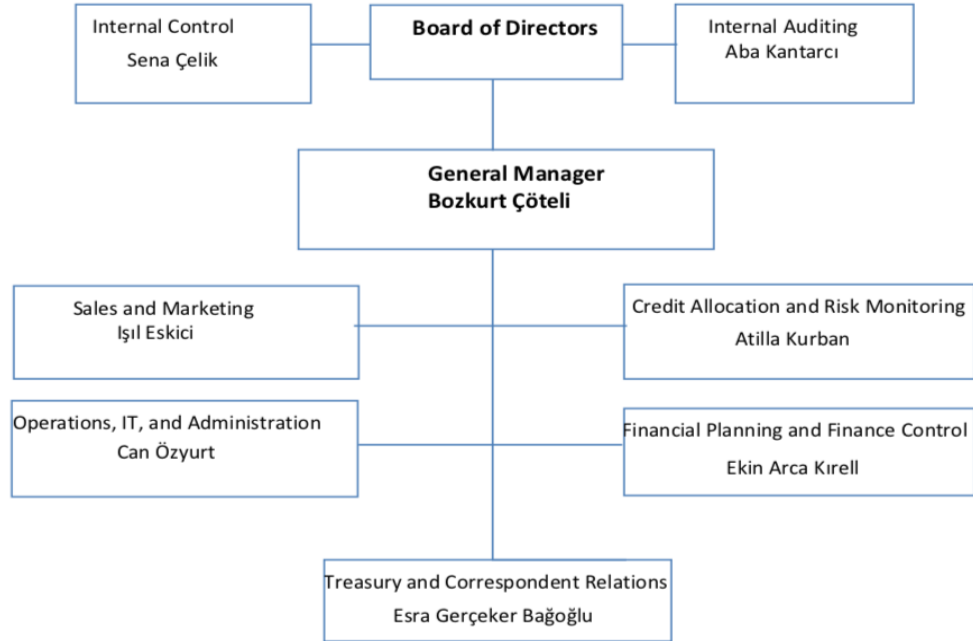
Yapı Kredi Faktoring has committed itself to expanding the market by promoting factoring transactions throughout the country and in all segments. The company keeps making progress to expand its base with a strong capital structure and prestige in the sector.

As Yapı Kredi Faktoring, our primary responsibility for 2018 is to maintain our leadership by demonstrating exemplary performance and to set an example for the industry by becoming the customer's first choice with our comprehensive financial services.

While continuing with our healthy growth strategy, I would like to thank our customers who always put their trust in us, to our shareholders who have never withheld their support, and to our employees who own an enormous share of this success with their dedication and effort.

(Signature)  
Gökhan Erün  
Chairman

## Board of Directors, Senior Management, and Company Organization



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## **Financial Rights Provided to Members of the Board and Senior Executives**

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The total amount of compensation, including honorariums, salaries, premiums, bonuses, and profit shares provided to the members of the Board of Directors and senior managers is 2.782.118 TRY.

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## ***Company Research and Development Activities***

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The company is engaged in research and marketing to expand its customer base and develop existing customer profiles.

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## *Company Activities and Significant Developments on the Activities*

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### *Sales and Marketing*

The aim of Yapı Kredi Faktoring is to establish sustainable and growing relationships with our customers and maintain the strong and reliable presence of our company through increasing volumes.

The company actively serves customers both in domestic and international markets with a diversified product range by meeting the needs of consumers at the right time, with the right products.

In 2017, Yapı Kredi Faktoring generated 22 billion TRY worth of factoring receipts, of which 30 percent were from international transactions, and the remaining 70 percent was domestic. The company has been the industry leader over the past 17 years in terms of turnover and in 2017, it maintained its position at the top of the field with a 15,26 percent market share.

Moreover, since 2002 Yapı Kredi Faktoring was ranked among FCI's "Best Export Factoring Companies", second best FCI member and the same organization rated our service quality as excellent.

Yapı Kredi Faktoring closely follows market and industry developments. In 2017, it added 2,824 new customers to its portfolio, and reinforced its customer-focused approach. The company categorizes its service provision in three segments, namely Corporate, Commercial, and Small and Medium Enterprises (SME), with nine branches in total. With the services it provides to all segments and sectors, the company has increased its number of transactions and active customers and this upwards trend is expected to continue in 2018 in parallel with an anticipated rise in potential customers in the SME segment.

In 2018, the company aims to make new investments in system infrastructure and to continue increasing its productivity.

### *Credit Allocation and Risk Monitoring*

Yapı Kredi Faktoring handles credit risk with a focus on effective risk management within its core business, and supports sales activities to achieve the company's common goals. High-risk transactions that may adversely affect the company's reputation are particularly avoided.

Credit limits are based on a pre-configured payment schedule in line with the client's commercial needs, while taking into account the client's financial structure and operational cycle. Risk policies consistent with those of the Yapı Kredi group are adopted when monitoring and managing credit risk.

In 2017, the company began to invest in a Credit Decision Support System (CDSS) to process SME loan allocations. All procedures related to credit allocation as well as risk monitoring and intelligence have been updated, and the scopes of audit processes and reporting activities have been expanded. Risk reporting is carried out on a regular basis and all relevant information is reported at senior management and board level.

In 2017, the number of loan proposal assessments increased by 54% compared to the previous year.

At the end of 2017, non-performing loans stood at 2.8%, which is lower than the factoring industry average.

## *Treasury and Correspondent Relations*

Our Treasury and Correspondent Relations Department is responsible for funding needs at a relevant cost low risk for our current customer portfolio and new customers, and actively continued to generate affordable resources in 2017. In order to get cost-effective resources, the company makes corporate bonds and works with Takasbank Money Market and domestic and foreign banks and financial institutions.

The bank is in effective communication with investment companies and correspondents and evaluates credits, derivatives, latest developments and opportunities in bond markets. Our aim is to manage the risk of liquidity, interest and exchange risk and to maintain profitability.

The automation investments that were made in recent years started to show positive results and the increase in the quality of reporting has benefitted our processes of doing business.

## *Financial Planning and Financial Affairs*

The Financial Planning and Financial Affairs Department is responsible for establishing accounting systems that conform to Banking Regulation and Supervision Agency (BRSA) rules; International Financial Reporting Standards (IFRS) legislation; and current regulations, rules, and group policies, in addition to establishing the monitoring framework associated with these regulations.

It is also in charge of preparing the company budget, evaluating its financial position, and monitoring performance by generating the necessary data.

## *Operations, IT, Administration*

The operational processes of our company, which successfully increases its customer base every year, are carried out by our experienced expert staff in compliance with rules according to the legal and internal directives in order to perpetuate the satisfaction of top level customers.

While providing for the infrastructure and systematic solutions need in parallel with our company's growth, we also take important steps on IT models that are more accessible and raise the bar on competition by moving customer transactions to the digital platform as much as possible.

This department works to ensure occupational health and safety and an appropriate working environment, in addition to managing administrative affairs in accordance with all legislative provisions.

## *Internal Control and Audit*

Internal Control and Audit secures the effectiveness of the Internal Control System company-wide by performing continuous checks on company activities and operations, thereby identifying and evaluating risks. The independence of this department within the organization is ensured by direct reporting to the Board of Directors.

Internal Control and Auditing report their findings and any significant issues to the Board of Directors through the Audit Committee four times a year. The Audit Committee is responsible for monitoring the effectiveness and adequacy of internal systems on behalf of the Board of Directors and for ensuring that audit activities are maintained on a consolidated basis.

The Internal Control Department, within the scope of compliance monitoring, is also responsible for checking that the activities carried out by the company comply with the regulations issued by the Banking Regulation and Supervision Agency and the Financial Crimes Investigation Board.

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## Future Outlook “Sustaining Leadership”

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In 2017, Yapı Kredi Faktoring successfully achieved one of its most important targets by becoming the industry leader. The company aims to maintain its leading market position with assistance from its strong financial structure, high level of reliability, and extensive financing facilities, by continuing to implement its customer-oriented service vision.

The target of Yapı Kredi Faktoring is to grow sustainably by expanding its customer base, via the increasing opportunities it has as a result of collaborations with the Yapı Kredi Bank and UniCredit networks.

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### *Associates and Subsidiaries*

The company continued to hold the shares of Allianz Yaşam ve Emeklilik A.Ş. in 2017.

Allianz Yaşam ve Emeklilik A.Ş.	Share Percentage	Amount (TRY)
	0.04%	26,593

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### *Shares Acquired*

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The company did not acquire new shares in 2017.

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### *Audit Information*

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Yapı Kredi Faktoring is subject to an independent audit at the end of each quarter.

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### *Lawsuits Filed Against the Company*

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There were no lawsuits filed against the company that could affect the company's financial position and operations.

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### *Administrative and Judicial Sanction Information*

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There were no administrative or judicial sanctions imposed on the company or members of management in 2017 for practices contrary to legislative provisions.

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### *Implementation of Annual General Assembly Resolutions*

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All resolutions made at the General Assembly were carried out.

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### *Extraordinary General Assemblys Held Within the Year*

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No Extraordinary General Assembly was held in 2017.

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### *Donations and Grants*

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In 2017 Yapı Kredi Faktoring donated a total of 350.200 TRY, 350.000 TRY of which was donated to the Vehbi Koç Foundation.

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### *Yapı Kredi Bank*

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As Turkey's fourth-largest private bank and one of the most well-established and solid institutions in the industry, Yapı Kredi continued to reinforce the position it has held since it was established in 1944. This was accomplished through a customer-focused approach to banking and by keeping innovation in the forefront.

According to the Council of Bank Audit and Regulation's consolidated financial statements of December 31, 2017, the net profit of 2017 is 3.614 million TRY, average return on equity is 13,6%. In the same period, the company's total

assets increased by 18% and reached to 320 billion TRY. Yapı Kredi increased the contribution to Turkish economy's financing. By increasing the total cash and non-cash credit volume by 14%, and reaching 279 billion TRY, the company holds its third place among private banks in this category.

In 2017 cash credits increased by 13% and reached 199.9 billion TRY. Therefore, Yapı Kredi's market share of total cash credit is %9.5. The bank achieved strong growth in cash credits, commercial credits which are high in added value by 14%, and 11% in consumer credits. Historical leadership in credit cards was also maintained in 2017. On the other hand, deposit growth is 10% and the deposit base reached 173,4 billion TRY. Yapı Kredi continues its growth particularly in personal deposit and time deposit products and gained 20basis points market share in 2017. The bank's market share in deposit is 10%. In parallel with Yapı Kredi's customer-focused approach, the share of credits in assets is 62%, which is one of the highest in the industry and the share of stocks in assets is 12% which is one of the lowest rates in the industry.

In terms of liquidity, thanks to the faster increase in volume, the rate of credits in deposits including the stocks, increased 2 points compared to 2016 and reached to 112%. Yapı Kredi continued diversifying its funding resources and provided almost 5 million US Dollars through syndication, securitization, bond issue and other financial instruments.

When considered in terms of revenue, the increase in net interest, price and commission enabled the income of banking activities to increase 11% compared to the previous year and reach 13.779 million TRY. On the other hand, through disciplined financial management, the expenses increased by 7% annually, excluding the provisions reserved for the retirement fund. The ratio of expenses to income dropped to 150 base points compared to the previous year and became 41%. In the same period the cumulative net interest margin gained 10 base point to become 3,5%.

In 2017, in addition to the continuing efforts within the bank to increase asset quality, the company showed development with the effect of positive macro environment and thanks to decelerated credit transitions, nonperforming loans decreased 40 base points to become 4,4%. In terms of capital, thanks to the continuing inherent capital production and active capital management, Yapı Kredi's non-consolidated capital adequacy ratio increased 28 base points compared to the end of 2016 to reach 14,5%.

## Financial Summary

<b>TURNOVER (million TRY)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Domestic	15.479	18.490	17.938
International	6.609	3.584	3.029
<i>Export</i>	5.564	2.904	2.931
<i>Import</i>	1.045	680	98
<b>Total</b>	<b>22.088</b>	<b>22.074</b>	<b>20.967</b>

### Balance Sheet and Income Statement Main Accounts (TRY thousand)

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Factoring Receivables (net)	3.853.694	2.901.474	2.263.578
Total Assets	3.941.834	3.073.118	2.287.585
Credit Obtained and Issued Securities	3.677.768	2.824.058	2.066.782
Shareholder's Equity	222.832	214.930	195.979
Debt/Equity Ratio	16.50%	13.14%	10.55%
Net Profit	42.999	37.718	16.643
Factoring Revenue	267.359	192.413	167.659

## Credit Rating

International credit rating agency Fitch Ratings' credit ratings are as follows:

Long Term International Foreign Currency BBB-/Stable Outlook  
 Long Term International Local Currency BBB-/Stable Outlook  
 International Long Term Rate AAA/Stable Outlook  
 Short Term International Foreign Currency F3  
 Short Term International Local Currency F3  
 Build-Up Rate 2  
 Long Term International Foreign Currency BBB-/Stable Outlook

It has been recognized that the company has a high equity ratio for the industry, and there is no question of the company capital being unreciprocated. According to Article 12 of the "Regulation on the Establishment and Operation Principles of Financial Leasing, Factoring, and Financing Companies," published in the Official Newspaper on December 24, 2013, it is obligatory for the company's equity to total assets ratio to meet the minimum standard ratio of 3%. As of December 31, 2016, the company's standard rate was 6.78%.



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## ***Profit Distribution Policy***

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Our company distributes dividends within the framework of the provisions of the Turkish Commercial Code, Tax Legislation, and other related legislation, and those of our Articles of Association relating to profit distribution.

The matters pertaining to the company's profit distribution are detailed in Article 18 of the Articles of Association. In this context, the General Assembly is the only entity authorized to decide whether dividends are distributed as a cash payout or be added to the capital, and shares be issued from these to the shareholders free of charge, or whether both methods shall be employed in certain ratios. In doing so, due consideration will be given to the growth of our company in line with its industry goals and the financing needs.

After the primary reserves and the first dividends are apportioned out of the net profit, the General Assembly shall be entitled to distribute the remaining portion in part or in full as a second dividend, or allocate it as an extraordinary reserve, in accordance with Article 18 of the Articles of Association.

It is envisaged that the profit distribution policy will ensure that the company's medium- to long-term growth plans are realized. This policy will be evaluated by the Board of Directors when necessary and in accordance with national and international economic conditions.

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## ***Risks and the Evaluation of the Board of Directors***

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No report was prepared by the Board of Directors as no risks were identified in 2017. In the meantime, credit, market, interest rate, liquidity, and exchange rate risks and other issues related to risks are explained in detail in article 20 of the Independent Audit Report.

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## ***Other Issues***

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As of December 27, 2017, the Chairman of the Executive Board H. Faik Açıklan resigned and as of January 15, 2018 Gökhan Erün was assigned as Chairman of the Executive Board.

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## ***Report on Subsidiary Companies Prepared Within the Scope of Article 199 of the Turkish Commercial Code***

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In accordance with Article 199 of the Turkish Commercial Code No. 6102, which entered into force on July 1, 2012, the Board of Directors of Yapı Kredi Faktoring A.Ş. is obliged to compile a report on its relations with the controlling shareholder of the company and subsidiaries of the controlling shareholder within the first three months of the year of operation. The results must be included in the annual report. The required disclosures about transactions that Yapı Kredi Faktoring A.Ş. made with related parties are included in article 19 of the financial statements.

In the report dated February 14, 2018, prepared by the Yapı Kredi Faktoring A.Ş. Board of Directors, it is stated: "It is concluded that for each transaction made or not made by Yapı Kredi Faktoring A.Ş. with the controlling shareholder and subsidiaries of the controlling shareholder in 2017 and according to known situations and conditions prevailing at the time, an appropriate consideration has been provided. There was no measure taken or not taken which may cause the company to suffer loss. In this context, there are no transactions or measures which may require counterbalancing."

*Section II*

**Yapı Kredi Faktoring A.Ş.**

**Financial statements of January 01- December 31, 2017 and the  
Independent Audit Report**

**YAPI KREDİ FAKTORİNG A.Ş.**

**STATEMENT BELONGING THE PERIOD OF JANUARY 1,  
DECEMBER 31, 2017 AND INDEPENDENT AUDIT  
REPORT**



## INDEPENDENT AUDIT REPORT

To The Board of Directors of Yapı Kredi Faktoring A.Ş.

### A. Independent Audit of Financial Statements

#### 1. Opinion

We have audited the financial statements of Yapı Kredi Faktoring A.Ş. (the company) as of December 31, 2017 including the balance sheet and for the same accounting period ending on the same date, the income statement, profit or loss and other detailed income statement of changes in shareholders' equity and the cash flow statement and footnotes explaining significant accounting policies and other explanatory footnotes.

In our opinion the company management has adopted the Communiqué on the Uniform Chart of Accounts and Prospectuses to be Applied to Financial Leasing, Factoring and Financing Companies published in the Official Gazette No. 28861, dated December 24, 2013, and the Communiqué on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies, and the notifications, related circulars, and explanations by the Banking Regulation and Supervision Agency (BRSA), as well as the provisions of the Turkish Accounting Standards in matters not regulated by the aforementioned. It is responsible for the internal controls that it deems necessary to prepare the financial statements in accordance with BRSA Accounting and Financial Reporting Legislation fairly and realistically.

#### 2. Basis for the Opinion

We conducted an independent audit in accordance with the Independent Auditing Standards, a part of the Turkish Auditing Standards published by the Public Oversight, Accounting, and Auditing Standards Authority. Our responsibilities in terms of these standards are explained in detail in the part on "The Responsibility of the Independent Auditor regarding the Independent Audit of the Annual Report". We declare that we are independent from the company in accordance with Codes of Conduct for Independent Auditors ("Codes of Conduct") published by the Public Oversight Authority and with the legislation about independent audit of the financial statements. Other responsibilities concerning Codes of Conduct and legislation were carried out. We believe the evidence of independent audit that we obtained during our independent audit is sufficient and forms a suitable basis for our opinion.

#### 3. Key Audit Issues

In our professional opinion key audit issues are the most important ones in the independent audit of financial statements of the current period. Key audit subjects are handled as a whole in the framework of independently auditing financial tables and forming our opinion on the financial tables, we do not report a separate pinion on these matters.

PwC Bağımsız Denetim ve Serbest Muhasebeci MaliMüşavirlikA.Ş.

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Key Audit Issues	How the issue was handled during the audit
<p><b>Impairment regarding factoring receivables</b></p> <p>According to the financial statement as of December 31, 2017, the Company has 3.956.240 thousand TRY in factoring receivables including non-performing loans. Explanations of the Company on the provisions for losses; which are allocated in accordance with the BRSA's Accounting and Financing Reporting Legislation, of its factoring receivables are indicated in the below given financial statements' footnotes 2.4, 2.5, 4 and 9, dated December 31, 2017.</p> <p>The reason for focusing on this filed in the scope of our audit was the size of the factoring receivables and provision for losses, the importance of the factoring receivables subject to impairment classification and provision for losses that will be calculated according to this classification is determined in accordance with the legislation. Since accurate and prompt determination of the default factoring receivables and the management having significant estimations and assumptions shall affect the provision for losses in the financial statement the subject in question was considered a key auditing subject.</p>	<p>Within the frame of our audit, we evaluated and tested the design and operational impacts of the controls applied by the Company, which we deemed significant, regarding detection of impairment and calculation of the impairment amount in accordance with the relevant legislation.</p> <p>Within the scope of our audit, we conducted a study of timely determination of factoring receivables which have become subject to impairment and testing the establishment of a related provision for losses in accordance with the legislation clauses by selecting a sample set from factoring receivables.</p>



#### **4. Other Issues**

The company's financial statements of the period ending on December 31, 2016 were audited by another independent auditing firm and in the independent audit report of February 1, 2017, a positive opinion was expressed about these financial statements.

#### **5. Responsibilities of the Management and Those Charged with Governance on the Financial Statements**

Management is responsible for the internal controls that it deems necessary to prepare the financial statements in accordance with BRSA Accounting and Financial Reporting Legislation fairly and without major errors due to fraud or falsification.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **6. Auditor's Responsibilities Regarding Independent Auditing of Financial Statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with International Standards on Auditing (ISA) is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an independent audit conducted in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest.

#### **B. Other Responsibilities Arising from Legislation**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

(Stamp and Signature)  
Didem Demer Kaya, SMMM  
Responsible Auditor  
Istanbul, February 5, 2018



**YAPI KREDİ FAKTORİNG A.Ş.**

**FINANCIAL STATEMENTS BELONGING TO ACCOUNTING PERIOD BETWEEN  
JANUARY 1, - DECEMBER 31, 2017**

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# YAPI KREDİ FAKTORİNG A.Ş.

## STATEMENT OF FINANCIAL POSITION DATED DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

ASSETS	Footnote	Independently Audited December 31, 2017			Independently Audited December 31, 2016		
		TRY	FC	Total	TRY	FC	Total
<b>I. Cash, Cash Equivalents, and the Central Bank</b>		-	-	-	-	-	-
<b>I. Fin. Assets at fair value through profit or loss (net)</b>	<b>6</b>	<b>11.648</b>	-	<b>11.648</b>	<b>3.201</b>	-	<b>3.201</b>
2.1 Financial assets held for trading		-	-	-	-	-	-
2.2 Financial assets at fair value through profit or loss		-	-	-	-	-	-
2.3 Derivative financial assets held for trading		11.648	-	11.648	3.201	-	3.201
<b>III. Banks</b>	<b>3</b>	<b>45.872</b>	<b>12.898</b>	<b>58.770</b>	<b>1.460</b>	<b>152.849</b>	<b>154.309</b>
<b>IV. Receivables from reverse repurchase agreements</b>		-	-	-	-	-	-
<b>V. Available-for-sale financial assets (Net)</b>	<b>7</b>	<b>27</b>	-	<b>27</b>	<b>27</b>	-	<b>27</b>
<b>VI. Factoring receivables</b>	<b>4</b>	<b>2.426.865</b>	<b>1.418.699</b>	<b>3.845.564</b>	<b>1.810.238</b>	<b>1.080.414</b>	<b>2.890.652</b>
6.1 Discounted factoring receivables		1.032.360	33.583	1.065.943	764.805	27.432	792.237
6.1.1 Domestic		1.061.406	-	1.061.406	785.274	-	785.274
6.1.2 Overseas		-	33.787	33.787	-	27.572	27.572
6.1.3 Unearned income (-)		(29.046)	(204)	(29.250)	(20.469)	(140)	(20.609)
6.2 Other factoring receivables		1.394.505	1.385.116	2.779.621	1.045.433	1.052.982	2.098.415
6.2.1 Domestic		1.394.505	-	1.394.505	1.045.433	-	1.045.433
6.2.2 Overseas		-	1.385.116	1.385.116	-	1.052.982	1.052.982
<b>VII. Financial Expenses</b>		-	-	-	-	-	-
7.1 Consumer loans		-	-	-	-	-	-
7.2 Credit cards		-	-	-	-	-	-
7.3 Commercial installment loans		-	-	-	-	-	-
<b>VIII. Leases</b>		-	-	-	-	-	-
8.1 Lease receivables		-	-	-	-	-	-
8.1.1 Finance lease receivables		-	-	-	-	-	-
8.1.2 Operating lease receivables		-	-	-	-	-	-
8.1.3 Unearned income (-)		-	-	-	-	-	-
8.2 Investments in progress for lease		-	-	-	-	-	-
8.3 Lease advance payments		-	-	-	-	-	-
<b>IX. Other receivables</b>		-	-	-	-	-	-
<b>X. Non Performing Receivables</b>	<b>4</b>	<b>8.130</b>	-	<b>8.130</b>	<b>10.822</b>	-	<b>10.822</b>
10.1 Non-performing factoring receivables		110.676	-	110.676	141.420	-	141.420
10.2 Non-performing financing loans		-	-	-	-	-	-
10.3 Non-performing lease receivables		-	-	-	-	-	-
10.4 Specific provisions (-)		(102.546)	-	(102.546)	(130.598)	-	(130.598)
<b>XI. Derivative financial assets for hedge</b>		-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of a net investment in a foreign operation		-	-	-	-	-	-
<b>XII. Held-to-maturity investments (net)</b>		-	-	-	-	-	-
<b>III. Subsidiaries (net)</b>		-	-	-	-	-	-
<b>IV. Associates (net)</b>		-	-	-	-	-	-
<b>XV. Joint ventures (net)</b>		-	-	-	-	-	-
<b>VI. Tangible assets (net)</b>	<b>10</b>	<b>791</b>	-	<b>791</b>	<b>739</b>	-	<b>739</b>
<b>VII. Intangible assets (net)</b>	<b>11</b>	<b>3.520</b>	-	<b>3.520</b>	<b>1.597</b>	-	<b>1.597</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		3.520	-	3.520	1.597	-	1.597
<b>XVIII. Prepaid expenses</b>	<b>13</b>	<b>3.568</b>	-	<b>3.568</b>	<b>2.723</b>	-	<b>2.723</b>
<b>XIX. Current tax assets</b>		-	-	-	-	-	-
<b>XX. Deferred tax assets</b>	<b>12</b>	<b>3.957</b>	-	<b>3.957</b>	<b>4.213</b>	-	<b>4.213</b>
<b>XXI. Other assets</b>	<b>13</b>	<b>3.628</b>	<b>2.231</b>	<b>5.859</b>	<b>4.719</b>	<b>116</b>	<b>4.835</b>
<b>Subtotal</b>		<b>2.508.006</b>	<b>1.433.828</b>	<b>3.941.834</b>	<b>1.839.739</b>	<b>1.233.379</b>	<b>3.073.118</b>
<b>XXII. Assets held for sale and discontinued operations (net)</b>		-	-	-	-	-	-
22.1 Held for sale		-	-	-	-	-	-
22.2 Discontinued operations		-	-	-	-	-	-
<b>Total Assets</b>		<b>2.508.006</b>	<b>1.433.828</b>	<b>3.941.834</b>	<b>1.839.739</b>	<b>1.233.379</b>	<b>3.073.118</b>

Accompanying explanations and footnotes form an integral part of these financial statements

## YAPI KREDİ FAKTORİNG A.Ş.

### STATEMENT OF FINANCIAL POSITION DATED DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

LIABILITIES	Footnote	Independently Audited December 31, 2017			Independently Audited December 31, 2016		
		TRY	FC	Total	FC	TRY	Total
<b>I. Financial Derivative liabilities held for trading</b>	<b>6</b>	<b>2.988</b>	<b>-</b>	<b>2.988</b>	<b>6.025</b>	<b>-</b>	<b>6.025</b>
<b>II. Credits obtained</b>	<b>5</b>	<b>1.550.722</b>	<b>1.907.012</b>	<b>3.457.734</b>	<b>647.924</b>	<b>1.651.228</b>	<b>2.299.152</b>
<b>III. Factoring liabilities</b>		<b>2.550</b>	<b>5.022</b>	<b>7.572</b>	<b>2.765</b>	<b>4.450</b>	<b>7.215</b>
<b>IV. Lease liabilities</b>		-	-	-	-	-	-
4.1 Financial lease liabilities		-	-	-	-	-	-
4.2 Operating lease liabilities		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred finance lease costs ( - )		-	-	-	-	-	-
<b>V. Issued securities (Net)</b>	<b>5</b>	<b>220.034</b>	<b>-</b>	<b>220.034</b>	<b>524.906</b>	<b>-</b>	<b>524.906</b>
5.1 Bills		220.034	-	220.034	524.906	-	524.906
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. Other liabilities</b>	<b>8</b>	<b>1.847</b>	<b>1.296</b>	<b>3.143</b>	<b>790</b>	<b>526</b>	<b>1.316</b>
<b>VII. Other foreign liabilities</b>		-	-	-	-	-	-
<b>VIII. Derivative financial liabilities for hedge</b>		-	-	-	-	-	-
8.1 Fair value hedge		-	-	-	-	-	-
8.2 Cash flow hedges		-	-	-	-	-	-
8.3 Hedges of a net investment in a foreign operation		-	-	-	-	-	-
<b>IX. Taxes and liabilities</b>	<b>17</b>	<b>3.018</b>	<b>-</b>	<b>3.018</b>	<b>2.599</b>	<b>-</b>	<b>2.599</b>
<b>X. Provisions for known liabilities</b>	<b>9</b>	<b>15.140</b>	<b>-</b>	<b>15.140</b>	<b>13.117</b>	<b>-</b>	<b>13.117</b>
10.1 Restructuring provisions		-	-	-	-	-	-
10.2 Provisions for employee benefits		2.816	-	2.816	1.104	-	1.104
10.3 Other provisions		12.324	-	12.324	12.013	-	12.013
<b>XI. Deferred income</b>		<b>2.569</b>	<b>897</b>	<b>3.466</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XII. Current tax liabilities</b>	<b>17</b>	<b>5.907</b>	<b>-</b>	<b>5.907</b>	<b>3.858</b>	<b>-</b>	<b>3.858</b>
<b>XIII. Deferred tax liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. Subordinated loans</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Subtotal</b>		<b>1.804.775</b>	<b>1.914.227</b>	<b>3.719.002</b>	<b>1.201.984</b>	<b>1.656.204</b>	<b>2.858.188</b>
<b>XV. Non-current assets held for sale and discontinued operations (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
15.1 Held for sale		-	-	-	-	-	-
15.2 Discontinued operations		-	-	-	-	-	-
<b>XVI. Shareholders' equity</b>	<b>14</b>	<b>222.832</b>	<b>-</b>	<b>222.832</b>	<b>214.930</b>	<b>-</b>	<b>214.930</b>
16.1 Paid-in capital		31.917	-	31.917	31.917	-	31.917
16.2 Capital reserves		97.223	-	97.223	97.223	-	97.223
16.2.1 Share premiums		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		97.223	-	97.223	97.223	-	97.223
16.3 Other accumulated comprehensive income that will not be reclassified to profit or loss		(1.103)	-	(1.103)	(6)	-	(6)
16.4 Other accumulated comprehensive income that will be reclassified to profit or loss		-	-	-	-	-	-
16.5 Profit reserves		51.796	-	51.796	48.078	-	48.078
16.5.1 Legal Reserves		20.913	-	20.913	17.673	-	17.673
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		13.520	-	13.520	13.042	-	13.042
16.5.4 Other profit reserves		17.363	-	17.363	17.363	-	17.363
16.6 Profit or loss		42.999	-	42.999	37.718	-	37.718
16.6.1 Accumulated profits or losses		-	-	-	-	-	-
16.6.2 Net profit or loss for the period		42.999	-	42.999	37.718	-	37.718
<b>Total Liabilities</b>		<b>2.027.607</b>	<b>1.914.227</b>	<b>3.941.834</b>	<b>1.416.914</b>	<b>1.656.204</b>	<b>3.073.118</b>

Accompanying explanations and footnotes form an integral part of these financial statements

## YAPI KREDİ FAKTORİNG A.Ş.

### OFF-BALANCE SHEET ITEMS DATED DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

OFF-BALANCE SHEET ITEMS		Footnote	Independently Audited December 31, 2017			B Independently Audited December 31, 2016		
			TRY	FC	Total	TRY	FC	Total
I	Factoring transactions for which risk has been undertaken		183.369	325.845	509.214	4.204.432	383.520	4.587.952
II	Factoring transactions for which risk has not been undertaken		703.077	48.334	751.411	458.062	110.644	568.706
III	Guarantees taken	22	20.088.861	5.887.730	25.976.591	13.731.692	4.018.063	17.749.755
IV	Guarantees given	22	1.276.012	-	1.276.012	273.292	-	273.292
V	Commitments		-	-	-	-	-	-
5.1	Irrevocable commitments		-	-	-	-	-	-
5.2	Revocable commitments		-	-	-	-	-	-
5.2.1	Lease commitments		-	-	-	-	-	-
5.2.1.1	Finance lease commitments		-	-	-	-	-	-
5.2.1.2	Operating lease commitments		-	-	-	-	-	-
5.2.2	Other revocable commitments		-	-	-	-	-	-
VI	Derivative financial instruments	22	538.023	828.682	1.366.705	397.644	493.471	891.115
6.1	Derivative financial instruments for hedge		-	-	-	-	-	-
6.1.1	Fair value hedge transactions		-	-	-	-	-	-
6.1.2	Cash flow hedges		-	-	-	-	-	-
6.1.3	Hedges of a net investment in a foreign operation		-	-	-	-	-	-
6.2	Trading transactions	22	538.023	828.682	1.366.705	397.644	493.471	891.115
6.2.1	Forward trading transactions		-	-	-	-	-	-
6.2.2	Swap trading transactions		538.023	828.682	1.366.705	397.644	493.471	891.115
6.2.3	Trading options transactions		-	-	-	-	-	-
6.2.4	Futures trading transactions		-	-	-	-	-	-
6.5.5	Other		-	-	-	-	-	-
VII	Custody accounts	22	1.372.420	1.462.972	2.835.392	1.296.865	1.420.026	2.716.891
TOTAL OFF-BALANCE SHEET ACCOUNTS			24.161.762	8.553.563	32.715.325	20.361.987	6.425.724	26.787.711

Accompanying explanations and footnotes form an integral part of these financial statements

## YAPI KREDİ FAKTORİNG A.Ş.

### GAIN OR LOSS STATEMENT FOR THE PERIOD JANUARY 1-DECEMBER31,2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

INCOME AND EXPENSE ITEMS		Footnote	Independently Audited January 1 - December 31, 2017	Independently Audited January 1 - December 31, 2016
<b>I.</b>	<b>REAL OPERATING INCOME</b>		<b>267.359</b>	<b>192.413</b>
	<b>FACTORING INCOME</b>	<b>15</b>	<b>267.359</b>	<b>192.413</b>
1.1	Interest received from factoring receivables		246.600	173.873
1.1.1	Discounted		107.924	75.242
1.1.2	Other		138.676	98.631
1.2	Fees and commissions from factoring receivables		20.759	18.540
1.2.1	Discounted		8.565	6.670
1.2.2	Other		12.194	11.870
	<b>INCOME FROM FINANCIAL LOANS</b>		-	-
1.3	Interest received from financial loans		-	-
1.4	Fees and commissions received from financing loans		-	-
	<b>LEASE INCOME</b>		-	-
1.5	Finance lease income		-	-
1.6	Operating lease income		-	-
1.7	Lease fees and commissions		-	-
<b>II.</b>	<b>FINANCIAL EXPENSES (-)</b>		<b>(189.814)</b>	<b>(99.303)</b>
2.1	Interest on borrowings		(141.998)	(48.171)
2.2	Interest on payables from factoring transactions		-	-
2.3	Finance lease costs		-	-
2.4	Interest on issued securities		(39.482)	(48.418)
2.5	Other interest costs		-	-
2.6	Fees and commissions paid		(8.334)	(2.714)
<b>III.</b>	<b>GROSS P / L (I + II)</b>		<b>77.545</b>	<b>93.110</b>
<b>IV.</b>	<b>REAL OPERATING EXPENSES (-)</b>	<b>16</b>	<b>(27.865)</b>	<b>(23.262)</b>
4.1	Personnel costs		(19.533)	(16.801)
4.2	Provision for employee severance benefits		(222)	105
4.3	Research and development costs		-	-
4.4	General administrative expenses		(7.241)	(6.003)
4.5	Other		(869)	(563)
<b>V.</b>	<b>GROSS OPERATING P / L (III + IV)</b>		<b>49.680</b>	<b>69.848</b>
<b>VI.</b>	<b>OTHER OPERATING REVENUES</b>		<b>948.015</b>	<b>531.198</b>
6.1	Interest income from banks		2.653	4.144
6.2	Interest income from reverse repurchase transactions		-	-
6.3	Interest income from marketable securities		-	-
6.3.1	From financial assets held for trading		-	-
6.3.2	Financial assets at fair value through profit or loss		-	-
6.3.3	From available-for-sale financial assets		-	-
6.3.4	From held-to-maturity investments		-	-
6.4	Dividend income	19	49	36
6.5	Profit from capital market transactions		15.648	-
6.5.1	From derivative financial transactions		15.648	-
6.5.2	Other		-	-
6.6	Foreign exchange profits		926.160	522.848
6.7	Other	18	3.505	4.170
<b>VII.</b>	<b>SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)</b>	<b>4</b>	<b>(23.952)</b>	<b>(25.968)</b>
<b>VIII.</b>	<b>OTHER OPERATIONAL EXPENSES (-)</b>		<b>(920.348)</b>	<b>(527.912)</b>
8.1	Impairment of securities		-	-
8.1.1	Impaired financial assets designated at fair value through profit or loss		-	-
8.1.2	From available-for-sale financial assets		-	-
8.1.3	From held-to-maturity investments		-	-
8.2	Impairment of non-current assets		-	-
8.2.1	Impairment of property, plant and equipment		-	-
8.2.2	Impairment of non-current assets held for sale and discontinued operations		-	-
8.2.3	Impairment of goodwill		-	-
8.2.4	Impairment of other intangible assets		-	-
8.2.5	Impairment of subsidiaries, associates, and joint ventures		-	-
8.3	Losses on derivative financial transactions		-	(3.351)
8.4	Foreign exchange losses		(919.471)	(523.352)
8.5	Other	18	(877)	(1.209)
<b>IX.</b>	<b>NET OPERATING P / L (V + ... + VIII)</b>		<b>53.395</b>	<b>47.166</b>
<b>X.</b>	<b>AMOUNT OF SURPLUS RECORDED AS INCOME AFTER MERGER TRANSACTIONS</b>		-	-
<b>XI.</b>	<b>NET MONETARY POSITION PROFIT / LOSS</b>		-	-
<b>XII.</b>	<b>CONTINUING OPERATIONS PRE-TAX P/L (IX+X+XI)</b>		<b>53.395</b>	<b>47.166</b>
<b>XIII.</b>	<b>CONTINUING OPERATIONS PROVISION FOR TAXES (±)</b>		<b>(10.396)</b>	<b>(9.448)</b>
13.1	Current tax provision	17	(9.831)	(11.552)
13.2	Expense effect of deferred taxes (+)	12	(565)	-
13.3	Income effect of deferred taxes (-)	12	-	2.104
<b>XIV.</b>	<b>PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS (XII ± XIII)</b>		<b>42.999</b>	<b>37.718</b>
<b>XV.</b>	<b>PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS</b>		-	-
15.1	Income from non-current assets held for sale		-	-
15.2	Profits on derecognition of investments in subsidiaries, joint ventures and associates		-	-
15.3	Income from other discontinued operations		-	-
<b>XVI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
16.1	Costs of non-current assets held for sale		-	-
16.2	Losses on derecognition of investments in subsidiaries, joint ventures and associates		-	-
16.3	Costs from another discontinued operations		-	-
<b>XVII.</b>	<b>P / L ON DISCONTINUED OPERATIONS BEFORE TAX (XV-XVI)</b>		-	-
<b>XVIII.</b>	<b>DISCONTINUED OPERATIONS TAX PROVISION (±)</b>		-	-
18.1	Current tax provision		-	-
18.2	Expense effect of deferred taxes (+)		-	-
18.3	Income effect of deferred taxes (-)		-	-
<b>XIX.</b>	<b>NET P / L FROM DISCONTINUED OPERATIONS (XVII ± XVIII)</b>		-	-
<b>XX.</b>	<b>NET PROFIT / LOSS (XIV + XIX)</b>		<b>42.999</b>	<b>37.718</b>
	<b>EARNINGS PER SHARE</b>		<b>1,35</b>	<b>1,18</b>
	EPS from continued operations		-	-
	EPS from discontinued operations		-	-
	<b>DILUTED EPS</b>		-	-
	EPS from continuing operations		-	-
	EPS from discontinued operations		-	-

Accompanying explanations and footnotes form an integral part of these financial statements.

**YAPI KREDİ FAKTORİNG A.Ş.****GAIN OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT  
FOR THE PERIOD JANUARY 1-DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

	Independently Audited	Independently Audited
	January 1 – December 31, 2017	January 1 – December 31, 2016
<b>I. PERIOD PROFIT / (LOSS)</b>	<b>42.999</b>	<b>37.718</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(1.097)</b>	<b>(17)</b>
2.1 <b>Items that will not be reclassified to profit or loss</b>	<b>(1.097)</b>	<b>(17)</b>
2.1.1 Gains or losses on property, plant and equipment revaluation	-	-
2.1.2 Gains or losses on intangible asset revaluation	-	-
2.1.3 Gains/losses on remeasurements of defined benefit pension plans	(1.406)	(17)
2.1.4 Other comprehensive components of income that will not be reclassified to profit or loss	-	-
2.1.5 Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	-	-
2.1.5.1 Tax expense/income for the period	-	-
2.1.5.2 Deferred expense/income for the period	309	-
2.2 <b>Items that will be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>
2.2.1 Gains/losses on exchange differences on translation	-	-
2.2.2 Gains/losses on remeasuring available for-sale financial assets	-	-
2.2.3 Gains/losses on cash flow hedges	-	-
2.2.4 Gains/losses on hedges of net investments in foreign operations	-	-
2.2.5 Other accumulated comprehensive component of income that will be classified to profit or loss	-	-
2.2.6 Taxes on other accumulated comprehensive income that will be classified to profit or loss	-	-
2.2.6.1 Tax expense/income for the period	-	-
2.2.6.2 Deferred expense/income for the period	-	-
<b>III. TOTAL COMPREHENSIVE INCOME (I + II)</b>	<b>41.902</b>	<b>37.701</b>

Accompanying explanations and footnotes form an integral part of these financial statements

# YAPI KREDİ FAKTORİNG A.Ş.

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIOD JANUARY 1-DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY		Not to be reclassified to profit or loss						To be reclassified to profit or loss												
		Paid-in capital	Capital reserves	Share premiums	Profit from canceled shares	Other capital reserves	1	2	3	4	5	6	Profit reserves	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other profit reserves	Profit/loss for the period	Profit / (Loss) for the previous period	Period Net Profit or Loss
PREVIOUS PERIOD (Independently Audited)																				
January 1 – December 31, 2016																				
I.	Balance of the end of previous year	31.917	97.223	-	-	-	11	-	-	-	-	50.185	29.761	-	3.061	17.363	16.643	-	16.643	195.979
II.	Corrections made in accordance with TAS8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I + II)	31.917	97.223	-	-	-	11	-	-	-	-	50.185	29.761	-	3.061	17.363	16.643	-	16.643	195.979
IV.	Total comprehensive income	-	-	-	-	-	(17)	-	-	-	-	-	-	-	-	-	-	-	-	(17)
V.	Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase from internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Net profit or loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	(2.107)	(12.088)	-	9.981	-	37.718	-	37.718	37.718
12.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	(13.413)	(12.548)	-	(865)	-	(5.337)	-	(5.337)	(18.750)
12.2	Amounts transferred to reserves	-	-	-	-	-	-	-	-	-	-	374	460	-	(86)	-	(374)	-	(374)	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	10.932	-	-	10.932	-	(10.932)	-	(10.932)	-
Balance at end of year (III+IV+.....+XI+XII)		31.917	97.223	-	-	-	(6)	-	-	-	-	48.078	17.673	-	13.042	17.363	37.718	-	37.718	214.930
CURRENT PERIOD (Independently Audited)																				
January 1 – December 31, 2017																				
I.	Balance of the end of previous year	31.917	97.223	-	-	-	(6)	-	-	-	-	48.078	17.673	-	13.042	17.363	37.718	-	37.718	214.930
II.	Corrections made in accordance with TAS8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I + II)	31.917	97.223	-	-	-	(6)	-	-	-	-	48.078	17.673	-	13.042	17.363	37.718	-	37.718	214.930
IV.	Total comprehensive income	-	-	-	-	-	(1.097)	-	-	-	-	-	-	-	-	-	-	-	-	(1.097)
V.	Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase from internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Net profit or loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.718	3.240	-	478	-	42.999	-	42.999	42.999
12.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	(3.000)	-	-	(3.000)	-	(31.000)	-	(31.000)	(34.000)
12.2	Amounts transferred to reserves	-	-	-	-	-	-	-	-	-	-	2.940	3.240	-	(300)	-	(2.940)	-	(2.940)	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	3.778	-	-	3.778	-	(3.778)	-	(3.778)	-
Balance at end of year (III+IV+.....+XI+XII)		31.917	97.223	-	-	-	(1.103)	-	-	-	-	51.796	20.913	-	13.520	17.363	42.999	-	42.999	222.832

(1) Non-current assets accumulated revaluation increase / decrease.

(2) Gains/losses on accumulated remeasurements of defined benefit pension plans.

(3) Other (Share of other comprehensive income from investments accounted for by the equity method that cannot be classified as profit / loss, and accumulated other comprehensive income that will not be reclassified to other profit or loss).

(4) Gains/losses on exchange differences on translation.

(5) Revaluation and / or reclassification gains / losses from available-for-sale financial assets.

(6) Other (profit / loss from cash flow hedging, share of other comprehensive income from investments accounted for by the equity method that will be reclassified to profit or loss, and accumulated other comprehensive income that will be reclassified to other profit or loss)

Accompanying explanations and footnotes form an integral part of these financial statements

## YAPI KREDİ FAKTORİNG A.Ş.

### STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1-DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

		Footnote	Independently Audited January 1 - December 31, 2017	Independently Audited January 1 - December 31, 2016
<b>A.</b>	<b>Cash flows from real operating activities</b>			
<b>1.1</b>	<b>Operating profit before changes in assets and liabilities of the principal activity</b>		<b>112.668</b>	<b>69.935</b>
1.1.1	Interest received / lease income		263.908	176.606
1.1.2	Interest paid / lease costs		(135.112)	(96.293)
1.1.3	Lease costs		-	-
1.1.4	Dividends received	19	49	36
1.1.5	Fees and commissions received	18	27.322	18.540
1.1.6	Other income		3.505	-
1.1.7	Collections from non-performing receivables recognized as losses	4	297	906
1.1.8	Cash payments to employees	16	(19.533)	(16.696)
1.1.9	Taxes		(8.912)	(8.960)
1.1.10	Other		(18.856)	(4.204)
<b>1.2</b>	<b>Changes in assets and liabilities of the principal activity</b>		<b>147.162</b>	<b>(142.184)</b>
1.2.1	Net (increase) / decrease in factoring receivables		(997.393)	(637.896)
1.2.1	Net (increase) / decrease in financing loans		-	-
1.2.1	Net (increase) / decrease in lease receivables		-	-
1.2.2	Net (increase) / decrease in other assets		(9.495)	(3.203)
1.2.3	Net increase / (decrease) in factoring liabilities		357	2.613
1.2.3	Net increase / (decrease) in lease liabilities		-	-
1.2.4	Net increase / (decrease) in loans		1.149.444	496.997
1.2.5	Net increase / (decrease) in payables due		-	-
1.2.6	Net increase / (decrease) in other liabilities		4.249	(695)
<b>I.</b>	<b>Net cash flows from principal activity</b>		<b>259.830</b>	<b>(72.249)</b>
<b>B.</b>	<b>Cash flows from investment activities</b>			
2.1	Investments in subsidiaries, associates, and joint ventures		-	-
2.2	Divested subsidiaries, associates, and joint ventures		-	-
2.3	Purchased securities and real estate	10,11	(2.864)	(1.609)
2.4	Disposed securities and real estate		-	-
2.5	Acquired available-for-sale financial assets		-	-
2.6	Disposed available-for-sale financial assets		-	-
2.7	Purchased held-to-maturity investments		-	-
2.8	Sold held-to-maturity investments		-	-
2.9	Other		-	-
<b>II.</b>	<b>Net cash flows from investment activities</b>		<b>(2.864)</b>	<b>(1.609)</b>
<b>C.</b>	<b>Cash flows from financing activities</b>			
3.1	Cash from loans and issued securities		567.898	926.068
3.2	Cash outflows from issued loans and securities		(910.000)	(711.560)
3.3	Capital market instruments issued		-	-
3.4	Dividend payments	19	(34.000)	(18.750)
3.5	Finance lease payments		-	-
3.6	Other		-	-
<b>III.</b>	<b>Net cash flows from financing activities</b>		<b>(376.102)</b>	<b>195.758</b>
<b>IV.</b>	<b>Effect of changes in foreign exchange rates on cash and cash equivalents</b>			
			23.594	20.151
<b>V.</b>	<b>Net increase in cash and cash equivalents</b>		<b>(95.542)</b>	<b>142.051</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>		<b>154.309</b>	<b>12.258</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>58.767</b>	<b>154.309</b>

Accompanying explanations and footnotes form an integral part of these financial statements.



## YAPI KREDİ FAKTORİNG A.Ş.

### UNCONSOLIDATED STATEMENT FOR PROFIT APPROPRIATION THE PERIOD JANUARY 1-DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

	Current Period December 31, 2017 (*)	Previous Period December 31, 2016
<b>I. Distribution of period profit</b>		
1.1 PROFIT FOR THE PERIOD	53.395	47.166
1.2 TAXES AND LEGAL LIABILITIES (-)	(10.396)	(9.448)
1.2.1 Corporate Tax	(9.831)	(11.552)
1.2.2 Income Tax Withheld	-	-
1.2.3 Other Taxes and Legal Liabilities (**)	(565)	2.104
<b>A. NET INCOME FOR THE PERIOD (1.1 - 1.2)</b>	<b>42.999</b>	<b>37.718</b>
1.3 PREVIOUS PERIOD LOSS (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	(2.104)
<b>B. NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A-1.3+1.4+1.5)]</b>	<b>42.999</b>	<b>35.614</b>
1.6 FIRST DIVIDENT TO SHAREHOLDERS (-)	-	(1.596)
1.6.1 Divident to holders of ordinary shares	-	(1.596)
1.6.2 Divident to holders of preferred shares	-	-
1.6.3 Divident to holders of redeemed shares	-	-
1.6.4 Divident to holders of profit sharing bonds	-	-
1.6.5 Divident to holders of profit/loss sharing certificates	-	-
1.7 DIVIDENT TO EMPLOYEES (-)	-	-
1.8 DIVIDENT TO SHAREHOLDERS (-)	-	-
1.9 SECOND DIVIDENT TO SHAREHOLDERS (-)	-	(29.404)
1.9.1 Divident to holders of ordinary shares	-	(29.404)
1.9.2 Divident to holders of preferred shares	-	-
1.9.3 Divident to holders of redeemed shares	-	-
1.9.4 Divident to holders of profit sharing bonds	-	-
1.9.5 Divident to holders of profit/loss sharing certificates	-	-
1.10 SECOND LEGAL RESEVES (-)	-	(2.940)
1.11 STATUTORY RESEVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	(300)
2.3 DIVIDENT TO SHAREHOLDERS (-)	-	(3.000)
2.3.1 Divident to holders of ordinary shares	-	(3.000)
2.3.2 Divident to holders of preferred shares	-	-
2.3.3 Divident to holders of redeemed shares	-	-
2.3.4 Divident to holders of profit sharing bonds	-	-
2.3.5 Divident to holders of profit/loss sharing certificates	-	-
2.4 SHARE ISSUED TO EMPLOYEES (-)	-	-
2.5 SHARE TO BOARD OF DIRECTOR (-)	-	-
<b>III. PROFIT PER SHARE</b>		
3.1 TO HOLDER OF ORDINARY SHARE (TRY)	1.35	1.18
3.2 TO HOLDER OF ORDINARY SHARE (%)	1,35	1,18
3.3 TO HOLDER OF PREFERRED SHARES (TRY)	-	-
3.4 TO HOLDER OF PREFERRED SHARES (%)	-	-
<b>IV. DIVIDENT PER SHARE</b>		
4.1 TO HOLDER OF ORDINARY SHARE (TRY)	-	1,07
4.2 TO HOLDER OF ORDINARY SHARE (%)	-	1,07
4.3 TO HOLDER OF PREFERRED SHARES (TRY)	-	-
4.4 TO HOLDER OF PREFERRED SHARES (%)	-	-

(\*) Company's annual meeting is not held yet as of signature date of this financial statements.

(\*\*) Since the Banking Regulation and Supervision Agency considers that income amounts corresponding to deferred tax assets do not qualify as cash or internal resources, and hence the portion of the period income resulting from these assets cannot be subject to profit distribution and capital increases, the Company's deferred tax income amount of 2,104 Turkish Lira due to deferred tax assets was not taken into consideration to calculate the distributable profit.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **1. COMPANY’S ORGANIZATION AND FIELD OF ACTIVITY**

Yapı Kredi Faktoring A.Ş. (“the Company”) was established in Istanbul on April 9, 1999 under the title of Koç Faktoring Hizmetleri A.Ş. The Company is a member of Koç Finansal Hizmetler A.Ş. (“KFH”), which was established on March 16, 2006. KFH signed a strategic partnership agreement with Uni Credito Italiano S.p.A. (“UCI”) under a resolution adopted by the Koç Group on October 12, 2002. On October 31, 2007, KFH transferred its shares in the Company over to Yapı ve Kredi Bankası A.Ş., who became the principle shareholder of the Company with 99.95% stake. The Company offers factoring services in Turkey and abroad.

The Company operates in domestic and international markets (import and export) in accordance with the Financial Leasing, Factoring, and Financing Company Law No. 6361, which came into effect on December 13, 2013. It is a member of Factors Chain International (FCI), an organization to which international factoring companies acquire membership.

On December 29, 2006, Koç Faktoring Hizmetleri A.Ş. merged with Yapı Kredi Faktoring A.Ş. by taking over all rights, receivables, liabilities, obligations, and assets without liquidation in entirety, and changed the name of the entity to Yapı Kredi Faktoring A.Ş. upon a resolution by the Board of Directors.

The Company’s main office is located in Büyükdere Caddesi Yapı Kredi Plaza A Blok Kat:14 Levent Istanbul - Turkey. The Company has 122 employees (2016: 118), as of December 31, 2017.

All activities of the Company are conducted predominantly in one geographical region (Turkey) and one commercial area (factoring).

#### **Approval of the financial statements**

The financial statements prepared as of the accounting period belonging to December 31, 2017 and bank statement ending in this period, were approved by the Board of Directors on February 5, 2017. The General Assembly and other competent authorities have the right to change this approved financial statement.

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

##### **2.1. Applied accounting standards**

The Company’s financial statements are prepared in accordance with the communiqué on ‘Uniform Chart of Accounts and Prospectus to be implemented by the Financial Leasing, Factoring and Financing Companies’ and regulation on ‘Accounting Applications and Financial Statements of the Financial Leasing, Factoring and Financing Companies’ which were published in the Official Gazette No. 28861, dated December 24, 2013, statements and notices of Banking Regulatory and Supervisory Agency (“BRSA”) and; for subjects which are not regulated by these, the legislation on ‘BRSA Turkish Financial Reporting Standards’ covering articles of the Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) published by the Public Oversight Authority (“POA”).

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.1. Applied accounting standards (Continued)**

Financial statements are prepared on the historical cost basis except for derivative financial instruments which are reflected with their fair values.

Preparation of the financial statements necessitates estimations and assumptions which effect amounts of assets and liabilities or declared contingent assets and liabilities reported as of the balance sheet and reported relevant period's interim income and expenses. These estimations are based on the management's best opinion and knowledge and real results may vary from these estimations.

##### **2.2 Main principles of presentation**

###### **2.2.1 Valid and reported currency**

Currency valid by the Company and reported currency is Turkish Lira ("TRY").

###### **2.2.2 Adjustment of financial statements in hyperinflationary periods**

Financial statements were subjected to inflation adjustment as per "Turkish Accounting Standards on Financial Reporting in hyperinflationary economies" ("TAS 29") until December 31, 2004. It was declared to end application of inflation accounting applied in the banking system as per circular published by BRSA on April 28, 2005 and inflation accounting application was ended in the financial statements as of January 1, 2005.

###### **2.2.3 Offsetting**

Assets and liabilities are shown as net amounts when there is a legal obligation, or when the assets and liabilities in question are intended to be assessed as net values, or when the assets are acquired simultaneously with liabilities being met.

###### **2.2.4 Comparative information and readjustment in financial statements of the previous accounting period**

The Company's financial statements are prepared in comparison with the previous year in order to enable determination of the financial position and performance trends. The Company has prepared its financial statement dated December 31, 2017 by comparing it with the financial statement dated December 31, 2016 and prepared its gain or loss statement, gain or loss and other detailed income statements, cash flow statement and statement on changes shareholder's equity dated January 1 – December 31, 2017 by comparing them with the accounting period of January 1 - December 31, 2016.

###### **2.2.5 Changes in the accounting policies**

Significant changes in accounting policies are applied retrospectively and previous the period's financial statements are reissued. The Company does not have a significant change in its accounting policy within the current period.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.2 Main principles of presentation (Continued)**

Accounting policy changes resulting from the application of a new TAS/IFRS for the first time are applied in accordance with the relevant TAS/IFRS's transition clause if it exists, in case there is no such a clause or there is an optional major change in the accounting policy it is applied retrospectively, and the previous period's financial statements are revised. The Company does not have a significant change in its accounting policy within the current period.

##### **2.2.6 Changes and errors in accounting estimates**

If the changes in accounting estimates are only made in one period, they are applied to the current period when the changes occurred; if they relate to future periods, they are applied to both the current period when the changes occur and future periods as projected. The Company did not introduce any significant changes in accounting estimates in the current year.

Significant accounting errors that have been determined are applied retrospectively and previous financial statements are revised. Detected policies and material accounting errors are applied retroactively, and the previous period's financial statements are revised.

##### **2.2.7 Business continuity**

The Company has prepared its financial statements in accordance with the principle of business continuity.

##### **2.2.8 Reporting according to categories**

The Company did not report its financial information according to categories since it is active in Turkey and in a single field of activity (factoring).

#### **2.3 Amendments in the standards and interpretations**

##### **2.3.1 New or revised TAS and IFRS and application of the interpretations**

The Company has applied revised standards and interpretations in keeping with its field of activity which are published by the POA, effective as of January 1, 2017.

*New standards which are effective as of December 31, 2017 and amendments in the available previous standards and interpretations:*

##### **i) New standards, amendments effective as of January 1, 2017 and interpretations**

- Amendments in TAS 7 'Statement of cash flows' are effective for the annual periods beginning on or after January 1, 2017. These amendments introduce new disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's 'disclosure initiative', which continues to explore how financial statement disclosure can be improved.
- Amendments in TAS 12 'Income Taxes' are effective for the annual periods beginning on or after January 1, 2017. The amendments on the recognition of deferred tax assets for unrealized losses clarify how to recognize deferred tax assets related to debt instruments measured at fair value.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Amendments in the standards and interpretations (Continued)**

- Annual improvements between 2014 - 2016;
  - TFRS 12, 'Disclosure of interests in other entities' is applied retrospectively for annual periods beginning on or after 1 January 1. Other than the summary financial information, this amendment clarifies that TFRS 12' disclosure requirements are applied to shares in companies described as available for sale.

##### ***Standards and amendments published as of January 1, 2018 but not yet effective***

- TFRS 9 'Financial instruments' is effective for the annual periods beginning on or after January 1, 2018. This standard replaces TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

For the factoring receivables, the Company will continue recognition in accordance with the regulation on 'Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies' which was published by the BRSA in the Official Gazette No. 28861, dated December 24, 2013, and other provisions of the regulation on making amendments on the relevant regulation. The Company will continue recognition of the provision of losses in accordance with the relevant legislation as in the past and, within this frame, it will not apply TFRS's provisions on the impairment which will be effective as of January 1, 2018 until an amendment is made on the relevant regulation by the BRSA.

- TFRS 15 'Revenue from contracts with customers' is effective for the annual periods beginning on or after January 1, 2018. The new standard which emerged as a result of compatibility studies with the Accounting Standards Approved in USA, aims at financial reporting of revenues and global comparatively of the financial statements' total revenues.
- Amendment to TFRS 15, 'Revenue from contracts with customers', comprises clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional new illustrations for each of these fields in the application guidance.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Amendments in the standards and interpretations (Continued)**

- Amendments to 'Insurance Contracts' is effective for the annual periods beginning on or after January 1, 2018. Amendment to TFRS 4 introduces two different approaches as 'overlay approach' and 'deferral approach' The amendment will:
  - give all companies issuing insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the fluctuation that could arise when TFRS 9 is applied before the new insurance contracts standard is issued and;
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Amendments to TAS 40 'Investment property' are effective for the annual periods beginning on or after January 1, 2018. These amendments, which were made to classify investment properties, clarify investment properties when there is a change in its intended purpose or classifications made for properties. It should be evaluated whether a property matches the 'investment property' description when there is a change in its application. This change should be proven with evidences.
- Amendments to TAS 2 'Shared based payments' are effective for the annual periods beginning on or after January 1, 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share- based payment and pay that amount to the tax authority.
- Annual improvements between 2014 – 2016 are effective for the annual periods beginning on or after January 1, 2018. These amendments effects tree standards:
  - Short term exceptions of first-time adoption of the standards of TFRS 1, 'First-time Adoption of Turkish Financial Reporting Standards', TFRS 7, TAS 19 and TFRS 10 were abolished to be effective as of January 1, 2018.
  - TAS 28, 'Investments in Associates and Joint Ventures', amendment on evaluation of an associate or joint venture based on its fair value to be effective as of January 1, 2018.
- TFRS Interpretation 22, 'Foreign currency transactions and advance consideration' is effective for the annual periods beginning on or after January 1, 2018. This interpretation addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. This interpretation provides guidance for when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Amendments in the standards and interpretations (Continued)**

- Amendments to TFRS 9, “Financial Instruments” are effective for the annual periods beginning on or after January 1, 2019. This amendment verifies direct recognition of gain or loss into the gain or loss statement which emerged when a liability, which was evaluated with amortized cost, is changed without being excluded from the financial statement. Gain or loss is calculated as the difference of cash flows based on original contract and changed cash flows discounted from the original effective interest rate. Different from TAS, this means that recognition of the difference by extending during the instrument’s residual life is not possible.
- Amendments to TAS 28, “Investments in Associates and Joint Ventures” are effective for the annual periods beginning on or after January 1, 2019. It was clarified that long term associates or joint management investments for which Companies do not apply equity method, can be recognized by using TFRS 9.
- TFRS 16, “Leases”; is effective for the annual periods beginning on or after January 1, 2019. It can be applied together with the standard TFRS 15, ‘Revenue from contracts with customers’. The new standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. The current TAS 17 requires lessees to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). However, according to TFRS 16, lessees are now required to add into their balance sheet a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- TFRS Interpretation 23 "Uncertainties in taxation" is effective for annual reporting periods beginning on or after January 1, 2019. This interpretation clarifies some of the uncertainties in the application of TAS 12 Income Tax Standard. IFRS Interpretation Committee clarified that if uncertainty in tax practices had previously been applied, the uncertainty should apply to TAS 37 'Provisions, Contingent Liabilities and Contingent Assets' standard instead of TAS 12. TFRS Interpretation 23 provides guidance on how to measure and account deferred tax calculations when there are uncertainties in income taxes. Tax application uncertainty arises when a tax application by a company is unknown to the tax authority. For example, especially if an expense is recognized as a deduction or if the tax return is uncertain in the tax statement regarding whether or not to include a certain amount in the tax calculation. TFRS Interpretation 23 is applicable in all conditions such as uncertainty in tax practices; taxable income, expense, asset or liability, tax base, tax rate, and tax rates.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Amendments in the standards and interpretations**

- TFRS 17 “Insurance Contracts”, is effective for annual reporting periods beginning on or after January 1, 2021. This standard replaces TFRS 4 which is currently allowing a wide range of applications. TFRS 17 will change the accounting system of all companies issuing insurance contracts and investment contracts having discretionary participation feature.

The standards, interpretations and amendments provided below have been published by the POA as a draft open to public opinion:

TFRS 16 “Leases”

The standards, interpretations and amendments provided below have not been published yet by the POA:

- Amendments to TFRS 2 ‘Shared Based Payments’
- Amendments to TAS 7 ‘Cash Flow Statements’
- Amendments to TAS 12 ‘Income Taxes’
- Amendments to TAS 40, ‘Investment Property’
- 2014 - 2016 period annual improvements
- TFRS 17 ‘Insurance Contract’
- Interpretation to TFRS 23 ‘Uncertainties in Tax Applications’

The Company will evaluate impact of the abovementioned amendments to its operations and apply as of its effective data.

##### **2.4 Summary of the significant accounting policies**

Significant accounting policies that have been applied in the preparation of the financial statements are summarized below.

###### **Cash and cash equivalents**

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash on hand, bank deposits, and short-term highly liquid investments which have specific amounts, fluctuations in the value of which are immaterial and which have a maturity of three months or less (Footnote 3).

###### **Related parties**

For the purpose of these consolidated financial statements, the Company's shareholders; the entities in indirect capital relationships with the Company, Koç Holding A.Ş. and UniCredit (UCI); and group companies; board members, senior managers, and other key executive personnel are defined as “related parties” (Footnote 19).

A related party is a person or business related to an entity that prepares its financial statements (“reporting entity”).



## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.4 Summary of the significant accounting policies (Continued)**

- (a) A person or a member of his or her immediate family shall be deemed to be associated with the reporting entity in the following circumstances:

If the person concerned;

- (i) has control or joint control power over the reporting entity,
  - (ii) has a significant influence on the reporting entity,
  - (iii) is a member of the key executive of the reporting entity or a parent company of the reporting entity.
- (b) If any of the following conditions exist, the entity is deemed to be associated with the reporting entity:
- (i) If the entity and the reporting entity are members of the same group (that is, each parent, subsidiary and the other entity is associated with the others),
  - (ii) If the entity is an associate or a business partner of the other entity (or a member of a group of which the other entity is also a member),
  - (iii) If both entities have partnerships with the same third party,
  - (iv) If one of the entities is a business partner of a third business and the other business is an associate of the third entity,
  - (v) In the event that the entity, the reporting entity, or an entity related to the reporting entity has benefit plans for its employees after they leave employment. If the reporting entity has a similar plan, the sponsoring employers are also related to the reporting entity,
  - (vi) In the event that the operator is controlled or jointly controlled by a person defined in (a),
  - (vii) The person described in the Article (a) clause (i) has a significant effect on the business of an entity or if he is a member of the key management personnel of that entity (or of its parent company),

Then transactions with the related party are considered transfers between a reporting entity and a related party regardless of whether the resources, services, or obligations are made in return for an amount.

##### **Factoring receivables and impairment**

Factoring receivables are financial assets created by providing financing to the debtor. Factoring receivables are first recognized at their acquisition cost and then valued at their costs discounted using the effective interest rate method.

The total provision for factoring receivables will be determined to cover the doubtful receivables in the Company's factoring receivables portfolio following their valuation. The Company has provided relevant allowance to be made in accordance with the BRSA's 'Accounting Applications and Financial Statements of the Financial Leasing, Factoring and Financing Companies' which were published in the Official Gazette No. 28861, dated December 24, 2013, and other provisions regarding the amendments to the related regulation. According to the related regulation, for factoring receivables that are overdue between 90 and 180 days, for those overdue between 180 and 360 days, and for those overdue more than one year, and after taking into account collateral, a rate of at least 20 percent, at least 50 percent, and 100 percent is to be set aside as a special provision, respectively. Company calculates provision for losses regarding factoring receivables in accordance with the relevant regulation.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

### **2.4 Summary of the significant accounting policies (Continued)**

Within the frame of the abovementioned regulation, it has been stated that companies will be able to recognize provisions for any losses expected only for amounts for which have not been ascertained from receivables for which there are no overdue amounts for principal, interest, or both, or for amounts that are overdue less than ninety days, in general and without being directly associated with specific transactions, but this is not considered as a requirement. The Company allocates a general provision within this context for factoring receivables which are not doubtful.

The writing off of receivables is the anticipation of the amount being uncollectible in part or full. If a receivable becomes written off, the provision previously set up will be reversed and the full amount of the receivable will be deducted from assets. In the case of the collection of a receivable previously written-off, the related amount will be recognized as income.

#### **Financial instruments**

Financial assets and liabilities occur in the financial statements in case the Company is legally a party to these financial instruments.

##### *a) Non-derivative financial assets*

Non-derivative financial assets consist of factoring receivables, banks, available for sale financial assets and other assets. Non-derivative financial assets including their transaction costs are recorded with their fair value.

Financial assets except for the ones which are classified as financial assets reflecting its fair value difference to gain or loss and which are recorded with its fair value, are accounted based on the total expenses which can be directly associated with the purchasing transaction with the fair market value. Assets related to purchasing or sales of financial assets contracted with the condition that investment instruments are delivered within the time determined according to relevant market, are recorded or written-down on the transaction date. Financial assets are allocated as “Financial assets at fair value through profit or loss”, “marketable investments to be held until its maturity”, “available for sale financial assets” and “Loans and receivables”. Allocation is made according to financial assets’ qualification and purpose, and it is determined in the first accounting.

##### *b) Financial assets at fair value through profit or loss*

Financial assets are allocated as fair value through profit or loss when the main purpose of the Company in acquiring a financial asset is disposal, when a financial asset is a part of a determined financial instrument managed by the Company and when short term profit of the financial asset is to be realized as in all derivative products which are not determined as an effective protection against financial risk. The gain or loss resulting from valuation at the fair value of the financial assets at fair value through gain or loss is recorded in the profit or loss statement. Net income or losses which are recorded under gain or loss statement also cover interest and/or dividend gained from the mentioned financial asset.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.4 Summary of the significant accounting policies (Continued)**

###### *c) Available for sale financial assets*

Equity instruments held by the Company are classified as available for sale financial instruments and they are reflected at the fair value. In case Company has resources which are classified as not active in the market and not quoted on the stock exchange but available for sale, and if their fair value cannot be valued reliably, they are reflected with their cost values. Impairments reflected in the gain or loss statement, interest calculated with the method of effective interest and gain or losses from the changes in the fair value except exchange difference gain/loss amount related to monetary assets are accounted under other detailed income and financial assets are accumulated in the growth fund. In case of disinvestment and impairment, total gain/loss accumulated in the financial asset growth fund are classified in the income statement.

Dividends related to equity instruments available for sale are accounted under gain/loss when the Company gained the right to receive relevant payments.

###### *d) Impairment in financial assets*

Fair value difference and financial assets except for the ones reflected on the gain or loss are evaluated on each balance sheet date whether a financial asset or a financial group have indicators of the fair value difference. After the first accounting of the financial asset, impairment and impairment loss emerge if realized that one or more event happened and if there is an independent indicator on impairment of the relevant loss event as a result of impacts of relevant financials assets or asset group on the trustfully estimated future estimated cash flow.

Except for factoring receivables with lowered book value as result of reserve account usage, in all financial assets, value impairment is reduced directly from the booked value of the asset. In case factoring receivables cannot be collected, this amount is deleted by reducing from the reserve account.

###### *e) Financial liabilities*

Financial liabilities and equity instruments of the Company are classified according to the determination based on contractual arrangements, financial liability and equity. A contract which represents the right in residual asset after deducting all of the Company's debts is an equity based financial instrument.

Financial liabilities are categorized as financial assets at fair value through profit or loss fair or other financial assets.

Other financial liabilities are recorded with amount deducted from their transaction value of their first cost value and they are measured from the cost amount amortized in future periods.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.4 Summary of the significant accounting policies (Continued)**

###### *f) Derivative financial instruments*

The Company's activities expose the business to financial risks dependent on foreign exchange currency and interest rates. The Company can use derivative financial instruments to manage financial risks related to currency fluctuations resulting from the future transactions.

Derivative financial risks are calculated based on fair value on the contract date and they are recalculated in the following reporting period with their fair value. Derivative financial instruments are determined as risk protection and related to that, fair value fluctuation in this derivative transaction is associated with the period's income and expense.

Forward foreign exchange contracts are valued using discounted cash flows.

###### **Foreign currency transactions**

Transactions with foreign currency are converted to Turkish Lira with the currency effective on date of transaction. Profit and loss resulting from these transactions and the conversion of monetary assets and liabilities based on foreign currency are reflected to the gain or loss statement. These balances are evaluated with the end period currency exchanges.

###### **Tangible assets**

Tangible assets are reflected with the net value after deducting depreciation accumulated from costs adjusted according to inflation until December 31, 2004. Depreciation is reflected by using straight-line method of depreciation by taking estimated economic life of tangible assets. Mentioned assets' estimated economic life is reflected below:

Furniture and fixtures	5
years	
Special costs	shorter than the lease term and economic
life	

If the book values of tangible assets are higher than their net realizable values, they are shown at their net realizable value in the financial statements. Gains and losses resulting from tangible asset sales are determined by comparing the book values with the selling values and are accounted under gain or loss statement.

Subsequent expenditures may be capitalized on if they enhance the future economic benefits of the entity. All other expense items are recognized in the gain or loss statement on an accrual basis.

###### **Intangible assets**

Intangible assets consist of software costs and are amortized over five years based on their inflation adjusted cost until December 31, 2004. Maintenance and similar expenses for computer software are reflected in the financial statements as expenses. However, expenditures that will extend the economic lives and enhance the benefits of existing computer programs are capitalized by adding to the cost of software.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4 Summary of the significant accounting policies (Continued)

#### Provisions regarding employee benefits

##### (i) Provision for severance pay

Provision for severance pay is allocated according to reduced capitalized value of the possible liability resulting from retirement of employees and Turkish Labor Law. It is calculated on earned accrual basis and accounted for in the financial statement. Liability amount is calculated by taking account severance pay cap announced by the government.

According to Turkish Labor Law, the Company is obliged to pay severance pay to the employees who worked in the company for one year and were discharged from the Company or retired, worked for 25 years (20 for women) and earned retirement (58 for women, 60 for men), were drafted or became deceased. After the regulatory change on May 23, 2002, some transition clauses on service period before retirement are removed.

One of the main estimations is to increase comparatively with inflation each years' service cap liability effective as of July 1, 2017. Thus, applied discount rate indicates the real rate purged from the expected inflation impacts. Severance pay cap is revised every six months and as of December 31, 2017, the Company's provision for severance pay is calculated based on 5.001,76 full TRY provision for severance pay cap which is effective as of January 1, 2018 (as of December 31, 2016 Company's provision for severance pay is calculated based on January 1, 2017: 4.426,16 full TRY). Provision for severance pay liability is not legally subject to any kind of funding and there is no funding requirement. TAS 19 "Turkish Accounting Standard with regard to Employee Benefits" anticipates calculation of the current value of possible liabilities by using Company's statistical evaluation method. As a result, current value of the Company's possible liability was calculated by using below given estimates.

	December 31, 2017	December 31, 2016
Discount rate (%)	4,95	4,50
Estimated severance pay entitlement rate (%)	93,50	84,40

The basic assumption is to increase determined provision for cap paid for each service year proportional to the inflation. Thus, applied discount rate would reflect fair value isolated from the expected inflation impact.

##### (ii) Provision of accumulated leave

According to the Labor Law applicable in Turkey, in case of termination of service contract for any reason, the Company has to pay earned but not used employee annual leaves' accumulated amount to the employee or right owners in accordance with the amount in the contract termination salary.

##### (iii) Bonus payments

The Company records bonus as liability and expense with a method taking into account profitability, budget realization and performance criteria. The Company also allocates provision for the cases causing obligation related to contract or an implied warranty.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.4 Summary of the significant accounting policies (Continued)**

###### **Provisions, contingent asset and liabilities**

As described in TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, to take any kind of provision amount into the financial statements, it is fundamental that Company has a legal liability or commitment resulting from previous events and to be able to reduce Company’s resources having economic benefit to meet this liability, and mentioned liability’s amount can faithfully be estimated. In case mentioned criteria are not met, the Company explains mentioned issues in the explanatory footnotes on related financial statements. In the cases when money’s time value has an impact, the provision amount is determined as current value of cash flow which is required to meet liabilities. To determine discount rate used in reduction of provisions to the current value, the interest rate of relevant market and risks of the mentioned liability are taken into account. Contingent assets are not accounted unless they actualize and they are just indicated in the footnotes.

###### **Recognition of income and expense**

###### **(i) Factoring incomes**

Interest and commissions related to factoring transactions are reflected in the gain or loss statement on accrual basis according to relevant factoring contract duration.

###### **(ii) Interest incomes**

Interest incomes taken from banks are accounted on accrual basis.

###### **(iii) Dividend incomes**

Dividend incomes are recorded as income on accrual basis when Company gains the right to take dividend payment.

###### **(iv) Foreign exchange transactions profit/loss**

(v) Foreign exchange transactions profit/loss is comprised of profits/losses of currency exchange resulting from the conversion in foreign currency indexed monetary assets and liabilities and they are accounted on accrual basis in the gain or loss statement.

###### **(vi) Financing expenses**

(vii) Financing expenses are comprised of interests to used credits, interest to issued securities and issued fees and commissions, they are accounted under loss and gain statement on accrual basis.

###### **(viii) Other incomes and expenses**

Other incomes and expenses are accounted on accrual basis.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.4 Summary of the significant accounting policies (Continued)**

###### **Taxes calculated on corporate income**

###### *Income tax*

Income taxes contain current tax and deferred taxes. Current period tax liability contains tax liability which is calculated from period income subject to tax and tax liabilities calculated based on tax rates effective on balance sheet date, and previous periods' adjusting entries on tax liabilities.

###### *Deferred tax*

Deferred tax is calculated by determining assets and liabilities' values reflected in the financial statement and tax impact of temporary differences of assets and liabilities which are taking into account in the legal loss of tax base. Deferred tax is calculated based on laws effective at the end of reporting date by taking into account tax rates which had to be applied when temporary differences are reconverted.

As per TAS 12 "Turkish Accounting Standard on Income Tax", deferred tax liability or assets are reflected on the financial statements at the rate of increase and decreases that are thought to be made in tax rates to be paid. Deferred tax asset is recorded in the cases when there is a possible tax benefit in the future period. In case deferred total or partial tax amount reflected in the financial statements in the previous periods will not create any benefit, mentioned amount is deleted from asset.

Deferred tax and deferred tax liability can be offset if there is a legal right to offset the tax assets and tax liabilities, and if taxes are linked to the same monetary authority.

###### *Current and deferred tax*

Current tax and related period deferred tax which are not allocated with the items that are directly accounted with equity (in this case deferred tax of the relevant items are also accounted with equity), are accounted under the period's loss or gain financial statement.

###### **Earnings per share**

Earnings per share indicated in the gain or loss statement, are found by dividing period net profit to the weighted average amount of the shares which were active in the market during the period.

In Turkey, companies can increase their capital via "bonus share" distributed from the previous year's income and revaluation fund. In earnings per share calculations, this kind of "bonus share" distributions are evaluated as if an issued share in all periods presented in the financial statement. According to that, weighted average share amount used in these calculations is found by also calculating previous impacts of share distribution.

## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

### **2.4 Summary of the significant accounting policies (Continued)**

#### **Commissions and dividends**

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded in the period when they are declared. Indispensable and inevitable direct costs incurred in relation to capital increases are classified in total paid-in capital.

#### **Events after the reporting period**

This determines events for or against the Company between reporting date and the date authorized as financial statements' publication date. As per articles of TAS 10, "Turkish Accounting Standards on the Events After the Reporting Period (Balance Sheet Date)", in case there is new evidence on the existence of relevant events as of the balance sheet date and if these events necessitate investigation of the financial statements, the Company corrects its financial statements in accordance with the new situation. If the relevant events do not necessitate revision of the financial statements, Company explains the relevant subjects in the footnotes.

#### **Cash flow statement**

The Company arranges its cash flow statements to give information to financial statement users on net asset changes, financial structure, cash flow amounts and timing and its routing capability according to changing conditions.

In the cash flow statement, cash flows of the period are reported by classifying based on operating, investment and financing activities. Cash flows related to operating activities indicates cash flows regarding the subjects of the Company's activities. Cash flows related to investment activities indicates cash flows used and gained in Company's investment activities (fixed investment and financial investments). Cash flows regarding financing activities are the resources that Company uses in its financing activities and repayment of these resources.

### **2.5 Important accounting evaluations, estimates, and assumptions**

The Company has prepared its financial statements in accordance with the principle of business continuity.

The preparation of financial statements involves the use of estimates and assumptions, which may have an effect on the amounts of assets and liabilities reported or contingent assets and liabilities disclosed at the date of the balance sheet and the amounts of income and costs reported throughout the accounting period. While these estimates are based on management's best judgment and knowledge, actual results may differ from these estimates.

Significant assessments, estimates, and assumptions that could have a material effect on the financial statements and could cause a material change in the carrying amounts of assets and liabilities over the next year are as follows:



## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.5 Important accounting evaluations, estimates and assumptions (Continued)

###### *Recognition of deferred tax asset*

Deferred tax assets may be recorded to the extent the subject tax benefit is probable. The amount of future taxable profits and probable tax benefits is based on the Company forecasts on gaining profit in the following periods. The business plan is based on the reasonable expectations of Company management under the applicable circumstances.

The Company creates deferred tax assets postponed on the provisions for allocated doubtful accounts in accordance with the “Regulation on Accounting Applications and Financial Statements of the Financial Leasing, Factoring and Financing Companies” published by BRSA on December 24, 2013 in the Official Gazette No. 28861. The Company anticipates that deferred tax assets postponed on the provisions for doubtful accounts can be used as a reduction item in the following periods’ corporation income tax assessment and benefit from tax advantage.

As of December 31, 2017, the Company has 3.957 TRY of deferred tax asset (December 31, 2016: 4.213 TRY deferred tax asset)

###### *Impairments of factoring receivables:*

The assumptions and methods used to estimate the timing and amount of future cash flows from factoring receivables are frequently reviewed to eliminate any differences between the estimates of impairment of factoring receivables and actual losses. In accordance with the “Regulation on Accounting Applications and Financial Statements of the Financial Leasing, Factoring and Financing Companies” published by BRSA on December 24, 2013 in the Official Gazette No. 28861, the Company reflects its special provisions on factoring receivables to its financial statements according to conditions indicated in the relevant regulation. According to this regulation, as of December 31, 2017, the Company allocated 102.546 TRY (December 31, 2016: 130.598 TRY) for its impaired factoring receivables (Footnote 4). Impairment and outstanding risk are also calculated on total portfolio basis for all credits including credits for which impairment is not determined on an individual basis. The Company management also takes into account in the general reserve calculation allocated on portfolio basis factors such as previous period payment performances and collecting rates and determines general reserve amount based on the best estimates. As of December 31, 2017, Company has accounted 10.127 TRY (December 31, 2016: 10.127 TRY) of amount which was allocated general credit reserve within this frame under the item of “Provisions for liabilities and expenses” (Footnote 9).

#### 3. CASH RESERVES AND BANKS

	Dec. 31, 2017	Dec. 31, 2016
Banks	58.770	154.309
-demand deposits	45.218	9.185
-time deposits	13.552	145.124
	<b>58.770</b>	<b>154.309</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 3. CASH RESERVES AND BANKS (Continued)

There are no blockages on bank deposits.

Company's time deposits' maturities are shorter than one month as of December 31, 2017, information on interest rates are illustrated in Footnote 20. As of December 31, 2017, there are 3 TRY accrual of interest on the time deposits. (December 31, 2016: time deposits' maturities are shorter than one and there are 11 TRY accrual of interest)

Cash and securities which are the basis of the cash flow statement having originally less than 3 months of maturity cover accrual of interest in the time deposits. Cash and cash equivalent in the financial statement as of December 31, 2017, is 58.767 TRY in total.

#### 4. FACTORING RECEIVABLES

	Dec. 31, 2017	Dec. 31, 2016
Domestic factoring receivables	2.455.911	1.830.707
Trade factoring receivables	1.418.903	1.080.554
Non-performing factoring receivables	110.676	141.420
<b>Gross factoring receivables</b>	<b>3.985.490</b>	<b>3.052.681</b>
Impairment provision for non-performing factoring receivables (-)	(102.546)	(130.598)
Unearned revenues (-) (*)	(29.250)	(20.609)
<b>Factoring receivables, net</b>	<b>3.853.694</b>	<b>2.901.474</b>

(\*) Unearned interest incomes refer to prepaid incomes calculated based on factoring receivables' maturity which are not reflected to the gain or loss statement as of the date of relevant financial statement

As of December 31, 2017, the Company's future term collaterals' total which are taken in return of its receivables is equal to 635.174 TRY (December, 31 2016: 446.935 TRY). These collaterals are followed in the memorandum accounts.

As of December 31, 2017, the Company's domestic factoring receivables consist of irrevocable transactions which is equal to 1.095.519 TRY (December 31, 2016: 929.502 TRY) and its foreign receivables are equal to 790.369 TRY (December 31, 2016: 688.215 TRY).

Interest diversity of the Company's gross receivables as of December 1, 2017 and December 31, 2016, are illustrated below:

	Dec. 31, 2017	Dec. 31, 2016
Fixed-rate	3.155.619	2.584.374
Variable rate	829.871	468.307
	<b>3.985.490</b>	<b>3.052.681</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**4. FACTORING RECEIVABLES (continued)**

Factoring receivables can be analyzed as indicated below:

	December 31, 2017	December 31, 2016
Neither overdue nor impaired	3.797.402	2.835.925
Overdue, but not impaired	48.162	54.727
Impaired	110.676	141.420
<b>Gross</b>	<b>3.956.240</b>	<b>3.032.072</b>
Less: Provision for impairment (-)	(102.546)	(130.598)
<b>Net factoring receivables</b>	<b>3.853.694</b>	<b>2.901.474</b>

Details on factoring receivables of the Company which are overdue but not impaired as of December 31, 2017 and December 31, 2016 are illustrated below:

	December 31, 2017	December 31, 2016
- 0-30	28.973	25.321
- 30 - 60 days	16.386	17.634
- 60 - 90 days	2.803	11.772
	<b>48.162</b>	<b>54.727</b>

Net factoring receivables maturity breakdown as of December 31, 2017 and December 31, 2016 is as illustrated below:

	December 31, 2017	December 31, 2016
0 - 1 month	1.517.336	1.175.943
1 - 3 months	1.324.601	993.290
3 - 12 months	980.300	652.690
1 year and above	23.327	68.729
<b>Total factoring receivables, net</b>	<b>3.845.564</b>	<b>2.890.652</b>

Delay time and special mix distribution of the non-performing factoring receivables as of December 31, 2017 and December 31, 2016 are illustrated below:

	December 31, 2017		December 31, 2016	
	Total non-performing Receivables	Liability reserve (-)	Total non-performing Receivables	Liability reserve (-)
0-3 months overdue	978	(218)		34
(7) 3-3-6 months overdue	7.665	(3.261)		430
(86) 6-12 months overdue (3.779)	6.114	(3.148)		6.991
1 year and above overdue (126.726)	95.919	(95.919)		133.965
	<b>110.676</b>	<b>(102.546)</b>	<b>141.420</b>	<b>(130.598)</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 4. FACTORING RECEIVABLES (continued)

Changes in the reserve fund for impairment of doubtful factoring receivables are as illustrated below:

	2017	2016
<b>Opening – 1 January</b>		<b>130.598</b>
<b>104.963</b>		
Provision reserved during the period		24.249
26.874		
Provisions transferred during the period (-)		(297)
(906) Provision of receivables written off asset		-
(333) Provision cancellations of receivables subject to receivable sale (-) (*)		(52.004)
-		
<b>Period End - 31 December</b>	<b>102.546</b>	<b>130.598</b>

(\*) From its financial statements, Company dropped 52.004 TRY of portfolio, which was selected among non-performing factoring receivables and allocated as special provision except assets written off in the previous periods, by selling it to the Mega Varlık A.Ş for 75 TRY on May 31, 2017.

The Company also allocated a general provision equal to 10.127 TRY (December 31, 2016: 10.127 TRY) for non-impaired factoring receivables (Endnote 9).

Book value of reconstructed factoring receivables of the Company is equal to 3.457 TRY (December 31, 3.245 TRY) as of reporting period.

Sectoral distribution of the factoring receivables as of December 31, 2017 and December 31, 2016 are as illustrated below:

	December 31, 2017	Rate (%)	December 31, 2016	Rate (%)
Automotive	1.013.160	26	861.031	30
Metal key industry and processed materials production	594.577	15	575.387	20
Construction	382.076	10	240.583	8
Textile	328.552	9	221.276	8
Wholesale and retail trade	241.535	6	199.924	7
Electric, gas and water resources	211.367	5	144.488	5
Rubber and plastic production industry	198.270	5	52.207	2
Transport and Storing	144.899	4	42.223	1
Food, beverage and tobacco industry	115.541	3	54.189	2
Machine and equipment industry	77.664	2	119.109	4
Chemicals, chemical products and synthetic industry.	71.691	2	70.911	2
Mining and Quarrying	60.250	2	57.855	2
Computer and related activities	57.331	1	15.100	1
Other mines excluding metal industry	53.605	1	46.320	2
Fishery	52.244	1	6.824	1
Other	250.932	8	194.047	5
	<b>3.853.694</b>	<b>100</b>	<b>2.901.474</b>	<b>100</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 5. CREDITS OBTAINED AND SECURITIES ISSUED

Foreign currency based breakdown of credits obtained as of December 31, 2017 and December 31, 2016 are as provided below:

	December 31, 2017			December 31, 2016		
	Foreign Currency (*) Amount	TRY	Interest Rate (%) (*)	Foreign Currency Amount	TRY	Interest Rate (%)
TRY	1.550.722	1.550.722	10,95-17,2	647.924	647.924	8,99 - 15,84
EUR	409.999	1.851.352	0,25-4,25	387.926	1.439.168	0,25 - 2,03
USD	10.179	38.395	1,64-4,25	49.510	174.237	1,84 - 3,94
GBP	3.398	17.265	0,73-4,50	8.758	37.823	1,90 - 4,83
		<b>3.457.734</b>			<b>2.299.152</b>	

(\*) Interest rates demonstrates lowest and highest rate range of credits obtained open as of December 31, 2017 and December 31, 2016.

1.076.861 TRY of the credits obtained as of December 31, 2017 are credits obtained from Takasbank Money Market (December 31, 2016: 111.814 TRY). 1.265.000 TRY of warranty letter was given for credits obtained from Takasbank Money Market as of December 31, 2017 (December 31, 2016: 262.600 TRY) (Endnote 22).

	December 31, 2017	December 31, 2016
Securities issued	220.034	524.906
	<b>220.034</b>	<b>524.906</b>

Details on securities issued as of as of December 31, 2017 are as given below:

Work Code	Issue Date	Nominal Amount	Redemption Date	Sale Method	Coupon Period
TRFYAKF21810	August 22, 2017	85.350	February 15, 2018	Sale to qualified investor	-
TRFYAKF31819	September 20, 2017	80.000	March 16, 2018	Sale to qualified investor	-
TRFYAKF51817	November 13, 2017	61.000	May 11, 2018	Sale to qualified investor	-

Financial liabilities of the Company constituting credits obtained and securities issued between interim financial year January 1, December 31, 2017, are given below.

	2017
<b>Opening - 1 January</b>	<b>2.824.058</b>
Interim credits obtained and securities issues	40.387.253
Interim paid credits and securities obtained (including interest) (-)	(39.844.675)
Accruals on interest and exchange difference	311.132
<b>Period End - 31 December</b>	<b>3.677.76</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**6. DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING**

Details of Company's derivative financial assets as of December 31, 2017 and December 31, 2016 are as given below:

	Nominal amount	<u>Fair Value</u>	
		Assets	Liabilities (-)
<b>December 31, 2017</b>			
<b>Derivative financial assets held for trading</b>			
Money swaps (Endnote 22)	1.366.705	11.648	(2.988)
<b>Total</b>	<b>1.366.705</b>	<b>11.648</b>	<b>(2.988)</b>
	Nominal amount	<u>Fair Value</u>	
		Assets	Liabilities (-)
<b>December 31, 2016</b>			
<b>Derivative financial assets held for trading</b>			
Money swaps (Endnote 22)	891.115	3.201	(6.025)
<b>Total</b>	<b>891.115</b>	<b>3.201</b>	<b>(6.025)</b>

**7. AVAILABLE FOR SALE FINANCIAL ASSETS**

	December 31, 2017	December 31, 2016
Available for sale financial assets	27	27

Details on available for sale financial assets as of December 31, 2017 and December 31, 2016 are given below:

	December 31, 2017		December 31, 2016	
	Rate (%)	TRY	Rate (%)	TRY
Allianz Yaşam ve Emeklilik A.Ş. (reflected at cost value)	0,04	27	0,04	27
		<b>27</b>		<b>27</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 8. OTHER LIABILITIES AND DEFERRED INCOME

##### a) Other liabilities

	December 31, 2017	December 31, 2016
Debtor temporary accounts (*)	1.407	-
Accounts payables	1.292	680
Commissions payables	263	526
Expense accruals	173	110
Other	8	-
	<b>3.143</b>	<b>1.316</b>

(\*) Balance of the relevant account in the financial statement dated December 31, 2016 is 3.320 TRY and it was illustrated by setting off from factoring receivables item.

##### b) Deferred Income

	December 31, 2017	December 31, 2016
Unearned commission income (**)	3.466	-
	<b>3.466</b>	<b>-</b>

(\*\*) Unearned commission income refers to the part not reflected in the gain or loss statement as of relevant financial statement of the prepaid commission calculated based on factoring receivables terms. (In the financial statement dated December 31, 2016, balance of the unearned commission income is equal to 2.624 TRY and relevant amount was illustrated by deducting from factoring receivables).

#### 9. PROVISIONS FOR LIABILITIES AND EXPENSES

Provisions for employee rights liability as of December 31, 2017 and December 31, 2016 is as given below:

	December 31, 2017	December 31, 2016
Provision for severance payment	1.795	166
Provision for accumulated unused leave	1.021	938
	<b>2.816</b>	<b>1.104</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**9.PROVISIONS FOR LIABILITIES AND EXPENSES (continued)***Provision for severance pay*

Provision of severance pay is calculated within the frame of applications and assumptions described in the Footnote 2.4 and provision of severance pay breakdown as of period ending between December 31, 2017 and December 31, 2016, is given below.

	2017	2016
<b>Opening - 1 January</b>	<b>166</b>	<b>255</b>
Service cost	212	263
Interest Cost	154	7
Interim payments	(143)	(376)
Actuarial losses	1.406	17
<b>Period End - 31 December</b>	<b>1.795</b>	<b>166</b>

*Provision for accumulated leaves*

Activities of the provisions for accumulated leaves within the statement periods ending on December 31, 2017 and December 31, 2016, are as given below:

	2017	2016
<b>Opening - 1 January</b>	<b>938</b>	<b>1.042</b>
Provision cancelled in current period, net	83	(104)
<b>Period End – 31 December</b>	<b>1.021</b>	<b>938</b>

Details on other provisions for liabilities and expenses as of December 31, 2017 and December 31, 2016 are as given below:

	December 31, 2017	December 31, 2016
General provisions allocated for factoring receivables (*)	10.127	10.127
Staff incentives	2.147	1.886
Lawsuit provision	50	-
	<b>12.324</b>	<b>12.013</b>

(\*) Not mandatory but within the frame of precautionary principle, general provision is allocated the compensate loses which are expected from factoring receivables with unclear amount, which do not have a delay in collecting the capital, interest or both or, delayed under 90 days.



**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**10. TANGIBLE ASSETS**

	1 January 2017	Additions	Withdraws	31 December 2017
<b>Cost:</b>				
Furniture and fixtures	1.382	225	(85)	1.522
Special Costs	654	148	(81)	721
	<b>2.036</b>	<b>373</b>	<b>(166)</b>	<b>2.243</b>
<b>Accrued depreciation:</b>				
Furniture and fixtures (-)	(896)	(180)	81	(995)
Special Costs (-)	(401)	(71)	15	(457)
	<b>(1.297)</b>	<b>(251)</b>	<b>96</b>	<b>(1.452)</b>
<b>Net book value</b>	<b>739</b>			<b>791</b>

	1 January 2016	Additions	Withdraws	31 December 2016
<b>Cost:</b>				
Furniture and fixtures	1.298	90	(6)	1.382
Special Costs	535	139	(20)	654
	<b>1.833</b>	<b>229</b>	<b>(26)</b>	<b>2.036</b>
<b>Accrued depreciation:</b>				
Furniture and fixtures (-)	(709)	(188)	1	(896)
Special Costs (-)	(360)	(49)	8	(401)
	<b>(1.069)</b>	<b>(237)</b>	<b>9</b>	<b>(1.297)</b>
<b>Net book value</b>	<b>764</b>			<b>739</b>

**11. INTANGIBLE FIXED ASSETS**

	1 January 2017	Additions	Withdraws	31 December 2017
Software, cost	3.502	2.491	-	5.993
Accumulated amortization (-)	(1.905)	(568)	-	(2.473)
<b>Net book value</b>	<b>1.597</b>			<b>3.520</b>

	1 January 2016	Additions	Withdraws	31 December 2016
Software, cost	2.122	1.380	-	3.502
Accumulated amortization (-)	(1.579)	(326)	-	(1.905)
<b>Net book value</b>	<b>543</b>			<b>1.597</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 12. DEFERRED TAX

Corporate Tax Law no. 5422 had changed with the law dated June 13, 2006 and no. 5520. Many provisions of the mentioned new Corporate Tax Law no. 5520 became valid as of January 1, 2006. According to law, corporate tax rate in Turkey is 20% for 2017 (2016: 20%). In addition to this corporate tax rate increased to 22% from 20% for 2018, 2019 and 2020 for all companies as published in the Official Gazette dated December 5, 2018, no. 30261.

Deferred tax assets and liabilities which are calculated based on accumulated temporary differences subject to deferred tax as of December 31, 2017 and December 31, 2016, are prepared by using tax rates valid and applicable in the period when assets are realized or liabilities are fulfilled.

Total temporary differences reflected on the financial statements as of December 31, 2017 and December 31, 2016 and deferred tax assets and liabilities prepared based on these total provisional differences, are provided below:

<b>Total temporary differences</b>		<b>Deferred tax asset/(liability)</b>	
<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Deferred tax assets</b>			
Temporary differences regarding provision for losses of doubtful factoring receivables	20.627	15.049	4.538
temporary differences on prepaid commissions	3.466	2.624	762
Derivative transactions valuation differences	2.988	6.025	657
Staff incentives	2.147	1.886	429
Provision for severance pay	1.795	166	395
Provision for accumulated leave	1.021	938	225
Other	673	870	147
		<b>7.153</b>	<b>5.511</b>
<b>Deferred tax liabilities (-)</b>			
Derivative transactions valuation differences	(11.648)	(3.201)	(2.563)
Temporary differences on tangible and intangible assets	(1.859)	(1.035)	(409)
Other	(1.022)	(2.255)	(224)
		<b>(3.196)</b>	<b>(1.298)</b>
<b>Deferred tax assets, net</b>		<b>3.957</b>	<b>4.213</b>

Activities of the deferred tax assets which are deferred as of account periods ending on December 31, 2017 and December 31, 2016, are given below:

	<b>2017</b>	<b>2016</b>
<b>Opening - 1 January</b>	<b>4.213</b>	<b>2.109</b>
Deferred tax indicated in the statement of profit and loss (expense/income)	(565)	2.104
Deferred tax indicated in the other income statement	309	-
<b>Period End - 31 December</b>	<b>3.957</b>	<b>4.213</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 13. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2017	December 31, 2016
Prepaid letter of guarantee commissions	1.887	280
Prepaid RUSF expenses	711	1.247
Prepaid insurance expenses	539	452
Prepaid bill issue commissions	311	682
Other prepaid expenses	120	62
<b>Total prepaid expenses</b>	<b>3.568</b>	<b>2.723</b>

	December 31, 2017	December 31, 2016
Receivables from Banking and Insurance Transaction Tax	3.525	4.270
Suspense Accounts (*)	2.068	-
Other Assets	266	565
<b>Total other assets</b>	<b>5.859</b>	<b>4.835</b>

(\*) Balance of the relevant account indicated the financial statement dated December 31, 2016, is equal to 190 TRY and relevant amount was illustrated by setting off from factoring receivables item.

#### 14. SHAREHOLDER'S EQUITY

Company's paid capital was increased to 31.917 TRY within the frame of permission taken from Ministry of Customs and Trade, as per Turkish Trade Code of Commerce no. 6102 and Code of Financial Leasing Factoring and Financing Companies no. 6361, and it was divided up to 31.916.695 as 1 TRY nominal value for each.

Book values of the capital amounts which are effective and paid as of December 31, 2017 and December 31, 2016, are as given below:

	31 December 2017		31 December 2016	
	Rate (%)	Amount	Rate (%)	Amount
Yapı ve Kredi Bankası A.Ş.	99,95	31.902	99,95	31.902
Other	0,05	15	0,05	15
	<b>100,00</b>	<b>31.917</b>	<b>100,00</b>	<b>31.917</b>

Accumulated profits in the official financial statements except legal reserves, are open for distribution providing that being subject to below given legal reserve conditions.

As per Turkish Trade Code, legal reserves are divided to 5% of the annual profit until it reaches to 20% of Company's paid capital. 10% of the total dividend amount is added into general legal reserve funds after making a 5% of dividend payment to shareholders. As per Turkish Trade Code, can be used just for netting purposes of the losses in case legal reserves are not exceed 50% of paid capital, it cannot be used for other purposes.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 14. SHAREHOLDER'S EQUITY (Continued)

As per "Making Amendments on Some Income Tax Act" published in the Official Gazette dated July 31, 2004, no. 25539, shareholder's equity inflation differences which are generated as a result of balancing according to first financial statements and observed in the "Accumulated Profit/Loss", will be set-off from previous year's losses related to amendment or it can be added into capital by the corporate tax payers and these transactions are not considered as profit sharing.

"Adjustments on equity" regarding all shareholder's equity items can be used just in capital increase through bonus issues or loss offsetting. Recorded values of the extraordinary reserves can be used in capital increase through bonus issues, cash share distribution or loss offsetting.

As per the resolution of the Ordinary Meeting of the General Assembly of the Company which was held on March 17, 2017, 34.000 TRY (2016: 18.750 TRY) of dividend payment was made to the company shareholders within 2017.

#### 15. REAL OPERATING INCOME

Details on Company's real operating incomes related to interim periods ending on December 31, 2017 and December 31, 2016, are as given below.

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Factoring interest incomes 173.873		246.600
Factoring fee and commission revenues 18.540	20.759	
	<b>267.359</b>	<b>192.413</b>

#### 16. REAL OPERATING COSTS

Details on Company's personnel expenses related to interim periods ending on December 31, 2017 and December 31, 2016, are as given below.

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
<b>Personnel expenses:</b>		
Salaries	15.178	12.938
Social insurance contributions	2.088	1.785
Personnel insurance expenses	1.112	925
Other	1.155	1.153
	<b>19.533</b>	<b>16.801</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**16. REAL OPERATING COSTS (continued)**

	<b>1 Jan. - 31 Dec. 2017</b>	<b>1 Jan. - 31 Dec. 2016</b>
<b>Operating costs:</b>		
Rental expenses	1.645	1.352
Auditing and consultancy expenses	955	736
Data processing expenses	880	703
Cost contribution	815	429
Charges, duties and fees	652	641
Travel expenses	481	481
Grants	350	325
Social worker personnel expense	308	272
Service charges	169	150
Advertising and marketing expenses	118	120
Communication expenses	117	129
Stationary expenses	90	76
Non-tax-deductible expenses	45	105
Other	616	484
	<b>7.241</b>	<b>6.003</b>
Depreciation expenses (Endnote 10, 11)	819	563
Provisions for severance pay expenses	222	(105)
Other	50	-
<b>Total</b>	<b>27.865</b>	<b>23.262</b>

**17. CONTINUING OPERATIONS PROVISION FOR TAX (continued)**

	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
Period corporation tax provision (-)	(11.140)	(12.818)
Prepaid taxes	5.233	8.960
<b>Period tax liability, net (-)</b>	<b>(5.907)</b>	<b>(3.858)</b>
BITT payable	2.035	1.708
Social Insurance Authority (SIA) premium payable	655	549
Employee income tax payable	293	246
Other taxes	35	96
<b>Total tax payable and liabilities</b>	<b>3.018</b>	<b>2.599</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 17. CONTINUING OPERATIONS PROVISION FOR TAX (continued)

Corporate Tax Law no. 5422 had changed with the law dated June 13, 2006 and no. 5520. Many provisions of the mentioned new Corporate Tax Law no. 5520 became valid as of January 1, 2006. According to law, corporate tax rate in Turkey is 20% for 2017 (2016: 20%). Also corporate tax rate increased to 22% from 20% for 2018, 2019 and 2020 for all companies as published in the Official Gazette dated December 5, 2018, no. 30261. Corporate tax rate is applied in case expenses for which tax reduction cannot be applied to the corporates' commercial incomes as per tax regulations, and it is applied to the tax assessment which is mentioned as exemptions in the tax regulations (affiliation privilege, investment allowance exemption and so on) and which is generated as a result of reduction of allowances (such as research and development allowances). If shares are not distributed, there is no payment for other tax (in case there is exception in the investment allowances indicated in the Income Tax Law, Provisional article, it is calculated based on used exception amount, except 19,8% of paid withholding).

Withholding is not applied to a limited taxpayer cooperation having revenues via its company in Turkey or via its distributorship, and to the paid shares (dividends) of the corporation located in Turkey. Dividends applied to persons or cooperation other than these are subject to 10% withholding. The method of adding the profit to the capital is not accepted as distribution of share.

Companies calculate provisional tax based on quarterly profits, they declare it on the 14<sup>th</sup> day of the second month following that period and they make payment by the end of 17<sup>th</sup> day. Provisional tax which is paid within the year belongs to that year and it is set off from the corporation income tax by calculating based on corporate tax return of the following year. In case there is still a provisional tax amount despite offsetting, this amount can be requested as cash and it can be also offset from any financial liability against the state.

There is application in Turkey such as reaching a mutual agreement with the tax authority on tax payables. Corporate tax returns are paid to the affiliated tax office by the end of 25<sup>th</sup> day of the fourth month of the following month relevant to closure of the accounting period.

Authorities of tax auditing can inspect accounting records and if a fault transaction is determined, tax amount to be paid may change related to assessment.

According to Turkish tax regulation, financial damages reflected in the tax statement can be deducted from profit of the company of the relevant period provided that it not exceeds 5 years. However, financial harms cannot be set off from previous year's profit.

Tax expenses in the gain and loss statements of the account periods ending as of December 31, 2017 and December 31, 2016, are summarized below:

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Current year corporate tax expense (-)		(9.831)
(11.552) Deferred tax (expense)/income (Footnote 12)		(565)
2.104		
<b>Total tax expense (-)</b>	<b>(10.396)</b>	<b>(9.448)</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**17. CONTINUING OPERATIONS PROVISION FOR TAX (continued)**

Off setting of the theoretical tax expenses, which is calculated by using period tax expense and Corporate's legal tax rate, is provided below:

	<b>1 Jan. - 31 Dec. 2017</b>	<b>1 Jan. - 31 Dec. 2016</b>
<b>Profit before tax</b>	<b>53.395</b>	<b>47.166</b>
Theoretical tax expense with 20% (-)	(10.679)	(9.433)
Impact of change in tax rate (*)	291	-
Impact of non-deductible expenses and other corrections, net	(8)	(15)
<b>Current period tax expense (-)</b>	<b>(10.396)</b>	<b>(9.448)</b>

(\*) As indicated in footnote 12 and footnote 17, related to the changes to be applied in corporation tax rate, in order to determine deferred tax asset and liabilities, Corporate had taken into account tax rates which would be applicable for the period when assets would be realized and liabilities are fulfilled, and calculated 22% of deferred tax asset or liability for the provisional differences that are expected to be eliminated in 2018, 2019 and 2020.

**18. OTHER OPERATING INCOME/EXPENSES****Other operating incomes**

	<b>1 Jan. - 31 Dec. 2017</b>	<b>1 Jan. - 31 Dec. 2016</b>
Expenses reflected to customers	3.424	3.084
Other	81	1.086
	<b>3.505</b>	<b>4.170</b>

**Other operating expenses**

	<b>1 Jan. - 31 Dec. 2017</b>	<b>1 Jan. - 31 Dec. 2016</b>
Banking charges	724	545
Taxes and other legal dues	87	143
Other expenses	66	521
	<b>877</b>	<b>1.209</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**19. RELATED PARTY DISCLOSURES****Financial statement items****Banks**

	31 Dec. 2017	31 Dec. 2016
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.		
-Demand deposit	45.209	1.491
-Time deposit	13.442	145.114
	<b>58.651</b>	<b>146.605</b>

**Factoring  
receivables**

	31 Dec. 2017	31 Dec. 2016
Tofaş Türk Otomobil Fabrikası A.Ş.	203.243	222.594
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	86.670	16.978
Düzyay Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş.	32.418	28.801
Sirena Marine Denizcilik Sanayi ve Ticaret A.Ş.	27.084	-
Entek Elektrik Üretimi A.Ş.	9.466	8.000
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	6.856	-
RMK Classic Giyim Tekstil ve Ticaret A.Ş.	3.448	575
Ford Otomotiv San. A.Ş.	49	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	181.629
Türkiye Petrol Rafinerileri A.Ş.	-	40.000
	<b>369.234</b>	<b>498.577</b>

**Tangible asset purchases*****Shareholders***

	31 Dec. 2017	31 Dec. 2016
Yapı ve Kredi Bankası A.Ş.	15	5
Zer Merkezi Hizmetler ve Ticaret A.Ş.	15	4

***Other related parties***

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	117	35
Arçelik A.Ş.	27	5
	<b>174</b>	<b>49</b>

**Intangible asset purchases*****Other related parties***

	31 Dec. 2017	31 Dec. 2016
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	321	-
	<b>321</b>	<b>-</b>



**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**19. RELATED PARTY DISCLOSURES (continued)****Purchases related to ongoing investments*****Other related parties***

	31 Dec. 2017	31 Dec. 2016
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	56	175
	<b>56</b>	<b>175</b>

<b>Other Assets</b>	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş.	110	117
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	17	200
Ford Otomotiv San. A.Ş.	2	12
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	14
Setur Servis Turistik A.Ş.	-	12
RMK Classic Giyim Tekstil ve Ticaret A.Ş.	-	4
	<b>129</b>	<b>359</b>

<b>Financial liabilities</b>	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
UniCredit S.p.A.	928.760	441.374
UniCredit Factoring S.p.A.	620.273	367.284
Yapı Kredi Bank Nederland N.V.	11.504	9.130
UniCredit Bank Austria AG	-	382.120
	<b>1.560.537</b>	<b>1.199.908</b>

**Other liabilities*****Other related parties***

	31 Dec. 2017	31 Dec. 2016
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	163	-
Koç Holding A.Ş.	61	56
Otokoç Otomotiv Tic. ve San. A.Ş.	47	37
Zer Merkezi Hizmetler ve Ticaret A.Ş.	22	21
UniCredit S.p.A.	19	58
Opet Petrolcülük A.Ş.	6	5
Kredi Kayıt Bürosu A.Ş.	2	2
RMK Classic Giyim Tekstil ve Ticaret A.Ş.	1	1
	<b>321</b>	<b>180</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 19. RELATED PARTY DISCLOSURES (Continued)

##### Gain and loss statement items

##### Factoring interest revenues

##### *Other related parties*

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş.	3.594	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	3.474	794
Türkiye Petrol Rafinerileri A.Ş.	3.268	1.316
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	2.027	4.969
Tofaş Türk Otomobil Fabrikası A.Ş.	1.150	52
Ford Otomotiv Sanayi A.Ş.	274	236
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	89	30
Sirena Marine Denizcilik San.Tic.A.Ş.	49	-
RMK Classic Giyim Tekstil ve Ticaret A.Ş.	31	172
Entek Elektrik Üretimi A.Ş.	-	151
	<b>13.956</b>	<b>7.720</b>

##### Factoring non-interest revenues

##### *Shareholders*

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Yapı ve Kredi Bankası A.Ş.	2.659	4.131
	<b>2.659</b>	<b>4.131</b>

##### Factoring non-interest revenues

##### *Other related parties*

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Yapı Kredi Yatırım Menkul Değerler A.Ş. (*)	1.787	2.107
	<b>1.787</b>	<b>2.107</b>

(\*) The Company had paid the introduction fee regarding the issued securities via Yapı Kredi Yatırım Menkul Değerler A.Ş.. The paid security amount was allocated as interest expense and it was recognized as expense by allocating on the gain and loss statement during the due date of issued security. Total invoice amount issued to the Company by the Yapı Kredi Yatırım Menkul Değerler A.Ş. is 1.503 TRY (2016: 2.339).

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
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(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**19. RELATED PARTY DISCLOSURES (Continued)****Interest  
expenses****31 Dec. 2017      31 Dec. 2016*****Shareholders***

Yapı ve Kredi Bankası A.Ş. 164 52

***Other related parties***UniCredit S.p.A 3.375 -  
Unicredito Austria S.p.A 1.590 16.383  
Unicredito Factoring 1.225 218  
Yapı Kredi Nederland N.V. 289 393**6.643      17.046****Factoring commission  
expenses****31 Dec. 2017      31 Dec. 2016*****Other related parties***Karsan Otomotiv Sanayi ve Ticaret A.Ş. 409 356  
Sirena Marine Denizcilik San.Tic.A.Ş. 83 5  
Ford Otomotiv Sanayi A.Ş. 7 -**499      361****Factoring commission  
expenses****31 Dec. 2017      31 Dec. 2016*****Shareholders***

Yapı ve Kredi Bankası A.Ş. 219 250

**219      250****Personnel  
expenses****31 Dec. 2017      31 Dec. 2016*****Shareholders***

Yapı ve Kredi Bankası A.Ş. 38 15

***Other related parties***

Allianz Yaşam ve Emeklilik A.Ş. 460 390

**498      405**

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
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(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**19. RELATED PARTY DISCLOSURES (Continued)****General operating expenses**

	31 Dec. 2017	31 Dec. 2016
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	1.566	1.097
<i>Other related parties</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	674	637
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	519	404
Opet Petrolcülük A.Ş.	141	116
Koç Holding A.Ş.	140	186
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	122	56
YKS Tesis Yönetim Hizmetleri A.Ş.	113	187
UniCredit SpA	71	57
Setur Servis Turistik A.Ş.	70	76
Kredi Kayıt Bürosu A.Ş.	26	57
Koç Topluluğu Yöneticileri Derneği İktisadi İşletmesi	6	5
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş.	5	5
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	2	2
Koç Topluluğu Spor Kulübü Derneği İktisadi İşletmesi	2	2
	<b>3.457</b>	<b>2.887</b>

**Dividend revenues**

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
<i>Other related parties</i>		
Allianz Yaşam ve Emeklilik A.Ş.	49	36
	<b>49</b>	<b>36</b>

**Paid dividend**

Dividends paid to shareholders	34.000	18.750
	<b>34.000</b>	<b>18.750</b>

**Remuneration and similar benefits for board members and  
senior management**

	31 Dec. 2017	31 Dec. 2016
Remuneration and similar benefits for board members and senior management	2.782	2.306

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
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(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**19. RELATED PARTY DISCLOSURES (Continued)****Derivative transactions**

Derivative transactions made with Yapı ve Kredi Bankası A.Ş.

	<b>31 Dec. 2017</b>		<b>31 Dec. 20</b>	
	<b>Foreign currency amount</b>	<b>TRY</b>	<b>Foreign currency amount</b>	<b>TRY</b>
Money swap purchases				
TRY	332.505	332.505	221.236	221.236
EURO	76.330	344.668	23.510	87.220
USD	1.350	5.092	15.390	54.160
		<b>682.265</b>		<b>362.616</b>

	<b>31 Dec. 2017</b>		<b>31 Dec. 2016</b>	
	<b>Foreign Currency Amount</b>	<b>TRY</b>	<b>Foreign Currency Amount</b>	<b>TRY</b>
Money swap sales				
TRY	200.915	200.915	110.210	110.210
USD	111.965	422.320	65.933	232.032
EURO	7.400	33.415	-	-
GBP	3.418	17.364	1.224	5.285
		<b>674.014</b>		<b>347.527</b>
		<b>1.356.279</b>		<b>710.143</b>

Derivative transactions related to recognition amounts reflected in the financial statement which are made with the Yapı ve Kredi Bankası A.Ş as of December 31, 2017 and December 31, 2016, are provided below.

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THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

		<b>Fair Value</b>	
		<b>Assets</b>	<b>Liabilities (-)</b>
<b>31 December 2017</b>			
<b>Marketable derivative financial instruments</b>			
Money swaps		11.383	(2.988)
<b>Total</b>			
<b>11.383</b>	<b>(2.988)</b>		
		<b>Fair Value</b>	
		<b>Assets</b>	<b>Liabilities (-)</b>
<b>31 December 2016</b>			
<b>Marketable derivative financial instruments</b>			
Money swaps		3.184	(2.920)
<b>Total</b>		<b>3.184</b>	<b>(2.920)</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 19. RELATED PARTY DISCLOSURES (Continued)

##### Profit/loss in derivative transactions

4.055 TRY of profit was generated from derivative transactions made with the Yapı ve Kredi Bankası within the financial year ending on December 31, 2017.

Received letter of guarantees	31 Dec. 2017	31 Dec. 2016
Yapı ve Kredi Bankası A.Ş.	11.011	10.340

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### Financial instruments and financial risk management

##### a. Credit risk

Credit risk is defined as the risk of financial loss to the Company as a result of one of the parties of the financial instrument not fulfilling its contractual obligation. The Company is exposed to credit risk mainly through factoring transactions. Credit risk is controlled by allocating certain limits to the parties that generate credit risk, regularly monitoring expected collections from customers, and obtaining certain amounts of collateral in relation to liabilities when they are thought to be risky. Credit risk is concentrated in Turkey, as this is where activities predominantly take place. Distribution of the credit risk is achieved by providing services to a large number of customers from a various sector.

Geographical distribution of the Company's assets and liabilities as of December 31, 2017 and December 31, 2016 are as follows:

December 31, 2017	Assets	%	Liabilities	%
Turkey	3.941.768	100	1.871.169	47
European countries	66	<1	2.070.665	53
	<b>3.941.834</b>	<b>100</b>	<b>3.941.834</b>	<b>100</b>
December 31, 2016	Assets	%	Liabilities	%
Turkey	3.065.442	100	1.550.683	50
European countries	7.676	<1	1.522.435	50
	<b>3.073.118</b>	<b>100</b>		
	<b>3.073.118</b>	<b>100</b>		

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### a. Credit risk (Continued)

##### Maximum credit risk exposure

	December 31, 2017				December 31, 2016			
	Factoring receivables (3)	Other receivables	Derivative Instruments (4)	Banks (5)	Factoring receivables (3)	Other receivables	Derivative Instruments (4)	Banks (5)
Maximum credit risk exposure as of reporting date (1)	3.843.567	-	11.648	58.770	2.891.347	-	3.201	154.309
A. The net book value of financial assets which are neither overdue nor subject to impairment	3.783.818	-	11.648	58.770	2.822.553	-	3.201	154.309
- Not overdue or not subject to impairment (gross book value)	3.793.945	-	11.648	58.770	2.832.680	-	3.201	154.309
- General loan provision (-) (2)	(10.127)	-	-	-	(10.127)	-	-	-
B. The book value of financial assets that are renegotiated, and would otherwise be overdue or impaired	3.457	-	-	-	3.245	-	-	-
- Renegotiated (gross book value)	3.457	-	-	-	3.245	-	-	-
C. The net book value of assets which are overdue but not subject to impairment	48.162	-	-	-	54.727	-	-	-
- Overdue (Gross book value)	48.162	-	-	-	54.727	-	-	-
D. The net book value of assets subject to impairment	8.130	-	-	-	10.822	-	-	-
- Overdue (gross book value)	110.676	-	-	-	141.420	-	-	-
- Impairment (-)	(102.546)	-	-	-	(130.598)	-	-	-
E. Off-balance sheet elements containing credit risk	-	-	-	-	-	-	-	-

(1) Factors which increase credit reliability such as taken guarantees, are not considered in determining the amount.

(2) As indicated in the Footnote 9 in details, Company reflects impairment provision of the non-performing factoring receivables to its financial statements.

(3) As of December 31, 2017, Company's factoring receivables from related parties is 369.234 TRY (December 31, 2016: 498.577 TRY) and related receivables are neither overdue or nor subject to impairment. There is no guarantee taken by the Company.

(4) As of December 31, 2017, net value of the Company's derivative financial instruments from related parties is 8.395 TRY (December 31, 2016: 264 TRY).

(5) As of December 31, 2017, Banks amount of the Company from related parties is 58.651 TRY (December 31, 2016: 146.605 TRY).



## **YAPI KREDİ FAKTORİNG A.Ş.**

### **EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### **20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

##### ***b. Market risk***

Market risk is the risk that the Company's capital and earnings and its ability to realize its targets will be adversely affected by fluctuations in market prices , interest, foreign exchange, and inflation rates. The Company categorizes market risk under the headings of currency and interest risks.

The Company risk management policies have been approved by the Company's Board of Directors. It is the Company's responsibility to implement the Risk Management Policy and comply with policy guidelines.

As a factoring company, the Company is exposed to exchange rate, interest rate, and liquidity risks while meeting the needs of its customers. The Treasury and Correspondence Unit focuses on the Company's asset and liability structure when managing these risks. The Treasury and Correspondence Unit is responsible for funding the Company, as well as balancing its open position and interest rate risk and managing the surplus in the event of extra liquidity.

The main principles applied by the Company in managing market risks are as follows:

- Yapı ve Kredi Bankası A.Ş. ("YKB") Market Risk Management and Company Board of Directors are informed on the changes in risk structure and important decisions on the risk structure are approved by the Board of Directors.
- All market risks are managed by the Treasury and Correspondence Unit.
- Financial Planning and Financial Affairs is active independent from the Treasury and Correspondence Unit and their findings are reported to the General Manager and Board of Directors.
- Interest rate risk and foreign currency risk are managed by the Treasury and Correspondence Unit within the frame of determined limits.

##### ***i) Interest rate risk***

Fluctuations in the financial instruments caused by the changes in the market interest rate create the necessity for the Company to manage interest rate risk. The Treasury and Correspondence Unit follows Company's interest sensitive assets, liabilities and off balance sheet items on a daily basis. Also the Treasury and Correspondence Unit reports interest risks in the period chart on a monthly basis based on their maturity dates. Basis Point Value analysis is made on a monthly basis by the YKB Market Risk according to their currencies and due dates, in addition; Value at Risk calculations are also done and it is reported on a monthly basis with the limit controls determined in the Risk Management Policies. Company's interest sensitivity to the monobasic increase was determined to be 161 TRY (December 31, 2016: 54 TRY) in the Basis Point Value analysis made on December 31, 2017.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### i) Interest rate risk (continued)

	31 Dec. 2017	31 Dec. 2016
<b>Financial instruments with fixed interest:</b>		
Cash and cash equivalents	13.552	145.124
Factoring receivables	3.155.619	2.584.374
Credits obtained (-)	(3.275.414)	(2.166.207)
Securities issued (-)	(220.034)	(524.906)
<b>Financial instruments with variable interest:</b>		
Factoring receivables	829.871	468.307
Credits obtained (-)	(182.320)	(132.945)

Average interest rates applied to financial instruments:

	31 Dec. 2017			31 Dec. 2016		
	USD (%)	EURO (%)	TRY (%)	USD (%)	EURO (%)	TRY (%)
<b>Assets</b>						
Banks	3,00	1,20	13,75	2,10	1,20	10,15
Factoring receivables	5,71	2,15	17,47	5,12	2,10	14,97
<b>Liabilities</b>						
Credits obtained	3,30	1,20	14,70	3,45	1,09	12,53
Securities issued	-	-	13,89	-	-	10,78

The below given tables analyse the Company's liabilities according to relevant maturity groupings based on the period remaining for interest rate changes in the contract on balance sheet date.

	31 Dec. 2017					
	Up to 3 months	3-12 months	1-5 years	5 years and more	Without maturity	Total
Credits obtained	2.794.583	188.312	474.839	-	-	3.457.734
Securities issued	161.880	58.154	-	-	-	220.034
	<b>2.956.463</b>	<b>246.466</b>	<b>474.839</b>	<b>-</b>	<b>-</b>	<b>3.677.768</b>

	31 Dec. 2016					
	Up to 3 months	3-12 months	1-5 years	5 years and more	Without maturity	Total
Credits obtained	1.914.644	316.980	67.528	-	-	2.299.152
Securities issued	453.057	71.849	-	-	-	524.906
	<b>2.367.701</b>	<b>388.829</b>	<b>67.528</b>	<b>-</b>	<b>-</b>	<b>2.824.058</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### ii) *Liquidity risk*

Liquidity risk is the possibility that Company cannot meet its net financial needs, Liquidity risk originates from problems or decreases in credit points that lead to the depletion of certain funding resources in a short period of time. As a precaution against this risk, management diversifies its financial resources and prioritizes liquidity when managing assets in such a way as to maintain a healthy balance of cash and cash equivalents. Also management continues to maintain adequate financing resources from shareholders and high-level investors as a means of financing existing and future debt requirements and in anticipation of variations in demand.

The breakdown of asset and liability items according to their remaining maturities as of December 31, 2017 and December 31, 2016, is provided below. Amounts described in the below maturity analysis are contractual cash flows which have not been discounted. Interest to be collected and paid through Company's assets and liabilities are also included to the table.

Non-derivative financial liabilities:

31 Dec. 2017	Book Value	Up to 3 months	3-12 months	1 year and more	Without maturity	Cash total as per Contract
Credits obtained	3.457.734	2.805.803	204.361	495.883	-	3.506.047
Bonds issued	220.034	165.350	61.000	-	-	226.350
Factoring liabilities	7.572	-	-	-	7.572	7.572
<b>Total cash out-flows</b>	<b>3.685.340</b>	<b>2.971.153</b>	<b>265.361</b>	<b>495.883</b>	<b>7.572</b>	<b>3.739.969</b>

Cash in-flows and out-flows as of December 31, 2017, that will be realized as per agreements resulting from derivative transactions at maturity date are given below:

31 Dec. 2017	Book Value	Up to 3 months	3-12 months	1 year and more	Without maturity	Cash total as per Contract
Derivative financial instruments in the tradebook	1.366.705	1.288.061	78.644	-	-	1.366.705
	<b>1.366.705</b>	<b>1.288.061</b>	<b>78.644</b>	<b>-</b>	<b>-</b>	<b>1.366.705</b>

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### ii) Liquidity risk (Continued)

Non-derivative financial liabilities:

31 Dec. 2016	Book Value	Up to 3 months	3-12 months	1 year and more	Without maturity	Cash total as per Contract
Credits obtained	2.299.152	1.693.972	581.515	74.916	-	2.350.403
Bonds issued	524.906	460.000	75.000	-	-	535.000
Factoring liabilities	7.215	-	-	-	7.215	7.215
<b>Total cash out-flows</b>	<b>2.831.273</b>	<b>2.153.972</b>	<b>656.515</b>	<b>74.916</b>	<b>7.215</b>	<b>2.892.618</b>

Cash in-flows and out-flows as of December 31, 2016, that will be realized as per agreements resulting from derivative transactions at maturity date are given below:

31 Dec. 2016	Nominal amount	Up to 3 months	3-12 months	1 year and more	Without maturity	Cash total as per Contract
Derivative financial instruments in the tradebook	891.115	333.407	557.708	-	-	891.115
	<b>891.115</b>	<b>333.407</b>	<b>557.708</b>	<b>-</b>	<b>-</b>	<b>891.115</b>

##### iii) Currency Risk

Assets and currencies denominated in foreign currencies create currency risk. The Company carries a certain amount of open exchange position arising from the carried out transactions pursuant to its activities. Foreign exchange position is monitored by the Treasury and Correspondence Unit on a daily basis and it is reported by the Financial Planning and Financial Affairs Unit on a monthly basis to the tables which are created on the basis of maturity and currency. The Company aims to maintain its foreign exchange position at a level not exceeding +/- 5.000.000 EURO. The Company performs swap transactions in order to balance its foreign exchange assets and liabilities.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### iii) Currency risk (Continued)

Foreign exchange position of the Company as of December 31, 2017 and December 31, 2016 are as provided below:

31 Dec. 2017	USD	EURO	Other	TRY	Total
Banks	4.070	8.713	115	45.872	58.770
Derivative financial					
assets in the tradebook	-	-	-	11.648	11.648
Marketable securities	-	-	-	27	27
Factoring receivables (*)	466.860	1.533.653	35.654	1.817.527	3.853.694
Tangible assets	-	-	-	791	791
Intangible assets	-	-	-	3.520	3.520
Prepaid expenses	-	-	-	3.568	3.568
Other assets (**)	345	527	2.069	2.918	5.859
Deferred tax asset	-	-	-	3.957	3.957
<b>Total assets</b>	<b>471.275</b>	<b>1.542.893</b>	<b>37.838</b>	<b>1.889.828</b>	<b>3.941.834</b>
Derivative financial					
liabilities in the tradebook	-	-	-	(2.988)	(2.988)
Credits obtained	(38.395)	(1.851.352)	(17.265)	(1.550.722)	(3.457.734)
Factoring liabilities (***)	(476)	(4.450)	(330)	(2.316)	(7.572)
Other securities issued	-	-	-	(220.034)	(220.034)
Deferred income (****)	(489)	(620)	(104)	(2.253)	(3.466)
Other liabilities	(112)	(1.138)	(46)	(1.847)	(3.143)
Tax and liabilities to be paid	-	-	-	(3.018)	(3.018)
Provisions for known liabilities	-	-	-	(15.140)	(15.140)
Current period tax liability	-	-	-	(5.907)	(5.907)
<b>Total liabilities</b>	<b>(39.472)</b>	<b>(1.857.560)</b>	<b>(17.745)</b>	<b>(1.804.225)</b>	<b>(3.719.002)</b>
<b>Net foreign exchange position in the balance sheet</b>	<b>431.803</b>	<b>(314.667)</b>	<b>20.093</b>		<b>137.229</b>
Derivative money exchange					
contracts	(417.768)	316.536	(17.364)		(118.596)
<b>Net foreign exchange position</b>	<b>14.035</b>	<b>1.869</b>	<b>2.729</b>		<b>18.633</b>

(\*) 617.468 TRY of foreign exchange indexed factoring receivables observed in the financial statement's TP column was included to the currency risk calculation according to relevant foreign exchange currency.

(\*\*) 710 TRY of foreign exchange indexed Banking and Insurance Transaction Tax receivables observed in the financial statement's TP column was included to the currency risk calculation according to relevant foreign exchange currency.

(\*\*\*) 234 TRY of foreign exchange indexed factoring liabilities observed in the financial statement's TP column was included to the currency risk calculation according to relevant foreign exchange currency.

(\*\*\*\*) 316 TRY of foreign exchange indexed deferred income observed in the financial statement's TP column was included to the currency risk calculation according to relevant foreign exchange currency.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### iii) Currency Risk (Continued)

31 Dec. 2016	USD	EURO	Other	TRY	Total
Banks	10.849	139.745	2.255	1.460	154.309
Derivative financial assets in the tradebook	-	-	-	3.201	3.201
Marketable securities	-	-	-	27	27
Factoring receivables (*)	417.897	1.197.095	43.108	1.243.374	2.901.474
Tangible assets	-	-	-	739	739
Intangible assets	-	-	-	1.597	1.597
Prepaid expenses	-	-	-	2.723	2.723
Other assets	79	37	-	4.719	4.835
Deferred tax asset	-	-	-	4.213	4.213
<b>Total assets</b>	<b>428.825</b>	<b>1.336.877</b>	<b>45.363</b>	<b>1.262.053</b>	<b>3.073.118</b>
Derivative financial liabilities in the tradebook	-	-	-	(6.025)	(6.025)
Credits obtained	(174.237)	(1.439.168)	(37.823)	(647.924)	(2.299.152)
Factoring liabilities	(901)	(3.245)	(304)	(2.765)	(7.215)
Other securities issued	-	-	-	(524.906)	(524.906)
Other liabilities	(251)	(223)	(52)	(790)	(1.316)
Tax and liabilities to be paid	-	-	-	(2.599)	(2.599)
Provisions for known liabilities	-	-	-	(13.117)	(13.117)
Current period tax liability	-	-	-	(3.858)	(3.858)
<b>Total liabilities</b>	<b>(175.389)</b>	<b>(1.442.636)</b>	<b>(38.179)</b>	<b>(1.201.984)</b>	<b>(2.858.188)</b>
<b>Net foreign exchange position in the balance sheet</b>	<b>253.436</b>	<b>(105.759)</b>	<b>7.184</b>		<b>154.861</b>
Derivative money exchange contracts	(249.343)	110.815	(5.285)		(143.813)
<b>Net foreign exchange position</b>	<b>4.093</b>	<b>5.056</b>	<b>1.899</b>		<b>11.048</b>

(\*) 577.686 TRY of foreign exchange indexed factoring receivables observed in the financial statement's TP column was included to the currency risk calculation according to relevant foreign exchange currency.

The foreign exchange currency assets and liabilities as of December 31, 2016 and 2015, have been converted to Turkish lira using the following rates of exchange:

	31 Dec. 2017	31 Dec. 2016
EUR/TRY	4,5155	3,7099
USD/TRY	3,7719	3,5192
GBP/TRY	5,0803	4,3189

The below provided table shows Company's sensibility to 10% of change in USD and EURO. The below provided amounts demonstrate the impact of the 10% increase in USD and EURO value in the gain and loss statement. During this analysis, it was assumed that all variables, especially interest rates, would remain stable.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 20. THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### iii) Currency Risk (Continued)

	Profit/(Loss) 31 Dec. 2017	Profit/(Loss) 31 Dec. 2016
USD		1.404
409		
EURO		187
506		
Other		273
190		

In case 10% of increase in TRY against USD and EURO value has equal or opposite impact on the below given amounts gain and loss statement.

##### iv) Capital risk

As per Article 12 of "Regulation on the Procedures of Financial Leasing, Factoring Incorporation and Activity" dated December 24, 2013, it is mandatory to make and maintain Company equity rate at minimum 3% of total assets. The Company complies with relevant rates as of December 31, 2017.

	31 Dec. 2017	31 Dec. 2016
Total assets (A)		3.941.834
3.073.118		
Total equity (B)		222.832
214.930		
<b>Total equity/total asset rate (B/A)</b>	<b>6%</b>	<b>7%</b>

#### 21. FINANCIAL INSTRUMENTS

##### Fair value of financial instruments

Fair value is the transaction amount for which a financial instrument can be traded by parties by their free will, that is, other than for cases involving forced sales or liquidations. If available, the quoted market price is the best medium that reflects current value.

Fair values of the derivative financial instruments are determined by using assumption techniques covering future cash flow discounting from the current interest rates.

Due to their short-term nature, the book value of factoring receivables is thought to reflect their fair value together with their relevant special and general provisions.

Due to their short-term nature and ineffective discount impact, fair values of other financial assets and liabilities are observed to be close to their booked value.

## YAPI KREDİ FAKTORİNG A.Ş.

### EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

#### 21. FINANCIAL INSTRUMENTS (Continued)

##### Classification of fair value measurement

Classification of financial assets and liabilities, which are reflected with their fair value in the financial statements, on the basis of monitorability of data used to determine fair values as per TFRS 7 and at below explained levels:

Except derivative financial instruments, related to inclusion of interest rediscount rates calculated based on interest method used for cost values, fair values of financial assets and liabilities are considered to be close to the value indicated in financial statements related to their short terms.

- Level 1: For the same assets and liabilities, financial assets and liabilities are valued at active stock exchange prices.
- Level 2: Financial assets and liabilities are valued using inputs which can be monitored in the market, enabling the determination of the price of an asset or liability traded directly or indirectly on the market, other than the stock market price specified in the first level of the related asset or liability.
- Level 3: Financial assets and liabilities are valued using inputs that are used to determine fair value of an asset or a liability and that cannot be monitored in the market.

Fair value levels of financial instruments:

31 Dec. 2017	Level 1	Level 2	Level 3
Marketable derivative financial assets	-	11.648	-
<b>Total assets</b>	<b>-</b>	<b>11.648</b>	<b>-</b>
Marketable derivative financial liabilities	-	2.988	-
<b>Total liabilities</b>	<b>-</b>	<b>2.988</b>	<b>-</b>



**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
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(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**21. FINANCIAL INSTRUMENTS (Continued)**

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Marketable derivative financial assets	-	3.201	-
<b>Total assets</b>	<b>-</b>	<b>3.201</b>	<b>-</b>
Marketable derivative financial liabilities	-	6.025	-
<b>Total liabilities</b>	<b>-</b>	<b>6.025</b>	<b>-</b>

**22. CONTINGENT ASSETS AND LIABILITIES****a. Guarantees Obtained**

Guarantees obtained as of December 31, 2017 and December 31, 2016 are provided below:

	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
Sureties	15.843.247	10.966.169
Collaterals	9.863.417	6.714.888
Other	269.927	68.698
	<b>25.976.591</b>	<b>17.749.755</b>

**b. Provided Sureties**

	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
İstanbul Takas ve Saklama Bankası A.Ş.	1.265.000	262.600
Courts	11.012	10.692
	<b>1.276.012</b>	<b>273.292</b>

**c. Entrust assets**

Entrust assets taken by the Company in return of their factoring receivables as of December 31, 2017 and December 31, 2016 are provided below:

	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
Customer bonds	1.996.408	1.902.971
Customer checks	838.984	813.920
	<b>2.835.392</b>	<b>2.716.891</b>

**YAPI KREDİ FAKTORİNG A.Ş.****EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**22. CONTINGENT ASSETS AND LIABILITIES (Continued)****d. Derivative financial  
instruments**

Derivative financial instruments are carried at fair value. Positive fair value differences are classified as derivative financial assets held for trading, and negative fair value differences are classified as derivative financial liabilities held for trading. Derivatives held for trading consisting of forward exchange contract as of December 31, 2017 and December 31, 2016, are provided below:

**Forward  
transactions**

		<b>31 December 2017</b>		<b>31 December 2016</b>	
		<b>Foreign Currency Amount</b>	<b>TRY</b>	<b>Foreign Currency Amount</b>	<b>TRY</b>
Forward purchases	TRY	332.505	332.505	277.557	277.557
	EURO	77.500	349.951	29.870	110.815
	USD	1.350	5.092	18.190	64.014
			<b>687.548</b>		<b>452.386</b>
Forward sales	TRY	205.518	205.518	120.087	120.087
	USD	112.108	422.860	89.042	313.357
	EURO	7.400	33.415	-	
	GBP	3.418	17.364	1.224	5.285
			<b>679.157</b>		<b>438.729</b>
<b>Total</b>			<b>1.366.705</b>		<b>891.115</b>

**YAPI KREDİ FAKTORİNG A.Ş.**

**EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS BELONGING TO  
THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2017**

(Amounts are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**23. EVENTS AFTER THE DATE OF BALANCE SHEET**

None

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