



WE GREW TOGETHER IN A DIFFICULT YEAR

Annual Report 2020

Contents

- 10 Independent Auditor's Report on the Management's Annual Report
- 11 Statement of Responsibility Related to Acceptance of the Annual Report

Overview

- 12 About Garanti BBVA Factoring
- 14 Garanti BBVA Factoring at a Glance
- 18 Strong Shareholding Structure
 - 18 Türkiye Garanti Bankası A.Ş.
 - 19 Banco Bilbao Vizcaya Argentaria S.A
 - 20 Türkiye İhracat Kredi Bankası A.Ş.
- 22 Company Capital and Shareholding Structure
- 23 Competitive Advantages of Garanti BBVA Factoring
- 24 Our Mission, Our Values, Our Strategic Priorities
- 26 Financial Indicators and Ratios
- 28 Financial Situation and Performance Assessment in 2020
- 32 Information on GARFA Shares
- 33 Credit Ratings
- 33 Corporate Governance Principles Compliance Rating
- 34 Board of Directors
- 36 Committees and Attendance at Committee Meetings
- 40 Senior Management
- 41 Organizational Structure and Organizational Structure Changes
- 42 Chairman's Assessment
- 44 General Manager's Assessment
- 48 Factoring Sector Overview
 - 48 Factoring in Turkey
 - 49 Factoring Worldwide

Significant Improvements in Company Operations

- 50 Research and Development
- 50 Investments
- 51 Risk Management Policies
- 56 Assessment of the Internal Control and Risk Management Systems by the Audit Committee
- 57 Information on Direct and Indirect Subsidiaries and Respective Share Ratios

- 57 Information on Acquired Shares
- 57 Information on Private Audit and Public Audit
- 57 Garanti Faktoring A.Ş. Lawsuits Filed Against
- 57 Information on Administrative or Legal Penalties Imposed on Garanti Faktoring A.Ş. and/or Board Members
- 58 Previous Period Budget and Performance Assessment
- 60 Donations and Aid Granted in 2020 - Social Responsibility Projects
- 62 Information on Group Companies
- 62 Amendments to the Articles of Association
- 63 Regulations on Factoring Legislation
- 64 Important Events that Occurred after the End of the Operating Year
- 64 Remuneration of Board Members and Key Executives
- 65 Garanti Faktoring A.Ş. Profit Distribution Policy and Information Regarding Profit Distribution
- 65 Transactions with Related Parties

Corporate Governance

- 66 Corporate Governance Compliance Report
- 87 Corporate Governance Information Form

Financial Information

- 95 Statement of Responsibility Related to Acceptance of the Financial Tables
- 97 Garanti Faktoring A.Ş. Financial Statements as of December 31, 2020
- 163 Garanti Faktoring A.Ş. Contact Information

We underwent an extraordinary period in which the markets needed more liquidity than ever before. We continued to provide the financing, guarantee and collection products required by both domestic and foreign trade and we stood by our customers at all times.

We have achieved rapid technological adaptation to the Covid-19 process. As a result of our timely technological investments, within a week, we were able to carry out all transactions from home. We turned 2020 into a year of growth with the positive results of our uninterrupted service and superior performance.



OUR LIQUIDITY TAP **ALWAYS FLOWED**

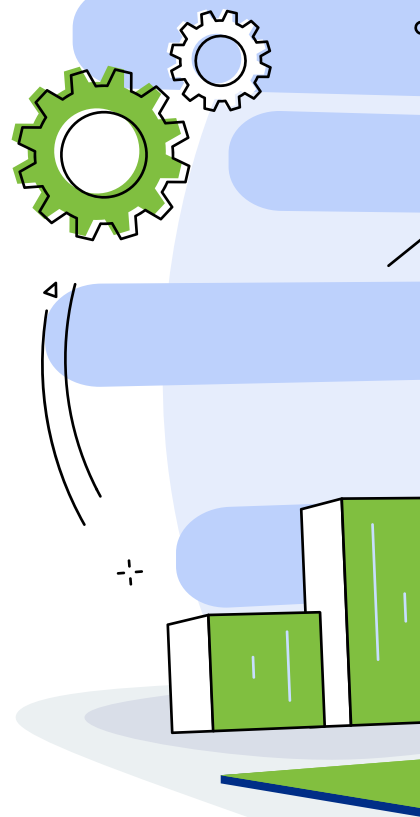
From the start of the challenging pandemic period, we experienced an increase in demand. For our customers, the liquidity tap flowed continuously, even when the market hesitated. Our transactions, which numbered 150+ per day prior to this period, reached an average of 300, and we meticulously assisted corporations throughout every transaction.





WE REACHED THE TARGETS OF OUR STRATEGY

In 2020, our strategic steps of the last three years proved accurate. Our strategy, built with courage and conviction, targeted 2018 as the “Year of Transformation,” 2019 as the “Year of Implementation,” and 2020 as the “Year of Growth.” We achieved our targets and realized our strategy each year.





WE TOOK **STRONG STEPS**

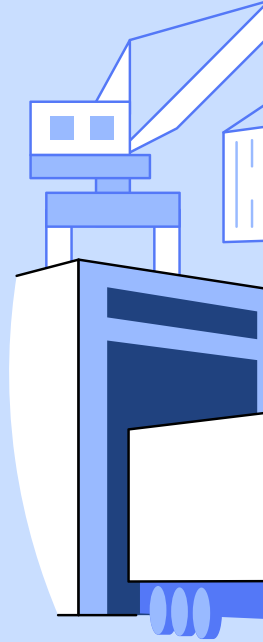
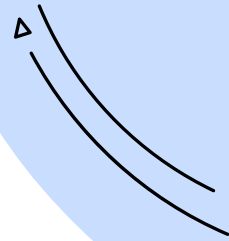
In 2020, we succeeded in exceeding our financial targets. Our growth performance and asset quality were positive. Our profitability ratio increased in direct proportion to our performance and our transaction volume reached TL 13.5 billion.





WE REVVED UP THE REAL ECONOMY

In parallel with our number of customers, our support for the real economy has increased. The share of SMEs in the balance sheet increased and became our biggest line of business. We made new expansions in manufacturing, export and service sectors. We extended our customer range and continue to add new ones to these areas.





Independent Auditor's Report on the Management's Annual Report

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the Board of Garanti Faktoring A.Ş.

Opinion

We have audited the complete set of financial statements of Garanti Faktoring Anonim Şirketi ("Company") for the period between 1 January 2020 and 31 December 2020, thus, the accompanying annual report.

In our opinion, the financial information in the annual report and the Board's analyses on Company situation conducted by using the information from the audited financial statements are, in all essential aspects, consistent with the audited complete set of financial statements and information obtained during the independent audit, and reflect the truth.

Basis for Opinion

We have conducted our independent audit in accordance with the independent auditing standards issued by the Capital Markets Board ("CMB") and with the Independent Auditing Standards ("BDSS") which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). Our responsibilities within the scope of the Independent Auditing Standards are further described in the Independent Auditor's Responsibilities for the Annual Report Independent Auditing section. We declare that we are independent of the Company in compliance with the Code of Ethics for Independent Auditors issued by POA ("Code of Ethics") and with the relevant ethical provisions of the independent auditing regulations. Other liabilities related to ethics that are within the scope of Ethical Rules and regulations have been fulfilled by us. We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

On January 27, 2020, we expressed a positive opinion regarding the complete set of financial statements of the Company for the period between 1 January 2020 and 31 December 2020.

Board of Directors' Responsibility for the Annual Report

Pursuant to the Articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and as per the provisions of the Capital Markets Board's "Communiqué on the Principles Regarding Financial Reporting in the Capital Markets" No. II-14.1, the Company's management is in charge of the following regarding the annual report:

- a) The Company's management prepares its annual report within the first three months following the reporting date of statement of financial position and submits it to the general meeting.
- b) It shall prepare the annual report in an accurate, complete, direct, true and fair manner; the report shall, likewise, represent the flow of annual activities and financial position of the Company in every aspect. In this report, the financial position of the Company is assessed in accordance with the Company's financial statements. The annual report shall also clearly state the details about the Company's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.
- c) The annual report also includes:
 - The significant events in the Company upon the conclusion of the activity year,
 - Research and development activities of the Company,
 - The payments for the board and senior management members, i.e. the financial benefits like wages, premiums, bonuses; allowances; travel, lodging and representation expenses; in cash and kind facilities, insurances and similar guarantees.

While preparing the annual report, the Board also considers the secondary regulations issued by the Ministry of Trade and relevant institutions.

Independent Auditor's Responsibility for the Independent Auditing of the Annual Report

Within the scope of the TCC provisions and the Communiqué, our objective is to express an opinion on whether the financial information in the annual report and the Board's analyses on Company situation conducted by using the information from the audited financial statements are consistent with the audited financial statements of the Company and with the information obtained during the audit; whether they reflect the truth or not. And afterward, we compile a report that will include the expressed opinion.

Our independent audit has been conducted in accordance with both the independent auditing standards by CMB and BDSs. As required by BDSs, the independent audit shall be planned and carried out in compliance with the ethical provisions to achieve a reasonable assurance whether the financial information in the annual report and the Board's analyses on Company situation conducted by using the information from the audited statements are consistent with the financial statements and the information obtained during the audit; and whether they reflect the truth or not.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Alper Güvenç, SMMM (Independent Accountant and Financial Advisor)
Cap Auditor
26 February 2021
Istanbul, Turkey

Statement of Responsibility Related to Acceptance of the Annual Report

Istanbul, February 26, 2021

**ATTN: BORSA İSTANBUL A.Ş. DIRECTORATE
İstinye/ISTANBUL**

**RESOLUTION OF THE BOARD OF DIRECTORS ON THE ACCEPTANCE OF THE ANNUAL REPORT
RESOLUTION DATE : February 26, 2021
RESOLUTION NUMBER: 007**

**STATEMENT OF RESPONSIBILITY
AS PER THE 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD
COMMUNIQUE NO.14.1 SERIES:II.**

- a) We have reviewed the Garanti Faktoring A.Ş.'s (Company) annual report as of 31.12.2020.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the annual report does not include any misleading disclosure on material matters or deficiencies that might cause misconception about the disclosure as of the date it was made.
- c) Within the framework of the information we obtained during our tasks and responsibilities at the Company, we hereby declare that the financial statements prepared as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) and as per the Capital Markets Board decision No. 2/49 dated 10.01.2019 and the Corporate Governance Communiqué II-17.1, including the Corporate Governance Principles Compliance Report, fairly reflect the truth, the progress and performance of the business, the financial status of the Company, and the important risks and uncertainties.

Best Regards,

Annexes:

The Independently Audited Annual Report as of 1-31 December 2020

Mert ERCAN
Executive Vice President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Member of
the Audit Committee

Serkan ÇANKAYA
Member of
the Audit Committee

About Garanti BBVA Factoring

CUSTOMER ORIENTED SERVICE APPROACH

Garanti BBVA Factoring, with its technological infrastructure investments, customer-oriented service approach and expert teams; continues to develop innovative products and services in line with customer needs.

The Company, which was founded on September 4, 1990 under the name of Aktif Finans Faktoring Hizmetleri A.Ş. has started to render service under Garanti BBVA group companies in 2002 and has changed its commercial name to Garanti Faktoring Hizmetleri A.Ş. At the Ordinary General Assembly Meeting relating to 2013 held on 17 April 2014 its commercial name was changed to Garanti Faktoring A.Ş.

The Company conducts its activities following "the Financial Leasing, Factoring and Financing Companies Law" No. 6361, "the Regulation on the Establishment and Activity Principles of Financial Leasing, Factoring and Financing Companies" issued by BRSA with the publication in the Official Gazette No. 28627 and the Capital Markets Law No. 6362.

Garanti BBVA Factoring, consistently automating its operational processes to provide customers with ease of operation and leading solution suggestions, is expanding its end-to-end digital solutions and continues to provide a unique experience to customers via its technology investments. Focusing on disciplined and sustainable growth, the Company provides effective risk management of financial and non-financial risks through integrated management at global standards.

With the authorization of the Capital Markets Board (CMB) in 1993, Garanti BBVA Factoring has offered its shares to the public, thus, it has been listed on Borsa Istanbul(BIST).Its 81.84% shares belong to Garanti Bank and 9.78% belong to the Export Trade Bank of Turkey. Some 8.38% of Garanti Faktoring's free-floating shares are traded on Borsa Istanbul.

As of year-end 2020, Garanti BBVA Factoring has 11 branches in eight cities across Turkey, thanks to a widespread correspondent network provided by the Company's membership in Factors Chain International (FCI). The Company maintains its strong position in international factoring transactions and continues to lead in the fields of product consultancy and product development.

Providing financial consultancy services that enable its customers to make healthy financial decisions, Garanti BBVA Factoring accelerates solution processes thanks to artificial intelligence, machine learning, and the use of big data, which have an important place in its activities.

Garanti BBVA Factoring, with its focus on trade financing and receivable-based financing, provides under one umbrella the financing, guarantee and collection products required by both domestic and foreign trade.



11 Branches in 8 Cities

Garanti BBVA Factoring provides services with its 11 branches in 8 cities across Turkey.



81.84%

Garanti BBVA owns 81.84% of the shares of Garanti BBVA Factoring.

Performing domestic and international factoring transactions over a wide network with the synergy of BBVA, Garanti BBVA Factoring offers innovative products and services with a customer-oriented approach, creating a difference in the sector by producing the best solutions in customer relationship management.

Garanti BBVA Factoring aims to expand its customer base and strengthen its relations with existing customers, maximizing the high growth potential of Turkey while maintaining the risk-cost balance in its areas of focus.

Garanti BBVA Factoring's ratings by Fitch Ratings have been updated on September 01, 2020, and become long-term TL at BB- and long-term foreign currency at B+. Its long-term national rating is at AA.

In 2020, Garanti BBVA Factoring, raised its grade in the Corporate Governance Principles Compliance Rating made by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) to 9.44.

Garanti Faktoring A.Ş. is registered with the Istanbul Chamber of Commerce under the registration No. 265852, and operates at:

Çamçeşme Mahallesi Tersane Caddesi No:15
Pendik İstanbul
Phone: +90 (216) 625 40 00
Fax: +90 (216) 625 40 01
Company's website in Turkish and English:
www.garantibbvafactoring.com



Garanti BBVA Factoring at a Glance

SECTOR LEADER WITH QUALITY PRODUCTS

Garanti BBVA Factoring, which doubled its year-on-year net profit in 2020, carried out its activities without slowing down and continued to support the real economy during the coronavirus pandemic.



TL 2.91 Billion

Asset Size



TL 50.2 Million

Net Profit for the Period



TL 213.6 Million

Shareholder's Equity



TL 13.5 Billion

Transaction Volume



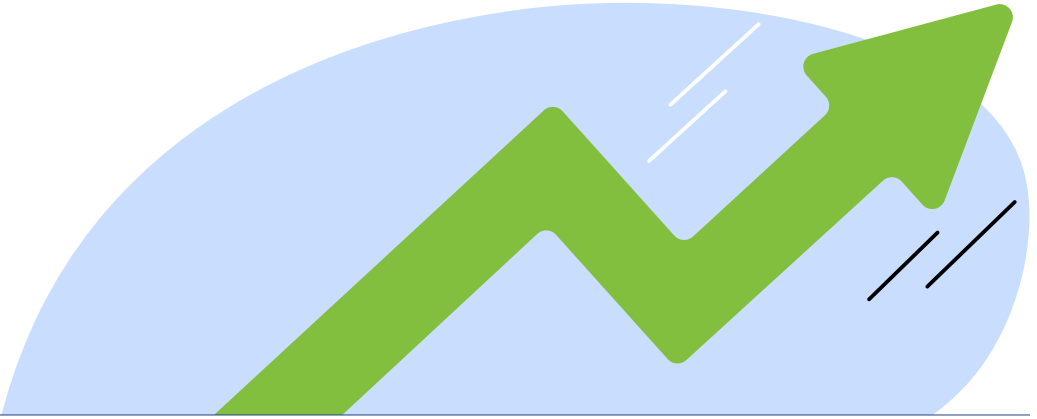
TL 2.79 Billion

Factoring Receivables



121

Number of Employees



4,694

Number of customers with risk

The total number of factoring transactions performed by Garanti BBVA Factoring in 2020 is around 36,784.



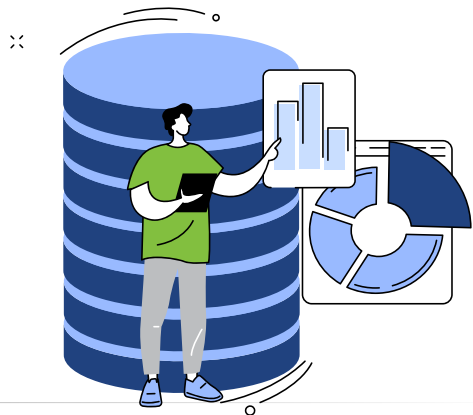
11

Number of Branches



36,784

Number of Total Factoring Transactions



Garanti BBVA Factoring at a Glance

HEALTHY WORK ENVIRONMENT

Continuing profitable and steady growth in 2020, Garanti BBVA Factoring conducted activities at full speed and continued to support the real economy during the coronavirus pandemic.

Developments in 2020

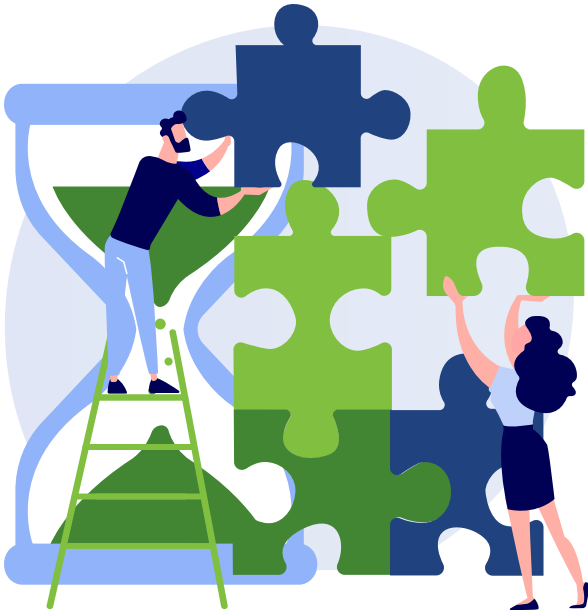
Changes in Working Processes during the Pandemic Period

Upon the first coronavirus case observed in Turkey in March 2020, Garanti BBVA Factoring, prioritizing employee health, provided the necessary infrastructure for working from home and shifted to a remote work system as of March 15.

Work in the office was carried out alternately with a partial number of employees, not exceeding 10% of the employees in Headquarters units, and ranging between 50% and 75% in field teams. Prior to working with a full staff in the office, the number of Covid-19 cases are evaluated; at this time, there is no definite date for the resumption of on-site work on a full-time basis. Any cases detected among employees in offices were detected and closely followed up with a daily questionnaire to employees; when necessary, the relevant region or branch was closed, and measures were taken. Garanti BBVA Factoring takes all kinds of health measures during the pandemic process and ensures that the entire team complies with these measures.

Technological Adaptations during the Pandemic Period

Garanti BBVA Factoring aimed to enable every employee to continue working seamlessly during the shift from on-site to remote work. In this context, the Company, which first defined for all employees the authorization required for remote access, also conducted a study on the availability of technical equipment required by employees working from home, and provided notebooks for employees with incomplete or inadequate equipment.





Increase in the number of customers

Garanti BBVA Factoring, which expanded the SME share in its balance sheet in 2020 and made it the largest business line, increased the number of its customers.

Moving to Pendik in March

On March 9, we moved to the Pendik campus, featuring a total indoor area of 140,000 m². The campus includes an auditorium, conference and training halls, a market, cafeterias, a sports center, a dining hall, an infirmary and a salon, enabling employees to meet a wide array of needs within the campus. Shuttle facilities were provided at many points for employees to reach their homes comfortably. In the new campus, practices are implemented that prioritize employees' health, such as fresh-air ventilation and air-conditioning at double the international standards, 10 air recirculation per hour, refreshing, technological and hygienic electrostatic filter.

Improvement in Asset Quality and Profitability Ratio

Garanti BBVA Factoring began reaping the results of its three-year strategic plan in 2020. The Company, which determined 2018 as the "Year of Transformation" and 2019 as the "Year of Implementation," completed 2020 as the "Year of Financial Growth." Achieving improvements in growth performance and asset quality, Garanti BBVA Factoring doubled its year-on-year net profit by raising its profitability ratio.

Liquidity Increase

Experiencing increased demand in 2020, Garanti BBVA Factoring raised the number of its daily transactions from 150 on average to a daily average of 250/300 transactions. Garanti BBVA Factoring, providing liquidity even when the market is unwilling, continues to support the real economy.

Increase in the Number of Customers and the Share of SMEs in the Balance Sheet

Garanti BBVA Factoring, which expanded the SME share in its balance sheet in 2020 and made it the largest business line, also increased the number of customers. The SME segment, which exceeds the corporate and commercial customer segments of the Company, includes mainly the logistics, manufacturing, automotive, consumer durables industries, as well as the service and mining sectors.

Score Model Startup

The buyer assessment system was developed; in this context, there was a 38% decline in the year-on-year receivable assessment periods in 2020. Developments in the assessment methodology of the Loans and Intelligence Unit will continue in 2021.

Strong Shareholding Structure

TO FACILITATE OPPORTUNITIES FOR EVERYONE

Besides its international subsidiaries in the Netherlands and Romania, Garanti BBVA is a financial services group integrated with its financial subsidiaries in the fields of private pension and life insurance, financial leasing, factoring, investment and portfolio management.

Türkiye Garanti Bankası A.Ş.

Established in Ankara in 1946, Garanti BBVA is Turkey's second largest private bank with a consolidated asset size of TL 541 billion as of December 31, 2020.

Garanti BBVA, which operates in all segment of the banking sector, including the corporate, commercial, SME, retail, private and investment banking, payment systems, is an integrated financial services group with its financial subsidiaries in the fields of private pension and life insurance, leasing, factoring, investment and portfolio management, in addition to its international subsidiaries in the Netherlands and Romania.

The custom-tailored solutions and wide product range that Garanti BBVA offers to its customers play a key role in reaching its TL 416 billion cash and non-cash loan portfolio. Garanti BBVA's disciplined and sustainable growth strategy by creating capital without compromising the sound asset quality enables the bank to move forward with strong steps. The bank occupies a leading position in many core banking services:

- With nearly 19 million retail customers, Garanti BBVA has an 11.7% market share in consumer loans and leads the industry in mortgage, credit card and automobile loans.

- It has a 9.6% market share in FC loans.
- Garanti BBVA ranks 2nd among private banks with an 8.3% market share in TL enterprise banking loans.
- The contribution of subsidiaries to assets is 12%.

The controlling shareholder of Garanti BBVA implementing an advanced corporate governance model that supports the bank's core values, is Banco Bilbao Vizcaya Argentaria S.A., which owns 49.85% of its shares. (BBVA). Garanti BBVA, whose shares are publicly traded in our country and depositary receipts in the UK and USA, has an actual free float of 50.07% in Borsa Istanbul as of 31 December 2020.

Garanti BBVA aims to present the opportunities of today to everyone and to create value for all its stakeholders towards this purpose. The Company provides tailored solutions and guidance to improve clients' financial health alongside its strategic priorities. Garanti BBVA attaches great importance to positively influencing the decision-makers and the sector regarding sustainability and to bringing sustainability mainstream. In addition, Garanti BBVA supports positive change, loan disbursements focused on impact investment, and creating shared value via social programs focusing on issues considered a priority by the Bank, its stakeholders and its strategic partners.



18,656 employees

Garanti BBVA has 18,656 employees.



Nearly 19 million customers

Garanti BBVA has nearly 19 million individual customers.

As Garanti BBVA continuously improves its business model and processes in line with a focus on operational excellence, it closely monitors financial and non-financial risks. To accelerate and strengthen value creation, Garanti BBVA continues to reach more customers by being where customers are. As of December 31, 2020, the Company meets the financial needs of nearly 19 million customers with an extensive distribution network consisting of 884 domestic branches, eight branches abroad, seven in Cyprus and one in Malta, and one representative office in Düsseldorf and Shanghai, and 18,656 employees. With its conveniently integrated channels, Garanti BBVA offers uninterrupted experience in all channels through 5,309 ATMs with high-end technological infrastructure, an award-winning Call Center and internet, mobile and social banking platforms.

For Garanti BBVA, data and technology are primary factors in realizing its “best and most loyal team” strategy. Therefore, the Bank employs advanced data analytics and artificial intelligence by constantly investing in robust and reliable technology. Investing in people is the basis of Garanti BBVA’s approach to human resources. With the awareness that human resources are the engine driving all progress, the fundamental building blocks of the Company’s system are to continuously recruit young and creative minds to Garanti BBVA, to train and develop them, to provide employees with environments where they can demonstrate their talents, and to offer opportunities, and see and reward their achievements.

Banco Bilbao Vizcaya Argentaria S.A

After acquiring the stakes held by GE Capital Corporation and Doğuş Holding A.Ş. in 2011, Banco Bilbao Vizcaya Argentaria S.A (“BBVA”) currently owns 49.85% of Garanti Bankası shares. Garanti Bankası is controlled jointly by Doğuş Group and Banco Bilbao Vizcaya Argentaria S.A., under an equal strategic partnership arrangement.

Garanti Bank is controlled jointly by Doğuş Holding and Banco Bilbao Vizcaya Argentaria S.A. under an equal strategic partnership arrangement. Established in 1857, BBVA ranks among the largest banks in Spain. Apart from having pioneer subsidiaries in South America, BBVA is the biggest financial institution in Mexico and one of the top commercial banks in the US.

As of December 31, 2020, the asset size of BBVA is EUR 736 billion, its shareholders’ equity is EUR 50 billion and its net profit for 2020 is EUR 1.3 billion. BBVA shares are traded on stock exchanges in Spain, New York, London, Mexico and Peru. As of December 31, 2020 the Group’s shares have equal voting rights, and it has about 879,000 shareholders across the globe.

Maintaining its operations for more than 150 years, BBVA provides services to 80.1 million customers with its 123,000 employees through 7,432 branches in more than 30 countries. In this new competitive environment, BBVA has the mission of “facilitating the opportunities of the age for everyone” through the customer-centric vision in its activities.

Strong Shareholding Structure

INTEGRITY OF SERVICE TO EXPORTER COMPANIES

The main purpose of Türk Eximbank is to develop exports, diversify the exported goods and services, bring new markets to export goods, increase the share of exporters in international trade and provide the necessary support in their initiatives.

Türkiye İhracat Kredi Bankası A.Ş.

Türkiye İhracat Kredi Bankası A.Ş. (Türk Eximbank) which carries out lending activities in order to improve exports, was established with the Decree of the Council of Ministers published in the Official Gazette dated August 21, 1987.

The main objective of Türk Eximbank is to boost exports by providing loans. The main objectives of Türk Eximbank are boosting exports, diversifying the export goods and services, introducing new markets for export goods, helping exporters increase their share in international commerce and providing them with the necessary support for their operations. Besides, Türk Eximbank ensures that exporters and contractors operating abroad remain competitive and secure, supports and promotes both the foreign investment in Turkey and the production and sale of investment goods for export.

Türk Eximbank, as the sole corporate incentive source of export in Turkey, provides short-, medium- and long-term cash and non-cash loans, insurance and guarantee programs to support exporters having the same objective, as well as manufacturers that produce

for export, and contractors and entrepreneurs operating abroad. Unlike officially supported export credit institutions of many developed countries, Türk Eximbank that collects loan, guarantee and insurance transactions under the same roof, provides service integrity to exporter companies.

As of the end of 2020, Türk Eximbank has extended USD 28.5 billion cash loans and USD 17.1 billion insurance/guarantees; in total, the support to exports amounted to USD 45.7 billion. Thus, the Bank provided financial support for 26.9% of Turkey's exports with its cash and non-cash supports. The paid-up capital of the Bank, whose asset size is TL 204.7 billion as of the end of 2020, increased from TL 7.16 billion to TL 9.27 billion through TL 750 million cash capital transfer from the Treasury and TL 1.36 billion profit reserves offsetting.

Türk Eximbank provides services through 20 branches and 11 liaison offices. Headquartered in Istanbul (Anatolian Side), the Bank operates regional offices in the Central Anatolia, Marmara and Aegean regions, as well as 20 branches on the European side of Istanbul, in Gaziantep, Izmir, Denizli, Bursa, Kayseri, Konya,



USD 28.5 billion

As of the end of 2020, Türk Eximbank provided cash loan support of USD 28.5 billion.



TL 204.7 billion

As of the end of 2020, Türk Eximbank's asset size is TL 204.7 billion.

Ankara, Antalya, Adana, Gebze, Çorlu, Maltepe, Manisa, Mersin, Eskişehir, Trabzon ve İskenderun. 11 liaison offices are located in Samsun, Aegean Regional Chamber of Industry, Aegean Exporters' Association, İzmir Kemalpaşa, Aydın, Erzurum, Kahramanmaraş, Hatay, Sakarya, İstanbul Anatolian Side Organized Industrial Zone and İnegöl.

Türk Eximbank's paid-in capital reached TL 9.27 billion from TL 7.16 billion through cash capital transfers of TL 750 million from the Treasury and profit reserves offsetting of TL 1.36 billion.

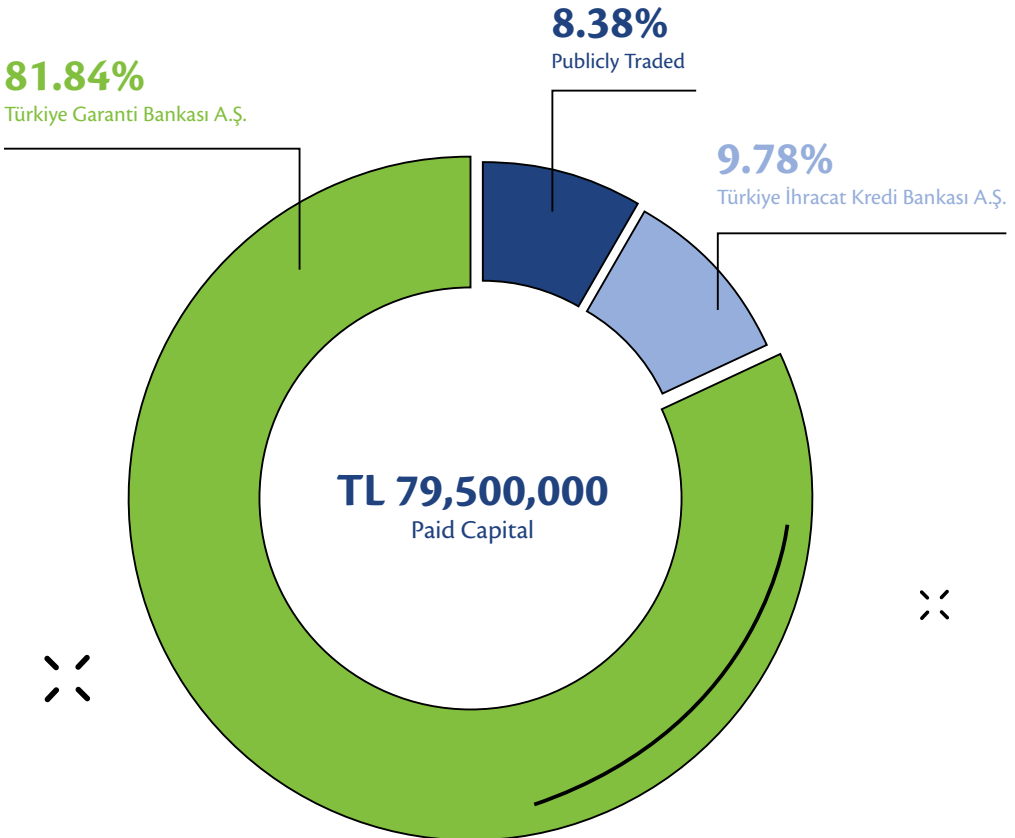


Company Capital and Shareholding Structure

STRENGTH FROM A STRONG SHAREHOLDING STRUCTURE

As of December 31, 2020, Garanti BBVA Factoring's paid capital is TL 79,500,000 and Türkiye Garanti Bankası A.Ş. owns 81.84% of the registered shares of Garanti Factoring

As of December 31, 2020, Garanti BBVA Factoring's paid capital is TL 79,500,000. Türkiye Garanti Bankası A.Ş. owns 81,84% of the registered shares of Garanti Factoring. The Bank has acquired the remaining 26.4% of the Company's shares, which trade on BIST. 8.4% of Garanti BBVA Factoring's shares are traded on the Sub-Market.



Competitive Advantages of Garanti BBVA Factoring

Strong Brand and Corporate Reputation

Pioneer in Advanced Technology

Well-Qualified and Experienced Workforce

Customer-Oriented Innovative Products and Services

Corporate Governance culture

Superior Data Warehouse and Management Reporting

Fast Operational Processes

Integrated Financial Services Offering

Solutions for the Best Customer Relations Management



Our Mission, Our Values, Our Strategic Priorities

EXCELLENT CUSTOMER EXPERIENCE

While focusing on disciplined and sustainable development, Garanti BBVA Factoring aims to maximize value creation and to maintain its dedication to solid asset quality through the efficient usage of capital.

Our Mission

To Facilitate the Opportunities of the Age for Everyone

Our values

Our Customers are Our Priorities

- We understand our customers
- We are honest and accountable
- We offer solutions

We Think Big

- We inspire
- We innovate
- We exceed expectations

We are One

- We are dedicated
- We work as a team
- Garanti BBVA is ours

Our Strategic Priorities

Garanti BBVA Factoring defines its strategic priorities as the following:

- Reaching More Customers,
- Best and Most Loyal Team,
- Operational Superiority,
- Data and Technology.

The Company aims to create value for all its stakeholders by working in line with these strategic priorities.

Reaching More Customers

- To expand our customer base by making greater use of our country's high potential and to deepen our relations with customers.
- To be where our customers are.
- To grow in consideration of the risk-cost balance in our focus areas.

Best and Most Loyal Team

- To invest in our employees by focusing on their development, satisfaction and well-being in a manner that respects the work-life balance.
- To create a results-oriented workforce that upholds our values and demonstrates common sense, team spirit and a strong sense of social responsibility, as well as the ability to "think big."
- A fair and transparent management policy based on performance, equal opportunity, diversity and internal promotion.



Operational Superiority

- To continue to automate our processes and to offer ease of operation and leading solutions.
- To increase end-to-end digital solutions and to provide customers with a unique experience through our investments in digital platforms.
- To use our capital effectively and to maximize the value we create while focusing on disciplined and sustainable growth.
- To continuously improve our business model and processes from an operational and environmental efficiency perspective, while considering cost and income synergies
- To manage financial and non-financial risks through integrated management at global standards and to ensure effective risk management.

Data and Technology

- To make our technological infrastructure and platforms stronger and more agile.
- To accelerate our solution processes with the fewest errors by integrating artificial intelligence, machine learning and big data, which hold an important place in the Company's daily operations.
- To focus on data analytics to offer our customers the right products.

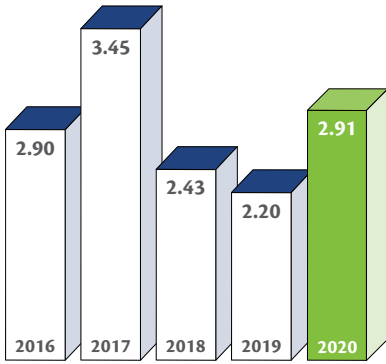


Financial Indicators and Ratios

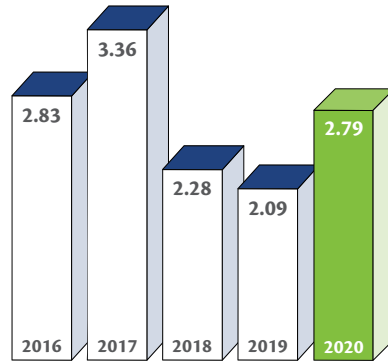
STRONG FINANCIAL PERFORMANCE

Maintaining its strong financial performance in 2020, Garanti BBVA Factoring increased its factoring receivables by 33.5% compared to the end of 2019, to TL 2.79 billion.

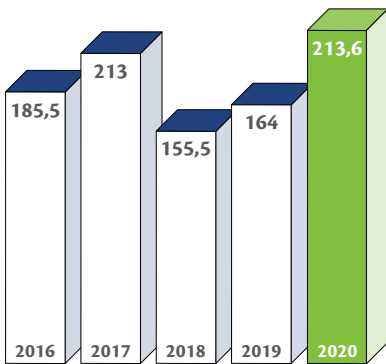
Total Assets (TL Billion)



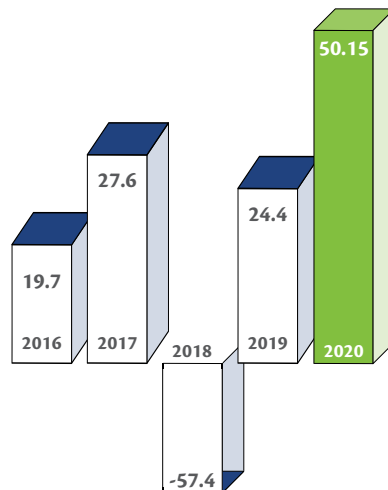
Factoring Receivables (TL Billion)



Shareholders' Equity (TL Million)



Net Profit/Loss for the Period (TL Million)





2%

Garanti BBVA Factoring's return on assets is 2% as of the end of 2020.



26.99%

Garanti BBVA Factoring's return on equity is 26.99% as of the end of 2020.

	2016	2017	2018	2019	2020
Return on Assets (%)	0.73	0.96	-1.99	1.16	2.00
Return on Equity (%)	11.16	13.84	-28.25	14.95	26.99
Non-Performing Loans Ratio (%)	2.49	2.76	11.87	13.98	4.52

Outlook of Income and Expense Items for the Last 5 Years

(TL Thousand)	2016	2017	2018	2019	2020
Factoring Income	244,268	286,315	477,508	375,828	309,468
Factoring Interest Income	222,624	263,228	466,627	368,204	297,653
Factoring Fees and Commissions Income	21,644	23,087	10,881	7,624	11,815
Financial Expenses	(211,021)	(252,215)	(363,463)	(263,863)	(189,506)
Interests on Loans Borrowed	(143,286)	(178,093)	(247,253)	(176,025)	(161,436)
Interests on Securities Issued	(56,478)	(59,685)	(99,052)	(80,449)	(26,190)
Other Fees and Commissions	(11,240)	(14,436)	(17,138)	(6,825)	(757)
Other	(17)	(1)	(20)	(564)	(1,123)
Operating Expenses	(78,945)	(43,196)	(52,056)	(50,828)	(49,316)
Expenses on Personnel and Severance Pay Provisions	(24,292)	(25,669)	(32,235)	(30,039)	(30,838)
General Administrative Expenses	(17,923)	(17,488)	(18,661)	(20,671)	(18,378)
Other	(36,730)	(39)	(1,160)	(118)	(100)
Other Operating Income/Expenses (net)	99.612	64.753	45.511	35.595	92.015
Interest Income from Deposits	2.331	1.953	160	1.945	691
Derivative Financial Transactions Gains/Losses (Net)	20.055	104.124	24.441	2.705	5.287
Foreign Exchange Gains/Losses (Net)	39.230	(42.926)	19.564	21.423	72.329
Other	37.996	1.602	1.346	9.522	11.674
Provision Expenses	(30.106)	(20.801)	(176.568)	(65.701)	(97.990)
Gross Profit/Loss	23.808	34.856	(69.068)	31.031	64.671
Tax Expenditure for the Period	(4.092)	(7.253)	11.692	(6.593)	(14.521)
Net Profit for the Period	19.716	27.603	(57.376)	24.438	50.150

Financial Situation and Performance Assessment in 2020

GROWTH WITH OUR SMES

In 2020, Garanti BBVA Factoring continued designing and developing new scoring systems to boost the number and volume of transactions, particularly in the SME segment.

Factoring Receivables

In 2020, Garanti BBVA Factoring has a market share of 6.27% with factoring receivables of TL 2.79 billion.

Asset Size

In 2020, Garanti BBVA Factoring has a market share of 0.06% with a total asset size of TL 2.91 billion.

Transaction Volume

In 2020, Garanti BBVA Factoring has a market share of 9.11% in the sector with a total transaction volume of TL 13.5 billion (USD 1.9 billion).

For the year, the company has recorded a domestic transaction volume of TL 9.92 billion (USD 1.39 billion); an export transaction volume of (USD 410 million); and import transaction volume of (USD 95 million).

With the advantage of having an extensive branch network, Garanti BBVA Factoring focuses on providing an uninterrupted and excellent customer experience through all channels by putting its customers at focus.

In 2019, Garanti BBVA Factoring served a total of 6.865 customers through its 11 branch locations across Turkey.

In 2020, Garanti BBVA Factoring continued designing and developing new scoring systems to boost the number and volume of transactions, particularly in the SME segment. The company aims to play a more active role in the presentation and sales of "Correspondent Guaranteed Factoring" and "Supplier Financing" products and increase its market share.

In 2020, intensifying its social media activities in a way to support customer communication, Garanti BBVA Factoring launched its website as an application channel. Customers who can view the products and details of the products connected to their accounts on the Garanti BBVA internet branch can also send checks to make factoring transactions through the internet branch. In this way, it is possible to shorten the process times and to increase the efficiency in internal processes in the digital environment.





6,865 customers

In 2019, Garanti BBVA Factoring served a total of 6,865 customers through its 11 branch locations across Turkey.

Added to Garanti BBVA Factoring's product range in 2013, the Collection Guarantee attracted great attention in the sector in 2020, as in previous years. The Company focused throughout the year on improving the Collection Guarantee product and added new export products into its portfolio.

The technological investments and related systemic developments in the field of Supplier Financing in 2020 are planned to continue also in 2021. With respect to the Commercial Collection Management, the Company will keep working on the Net Recommendation Score and Customer Satisfaction measurements in 2021, which were started in 2018 and continued in last years.

The risks created by the pandemic process experienced in 2020 are closely monitored by Garanti BBVA Factoring's professional and experienced team; are managed effectively with its expert staff and correspondent factoring companies. Thanks to its advanced technological infrastructure, Garanti BBVA Factoring, keeping up with the process very quickly, has once again demonstrated its pioneering identity in this field; has stood by its customers with its outstanding and uninterrupted service approach.

Garanti BBVA Factoring serves a large number of customers in the field of export factoring with the advantage of being a factoring company that has a widespread branch network among subsidiary



TL 9.92 billion

Garanti BBVA Factoring's domestic transaction volume is around TL 9.92 billion.

companies in the sector. According to FCI data, which is the most competent body of export factoring, of which more than 400 factoring companies are members, in 2020, the company performed 22.6% of Turkey's market share in correspondent guaranteed export factoring.

Taking into account the current period conditions, Garanti BBVA Factoring displayed proactive credit management in its business processes. In 2021, as in the previous year, it will continue to work on projects to develop an efficient and fast loan assessment process.

Garanti BBVA Factoring, internationally well-known for its strong relations management skills, provided cost-effective funding in the volatile environment in 2020 by diversifying the funding sources according to the market conditions. Focusing on factoring facilities of domestic and overseas trade to meet customer needs, the Company has deepened its relationships with partner banks and obtained financing for customers under favorable terms.

In 2020, Garanti BBVA Factoring issued discount bonds with a three to six-month maturity and total nominal value of TL 819 million offered exclusively to qualified investors via private placement. The Company also amortized bonds with a total nominal value of TL 234 million.

Financial Situation and Performance Assessment in 2020

INCREASED OPERATIONAL PERFORMANCE

Thanks to ongoing improvements and training support within Garanti BBVA Factoring, the Operations and Legislation Unit gained more experience. The Unit ensured the completion of transactions within the standard periods and quality levels with minimal operational risks, even during this high-risk period.

In 2019, Garanti BBVA Factoring's Operations Unit conducted 36.784 credit allocations and processed a total of 400.608 invoices. The Operations and Legislation Unit, which introduced structural changes in 2020, increased operational productivity. Thanks to

ongoing improvements and training support across the organization, the Unit gained more experience. It also ensured the completion of transactions within the standard periods and quality levels with minimal operational risks, especially in a high-risk period.

Garanti BBVA Factoring's Transaction Volume and Factoring Receivables on Sector Basis as of the year-end 2020

Sector Distribution of Transaction Volume

TL Thousand	Amount
AGRICULTURAL SECTOR	53,427
Agriculture, Livestock, Forestry	43,837
Fishery	9,590
MANUFACTURING SECTOR	6,448,687
Textile and Textile Products	1,418,003
Nuclear Fuels, Petroleum and Coal Products	1,400,515
Machinery and Equipment	549,292
Transportation Vehicles	539,066
Electrical Gas and Water Resources	520,627
Main Metal Industry and Processed Material Manufacturing	487,085
Chemistry and Chemical Products and Artificial Fiber Industry	318,300
Electrical and Optical Devices	210,243
Food, Beverage and Tobacco	189,824
Other Mines Excluding Metals	176,208
Rubber and Plastic Products	138,904
Extraction of Non-Energy Minerals	135,932

Manufacturing of Not Elsewhere Classified	135,807
Wood and Wood Products	117,374
Paper Raw Material and Paper Products	
Print-ing	76,728
Leather and Leather Products	26,531
Extraction of Energy Minerals	8,248
SERVICES SECTOR	7,027,448
Wholesale and Retail Trade Motorized Vehicle Services	5,504,737
Transportation, Warehousing, and Communication	713,448
Real Estate Agency, Leasing and Business Administration Activities	272,319
Construction	270,931
Other Public, Social and Private Services	215,877
Hotels and Restaurants (Tourism)	27,395
Healthcare and Social Services	19,980
Training	1,870
Defense and Public Administration Compulsory Social Security Institutions	891
GRAND TOTAL	13,529,562



TL 681 million

Manufacturing Sector factoring receivables are around TL 681 million.



TL 2.1 billion

Service sector factoring receivables are around TL 2.1 billion.

Sector Distribution of Factoring Receivables

TL Thousand	Amount*	(%)
AGRICULTURAL SECTOR	20.808	0.72%
Agriculture, Livestock, Forestry	17,328	0.61%
Fishery	3,480	0.11%
MANUFACTURING SECTOR	680,579	24.43%
Textile and Textile Products	114,532	4.13%
Nuclear Fuels, Petroleum and Coal Products	91,410	3.27%
Main Metal Industry and Processed Material Manufacturing	82,396	2.94%
Machinery and Equipment	55,634	2.01%
Chemistry and Chemical Products and Artificial Fiber Industry	55,211	1.97%
Food, Beverage and Tobacco	53,517	1.94%
Extraction of Non-Energy Minerals	45,295	1.61%
Electrical and Optical Devices	31,366	1.11%
Wood and Wood Products	30,243	1.08%
Manufacturing of Not Else-where Classified	28,759	1.04%
Rubber and Plastic Products	26,050	0.93%
Other Mines Excluding Metals	23,842	0.86%
Paper Raw Material and Paper Products Printing	15,751	0.57%
Transportation Vehicles	10,843	0.39%
Leather and Leather Products	7,861	0.29%
Electrical Gas and Water Re-sources	5,852	0.22%
Extraction of Energy Minerals	2,017	0.07%
SERVICES SECTOR	2,087,460	74.85%
Wholesale and Retail Trade Motorized Vehicle Services	1,706,849	61.25%
Transportation, Warehousing, and Communication	117,148	4.20%
Construction	91,420	3.27%
Real Estate Agency, Leasing and Business Administration Activities	79,395	2.83%
Other Public, Social and Pri-vate Services	78,216	2.80%
Hotels and Restaurants (Tourism)	7,200	0.25%
Healthcare and Social Services	6,424	0.22%
Training	808	0.04%
GRAND TOTAL	2,788,847	100.00%

* Including the net non-performing loans.

Information on GARFA Shares

PUBLIC COMPANY FOR 27 YEARS

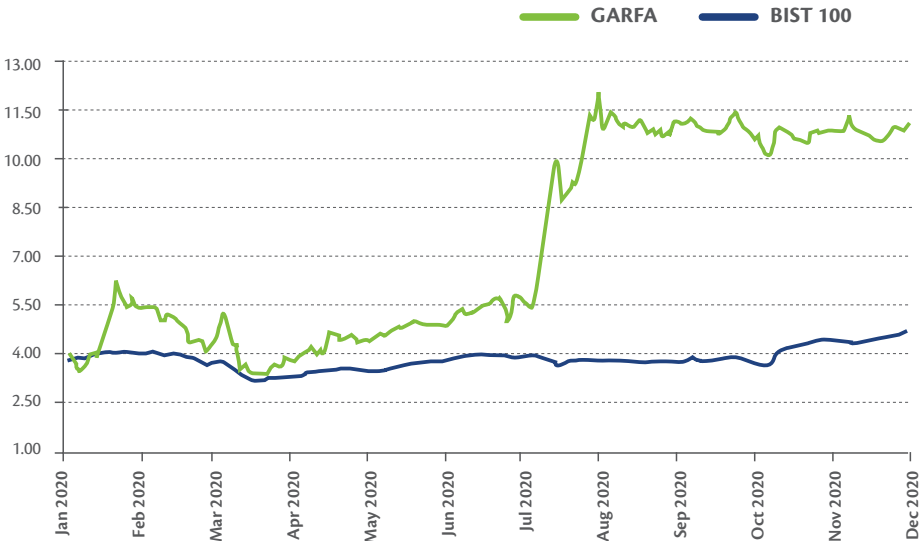
Garanti BBVA Factoring shares have been listed on Borsa Istanbul (BIST) since 1993, under the ticker symbol "GARFA."

Garanti BBVA Factoring shares have been listed on Borsa Istanbul (BIST) since 1993, under the ticker symbol "GARFA." ATTN: BORSA İSTANBUL A.Ş. As per the decision of the Board of Directors dated 10/09/2020 and the Capital Markets Board (CMB) dated 14/09/2020, some amendments have been made, to be effective as of 01/10/2020, in the market structuring in the Equity Market, the principles of trading in the markets and the criteria for transition between markets and the conditions for taking quotas. With the amendment made, GARFA stocks started to be traded on the Sub-Market.

In the January-December 2020 period, GARFA stock reached 13,55 – the highest closing price – while the transaction volume totaled TL 1.729 million during the same period.

Share Performance

BIST100 closing prices are indexed to GARFA price.



Credit Ratings

Global credit rating agency Fitch Ratings has affirmed the outlook and notes for the Company as follows:

Foreign Currency

Long Term	B+
Short Term	B
Outlook	Negative

Turkish Lira

Long Term	BB-
Short Term	B
Outlook	Negative

National

Long Term	AA(tur)
Support Rating	4
Outlook	Stable

The credit rating report can be accessed on the Garanti BBVA Factoring website (www.garantibbvafactoring.com) in the section "Credit Ratings" under "Investor Relations."

Corporate Governance Principles Compliance Rating

Garanti Faktoring places great importance on internalizing and implementing the Corporate Governance Principles throughout the organization. It is among a small number of companies that undergo Corporate Governance Principles compliance rating evaluations in the factoring sector. The Company's ninth "Corporate Governance Principles Compliance Rating" study was completed on August 17, 2020.

The report has been prepared by Kobirate International Credit Rating and Corporate Management Services Inc. (Kobirate) and shows that Garanti BBVA Factoring's Corporate Management Rating rose from 9.42 to 9.44 for the period August 17, 2020-August 17, 2021.

Companies rated in the range of "9-10" are defined as: "Corporate enterprises that comply with CMB's Corporate Governance Principles to a great extent; have established well-functioning internal control systems; are capable of detecting and actively controlling potential risks; fairly protect shareholder rights; embrace a transparent approach to public disclosures; equitably safeguard the rights of stakeholders; have a Board of Directors structure and operation methods that fully comply with Corporate Governance Principles; and companies that merit to be included in the BIST Corporate Governance Index in the event of a public offering."

The detailed report prepared by Kobirate is disclosed to the public on the Company's website (www.garantibbvafactoring.com) in the section "Corporate Management Principles Compliance Rating Reports" under "Investor Relations."

Board of Directors

Recep Baştuğ

Chairman of the Board of Directors

Recep Baştuğ graduated from Çukurova University Faculty of Economics and started his career at the Garanti BBVA Internal Audit Department in 1989. Mr. Baştuğ worked as Corporate Branch Manager from 1995 to 1999, as Commercial Regional Manager from 1999 to 2004, and as Commercial Banking Marketing Coordinator from 2004 to 2012. From 2013 to 2018, he served as an EVP of Commercial Banking and Consumer Finance. After assuming a variety of duties in the Board of Directors for one of the largest industrial groups of Turkey for a brief period, on September 6, 2019, Mr. Baştuğ was appointed as Board Member, President and CEO at Garanti BBVA. Mr. Baştuğ also serves as President of the Board at Garanti BBVA International N.V., Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Leasing, Garanti Payment Systems and Garanti BBVA Technology. In addition to these roles, Mr. Baştuğ serves as a Board Member of The Banks Association of Turkey and the Istanbul Foundation for Culture and Arts (IFCA) and as a Member of the Board of Trustees of the Teachers Academy Foundation. Mr. Baştuğ has 30 years of experience in banking and business administration.

Ali Temel

Vice Chairman/Credit Committee Member

Ali Temel graduated from Boğaziçi University Department of Electric-Electronic Engineering and started his career in banking in 1990 at a private bank. Mr. Temel joined Garanti BBVA in 1997 and, after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as Executive Vice President in charge of Commercial Banking between 1999-2001 and as Executive Vice President in charge of Loans between 2001-2012. On December 10, 2015, Ali Temel was appointed as the Chief Credit Risk Officer. Mr. Temel also serves as the Vice President of the Board at Garanti BBVA Leasing and Garanti BBVA Factoring, as a Board Member of Garanti BBVA S.A. (Romania) and as a Board of Trustees Member of the Teachers Academy Foundation. Mr. Temel has 29 years of professional experience in banking and business administration.

Aydın Güler

Board Member

Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti BBVA Fund Management Department in 1990. After working at different Head

Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management Reporting. Between 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed Executive Vice President in charge of Finance and Accounting. He is furthermore the Vice President of the Board of Garanti BBVA Fleet, and a Board Member of Garanti BBVA Leasing, Garanti BBVA Mortgage, Garanti BBVA Pension and Provident Fund Foundation and Garanti BBVA Pension and a Board of Trustees Member of the Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Assets & Liabilities Management, Financial Management, Financial Data, Performance Management and Budget Planning, Cost Management and Efficiency, Investor Relations, Financial Reporting and Accounting, Finance Projects, Tax Management, Purchasing Management and Credit Cards and Member Merchant Coordination.

Kaya Yıldırım

General Manager/Board Member

Kaya Yıldırım graduated from İstanbul University, Economics Department in 1987 and joined Garanti BBVA in 1989. After working for various sections and branches of the Bank, he served in Regional Manager positions after 2005. Since August 1, 2018, Mr. Yıldırım has served as a Board Member and General Manager of Garanti BBVA Factoring. Kaya Yıldırım has also served as a Board Member of the Association of Financial institutions since September 20, 2018.

Osman Bahri Turgut

Board Member/Corporate Governance Member

Osman Bahri Turgut graduated from Marmara University Department of Economics in 1990. The same year, Osman Bahri Turgut started his professional career at Garanti BBVA as Assistant Inspector, and served as Branch Manager, Vice Chairman of the Inspection Board, Commercial Loans Unit Manager, Internal Control Center Manager and the Head of Internal Audit and Control. He continues to serve as Chairman of the Garanti BBVA Audit Board. And he is also a member of the Board and Audit Committee of Garanti BBVA Leasing, Garanti BBVA Fleet; a Board Member of the Garanti BBVA Pension and Provident Fund Foundation and Garanti Culture; and a Member of the Audit Committee of Garanti BBVA Leasing, Garanti BBVA Consumer Finance SA and Garanti BBVA Payment Systems.

Cemal Onaran**Board Member**

Cemal Onaran graduated from Middle East Technical University Department of Public Administration and started his career as Assistant Auditor in Garanti BBVA at the Audit Committee in the same year. Between 2000-2007, he worked as the Regional Manager in various regions for Garanti BBVA in Istanbul. After the establishment of Garanti BBVA Mortgage in October 2007, he was appointed General Manager at Garanti BBVA Mortgage. After serving as the General Manager at Garanti BBVA Pension & Life from August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti BBVA in charge of SME Banking on January 1, 2017. Mr. Onaran is the Chairman of Garanti BBVA Fleet, Vice Chairman of the Board of Garanti BBVA Mortgage; a Board Member of Garanti BBVA S.A. (Romania), Garanti BBVA Leasing, Garanti BBVA Technology, Garanti BBVA Factoring, Garanti BBVA Pension, Garanti BBVA Pension and Provident Fund Foundation; and a Board of Trustees Member of the Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Onaran is in charge of SME Medium & Large Enterprise Banking and SME Small Enterprise Banking.

Selahattin Güldü**Board Member**

Selahattin Güldü obtained his undergraduate degree from Middle East Technical University in Public Administration in 1990. He started his career as Assistant Auditor in Garanti BBVA Internal Audit Department the same year. He worked as a Branch Manager from 1997-1999 and served as Regional Manager in several regional offices of Garanti BBVA in Istanbul between 1999-2018. Mr. Güldü has served as Executive Vice President in charge of Commercial Banking and Consumer Financing since April 5, 2018. He is also a Board Member of Garanti BBVA Leasing, Garanti BBVA Factoring and Garanti BBVA Fleet. With 29 years of experience in banking and business administration, Mr. Güldü is in charge of Commercial Banking Anatolia Marketing and Commercial Banking Istanbul Marketing.

Nihat Karadağ**Independent Member/Audit Committee Member/Chairman of the Early Detection of Risk Committee/Chairman of Corporate Governance Committee**

Nihat Karadağ graduated from Ankara University Faculty of Political Sciences Department of Economics – Finance and obtained his Master's degree from Istanbul University Faculty of Economics, Department of Money and Banking. He started his career as an auditor at Ziraat Bank and has served as Executive Vice President at Koç Consumer Financing and Card Services, Oyakbank, Ing Bank and OYAK. During 2009-2016, he served as a board member and chairman at various companies and institutions such as Akdeniz Kimya San. ve Tic. A.Ş., Ereğli Demir ve Çelik Fabrikaları T.A.Ş., İskenderun Demir ve Çelik Fabrikaları A.Ş., Hektaş Ticaret T.A.Ş., Oyak Yatırım Menkul Değerler A.Ş., Tuğtaş Gıda San. ve Tic.A.Ş., Halk Leasing Finansal Kiralama A.Ş., Atterbury SA (Luxembourg), Chemson Polymer Additives AG (Austria), Almatris B.V.(Netherlands) and Orfin Finansman A.Ş.. Mr. Karadağ is a member of the Finance Managers Foundation and the Chairman of the Professional Committee. He also holds an Independent Accountant and Financial Advisor License.

Serkan Çankaya**Independent Member/Audit Committee Member/Early Detection of Risk Committee Member**

Prof. Dr. Serkan Çankaya graduated from the Istanbul University Department of Business Administration and holds a postgraduate degree in Business Administration Informatics from the same university. He completed his Master's degree at the University of West Georgia, USA, and holds a Ph.D. in Finance and Banking from Kadir Has University. Mr. Çankaya, who first started his academic career at Kadir Has University, serves as the Manager of the Finance Institute at Istanbul Commerce University, Head of Finance and Banking Department in English and as a Board Member of the Economy and Finance Practices and Research Center. In addition to his main area of expertise, Behavioral Finance, Mr. Çankaya also lectures in financial mathematics, investment analysis, portfolio management, and conducts research activities in the area of sustainable finance.

Committees and Attendance at Committee Meetings

Audit Committee

The Audit Committee was established with the aim of assisting the Board of Directors to fulfill its oversight duties regarding the functioning and effectiveness of the internal control system. To achieve compliance with the accounting system, financial reporting, public disclosure, internal control system, independent external audit, laws, regulations and code of ethics, the Committee monitors and evaluates the Company's systems, processes and activities, and advises the Board of Directors if required. The Committee is convened at least four times every year and anytime necessary.

The Committee is composed of the Independent Members of the Board, Mr. Nihat Karadağ and Mr. Serkan Çankaya.

The tasks of the Committee are as follows:

Internal Control System:

- To evaluate whether the Company management shares the importance of the internal control with the Company employees, or not, and whether the Company adopts a suitable "control culture," or not,
- To get information about the periodical and process-oriented audit results performed by the Internal Control Unit regarding implementation faults and deficiencies,
- Similarly, receiving regular information on Company activities from units specialized in Compliance and Risk Management,
- At the detected in the audit activities performed by the T. Garanti Bankası A.Ş. Audit Board and other institutions, and inform the Company's Board of Directors about non-recovered findings, to oversee whether or not the Internal Control Unit fulfills its obligations stipulated in the Internal Regulations,
- To review the annual control plan prepared by the Internal Control Unit and the revisions made in these plans before the Board's approval,
- To approve the appointments of the Internal Control Unit personnel,
- To review the Internal Control Unit Regulation before the approval of the Board,
- To make the performance assessment of the Internal Control Unit and, when necessary, to receive the opinions of the Company General Manager in this regard,
- To monitor the decisions of the Top Management and the related units about the issues detected in the Internal Control reports,
- To evaluate the Internal Control Unit activity report on the control activities and the reports submitted to the Committee containing the results and assessments of the activities, pursuant to the provisions of Article 13/4 of the Regulation on Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies.
- To monitor the proficiency of the Internal Control Unit's staff structure and the current training, competency and expertise levels of the control personnel, and to take necessary measures to develop the control unit personnel efficiently in theory and practice.

Financial Reporting and Independent External Audit

- To oversee whether the Company's financial reports include all the information that is correct and that must be reflected whether they are prepared in compliance with the law and other relevant legislation and, moreover, to ensure that the detected faults and/or irregularities are corrected,
- To select the independent audit firm, to prepare the audit agreements and to start the independent audit process, as well as to supervise the independent audit firm's auditing activities at all stages.

Compliance with the Law, Regulation and Code of Ethics:

- To oversee:
 - i) the functioning of the internal systems, accounting and reporting systems within the framework of the law and relevant regulations, and
 - ii) the integrity of the information produced,
- To review the consistency of the Company's activities with the laws and regulations through the units reporting to itself,
- To oversee whether the Company's internal policies and implementation procedures approved by the Board of Directors are complied with and make suggestions to the Board of Directors regarding the necessary measures to be taken.

The Audit Committee convened 8 (eight) times in 2020. In these meetings, the Committee discussed the results of the periodic control activities conducted by the Internal Control Unit, and the Compliance Officer provided the information on compliance activities across the Company. Moreover, the Officer also provided information about the deficiencies detected during the audit activities by the T. Garanti Bankası A.Ş. Audit Board and other institutions.

Moreover, information were provided to the members of the Audit Committee about the results of the audit activities – performed by the independent audit firm (KPMG) – regarding the Company's financial data dated 31.12.2019, 31.03.2020, 30.06.2020, 30.09.2020, and about the prepared management recommendation letter.

Corporate Governance Committee

The Corporate Governance Committee was established with the aim of determining: i) whether the Corporate Governance Principles are implemented within the framework of the Corporate Governance Principles of the Articles of Association, legislation and the Capital Markets Board, and ii) the existence of possible conflicts of interest in the Company.

Corporate Governance Committee President is Nihat Karadağ and the members are Osman Bahri Turgut and Serap Çakır.

Under the structuring of the Board, the Corporate Governance Committee was established to perform the duties of the Nomination Committee and the Compensation Committee, as well. It undertook the tasks of these committees.

The tasks of the Committee are as follows:

- Monitoring the Company's compliance with the Corporate Governance Principles,
- Carrying out improvement activities on this issue and providing suggestions to the Board of Directors,
- Detecting conflicts of interest arising from non-compliance with the Corporate Governance Principles,
- Overseeing the activities of the Investor Relations Department.

Acting as the Nomination Committee:

- Creating a transparent system for the determination, assessment and training of the nominees of the Board of Directors and determining a policy on this issue,
- Evaluating the efficiency of the Board of Directors' structure,
- Determining and overseeing the approaches, principles and practices on the issue of performance evaluation and career planning of the Members of the Board and the senior executives,
- Submitting suggestions to the Board of Directors regarding changes that can be made regarding the Board of Directors' structure and efficiency.

Acting as the Compensation Committee:

- Preparing proposals about the compensation principles of the Members of the Board and the Executive Directors,
- Determining the criteria that can be used regarding the performance of the Company and the Members,
- Submitting proposals to the Board about the compensation of the Members of the Board and the Executive Directors.

The Corporate Governance Committee convened 3 (three) times in 2020.

Early Detection of Risk Committee

As per the Turkish Commercial Code n. 6102 and Corporate Governance Communiqué II-17.1 published by the Capital Markets Board, the aim of the Committee carrying out its activities within the structure of the Board of Directors is to effect early detection of risks that may endanger the existence, progress and continuity of the Company, to take necessary measures regarding the detected risks and to carry out activities with the purpose of risk management.

The Committee is composed of the Independent Members of the Board, Mr. Nihat Karadağ and Mr. Serkan Çankaya.

Committees and Attendance at Committee Meetings

The tasks of the Committee are as follows:

- In accordance with the risk management strategies, determining the risk management policies, implementation methods and systems in line with the opinions of the Board; and designing the effective internal control systems to ensure the implementation and compliance of these policies,
- Implementing necessary measures regarding the detected risks, carrying out activities for risk management and monitoring risk management practices,
- Requesting information, opinion and reports from the relevant units if deemed necessary, with the aim of performing the risk monitoring function effectively,
- Reviewing and evaluating the risk management system at least once a year,
- Informing the Board of Directors periodically regarding risk management practices,
- Fulfilling other duties that are assigned or that will be assigned to the Committee through relevant legal legislation.

Since its establishment in 2014, the Committee submits its report to the Board of Directors every two months.

Early Detection of Risk Committee convened six times in 2019. In these meetings, the Committee shared the reports – with the Members of the Board of Directors and the auditor– that it prepared regarding the issues such as; compliance with standard ratio and the 376th Article of TTK (Turkish Commercial Code), the status of the Company's foreign exchange position, the status of the problematic factoring receivables, cost-yield and maturity composition of the balance sheet, assets & liabilities composition and status of operational expenses (OPEX).

The tasks of the Committee and its working principles were determined and publicly announced on the Company website in the "Investor Relations Corporate Governance" section.

Assets Liabilities Committee

Assets Liabilities Committee consists of Senior Management, unit and regional managers.

The Assets Liabilities Committee is responsible for the improvement of the Company's balance sheet and monitors the achievement level of the budget targets by evaluating the Company's interest rate, currency, liquidity and operational risks. It regularly monitors the achievement of budget targets and ensures that the decisions to be executed by the relevant units are taken.

In 2020, the Committee convened 51 (fifty one) times by the General Manager to discuss and assess the specified issues weekly.

Credit Committee

The Credit Committee is composed of Ali Temel (Credit Committee Member) and Kaya Yıldırım (Member of the Board and the General Manager). Although Zeki Pekmezci (Executive Vice President) and Barış Uzmay (Executive Vice President) are not members of the Credit Committee, they are allowed to attend the meetings to present their opinions on loan proposals.

Garanti BBVA Factoring Board has transferred a certain part of its authorizations for loan allocation to the Credit Committee and Company General Manager. Loan proposals that are submitted to the Headquarters by the regions but that exceed the authority of the headquarters are presented to the Credit Committee which is convened once a week.

The Credit Committee examines loan proposals and concludes those that are within the scope of its authorization. The Committee submits the loan proposals that exceed its authorization limit to the Board for finalization.

Credit Processes Committee

The Credit Processes Committee is comprised of Kaya Yıldırım (General Manager), Zeki Pekmezci (Executive Vice President), Mert Ercan (Executive Vice President), Barış Uzmay (Executive Vice President), Hasan Okay Tuncay (Credits and Intelligence Senior Vice President), Nazan Aktaş (Organization and Process Development Senior Vice President), Emre Özmen (Credit Monitoring Senior Vice President), Nilgün Yılmaz (Operations and Legislation Senior Vice President), Eda Kayhan (Legal Affairs Senior Vice President) and Gamze Mert (Corporate and Commercial Marketing Senior Vice President). Regional Sales Managers also may attend the meetings if required, even though they are not members of the committee.

The Committee aims to create, develop and effectively manage loan processes that will enable correct and efficient analysis of the factoring requests and to respond to the need in a reasonable amount of time as prescribed by applicable laws and regulations.

IT Committee

IT Committee members are Kaya Yıldırım (Board Member and General Manager), Barış Uzmay (Executive Vice President), Zeki Pekmezci (Executive Vice President), Mert Ercan (Executive Vice President) and Nazan Aktaş (Unit Manager).

If deemed necessary, company managers and employees may attend the meeting although they are not Committee members.

The IT Committee was established to develop the Company's information technology road map by prioritizing IT needs, and to monitor compliance and evaluate deviations from approved priorities.

The committee convened once (1) in 2020.

In the meeting held in 2020, the Committee evaluated the ongoing projects and the projects with deadlines. Open projects with no planning are discussed to determine their priorities.



Senior Management



Kaya Yıldırım
General Manager and Member of
the Board of Directors
His resume is on page 34.



Mert Ercan
Executive Vice President
He is a graduate of Dokuz Eylül University, Department of Business Administration. He joined Garanti Bankası in 1999, where he worked as the Vice Chairman of the Audit Board. Since 15 March 2011, he has been an Executive Vice President of Garanti Faktoring A.Ş..



Memet Zeki Pekmezci
Executive Vice President
He is a graduate of Çukurova University, Department of Business Administration. In 1982, he began serving as İstanbul European Side 5 Regional Loans Manager of Garanti Bank A.Ş.. Since 1 October 2018, he has been serving as an Executive Vice President of Garanti Faktoring A.Ş..



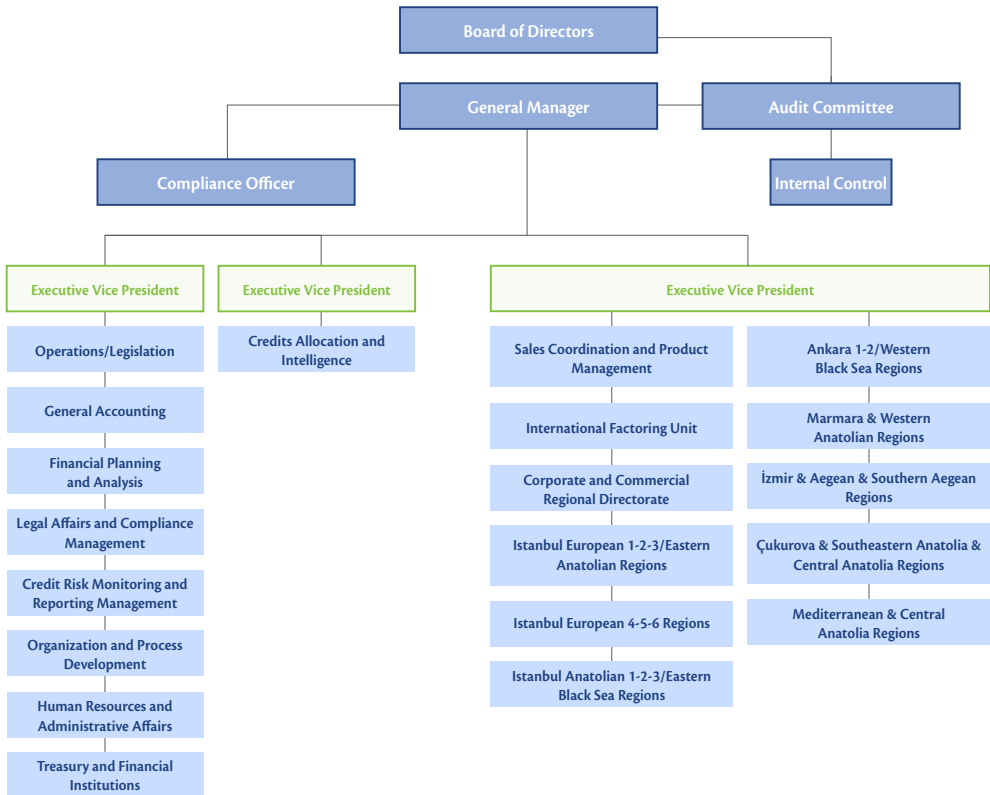
Barış Uzmay
Executive Vice President
He graduated from Koç University, Physics Department, and obtained his MBA at İstanbul Bilgi University. At Garanti Bank A.Ş., he served as Branch Manager at Altunizade Commercial Branch. Since 1 October 2018, he has been serving as an Executive Vice President of Garanti Faktoring A.Ş..

Organizational Structure and Organizational Structure Changes

Changes to the Organizational Structure

There was no change in the organizational structure between January 1, 2020 and December 31, 2020.

Organizational Chart



Chairman's Assessment

FAST SOLUTIONS SUITED TO NEEDS

Garanti BBVA Factoring supported customers in managing their cash flows during the pandemic process as well, and continued to contribute to the real economy via liquidity provided to the market.

Esteemed Stakeholders,

As the year 2020 ended under the shadow of the coronavirus pandemic, which emerged in China and spread worldwide, developments regarding the vaccination process on a global scale and a variant of the virus, first detected in the UK, came to the fore towards the end of the year.

An observation of the economic developments of the year show that the new stimulus package signed in the USA and cautious optimism regarding 2021 delivered new rises in stock markets in the last month of the year. As the year concluded with higher oil prices, a post-Brexit trade agreement was signed between the UK and the EU.

Economic activity in China continues to present a positive outlook. China announced that customs duty exemptions for six chemical and petroleum products imported from the USA will be extended for one year; the USA, meanwhile, announced that it had raised customs duties on some European Union products, due to the Boeing-Airbus dispute with the European Union.

According to the chained volume index, Turkey's economy recorded faster growth than expected, by 6.7% year-on-year in the third quarter. A positive outlook prevailed in the domestic markets, due to the effect of simplification steps taken by the BRSA and CBRT alongside the changes in economic management in November, and the Turkish lira began to gain value.

The factoring sector in Turkey also completed 2020 in a fluctuating course within the framework of the developments and measures taken to combat the coronavirus. A recession in the second quarter, especially notable after the intense demand of the first quarter, was replaced by a livelier market as of August. As the sector's receivable size reached TL 45 billion and its asset size reached TL 48 billion, Turkey continued to be one of the world's major players in the field of export factoring and, according to FCI data, ranked second after Taiwan.

While our country's export volume, of which approximately 65% is transacted as cash against goods, creates important potential for the factoring sector, correspondent guaranteed export factoring continues to be a useful product for enterprises that export via this method. With the extension of receivables collection periods during the pandemic period, the sector's provision of restructuring opportunities also helped customers regulate their cash and maintain a positive course of activities.

Garanti BBVA Factoring concluded a year in which its investments yielded positive results, both in financial results and in efficient and fast business processes, by continuing to invest in technology and human resources with the aim of being the sector's leading company in every field it operates.

In 2020, Garanti BBVA Factoring offered to customers a funding volume reaching TL 13.5 billion. In addition to offering funding opportunities, Garanti BBVA Factoring continued to provide structuring opportunities required by customers,



TL 48 billion

The asset size of the factoring sector is around TL 48 billion as of year-end 2020.

at all stages of the pandemic process, including periods when liquidity was tightened. During the Covid-19 pandemic, while supporting its customers in managing their cash flows, the Company also continued to support the real economy via providing liquidity to the market.

In 2020, the Company's SME receivables exceeded TL 900 million with growth of over 60%. Garanti BBVA Factoring, which maintains its asset quality while increasing the risks through comprehensive risk perception, has a robust balance sheet structure due to its high reserve ratio and prudent risk management processes. In 2020, the Company's growth performance and asset quality increased and profitability ratios were at satisfactory levels.

While business life and habits are changing rapidly due to the pandemic, the Company's primary priority has always been the health of our employees and customers. As a result of timely technological investments, we established – within one week – a remote work system to enable our employees to work from home, thus preventing any disruptions in business processes.

Continuing its technology investments at full speed in 2020 as well, the Company is able to respond to customer requests within a few seconds with credit ratings and pricing of its receivables through the credit assessment process integrated into the mobile application. In addition, all operational processes that do not require a human-generated decision have started to be restructured with robotic process automation (RPA).



In addition, development studies for the application – which can bring together buyers and suppliers in a digital environment – to perform supplier financing transactions were completed in 2020 and made available to our customers.

We anticipate that 2021 will be a year of growth for our country, our industry and our company. We believe that the recent steps towards simplification and normalization in the economy and calls for reforms will present a window of opportunity in the new order after the pandemic, making Turkey an attractive investment center. As Garanti BBVA Factoring, we will continue to contribute to the economy by expanding our participation.

On this occasion, I would like to thank all our stakeholders and our human resources for our steady growth.

Best regards,

Recep Baştuğ
Chairman of the Board of Directors

General Manager's Assessment

MAXIMUM CONTRIBUTION TO SUSTAINABLE GROWTH

Achieving growth above the sector average in its transaction volume in 2020, Garanti BBVA Factoring grew predominantly in domestic transactions and in the SME segment.

Esteemed Stakeholders,

In a period when the entire world experienced uncertainty at levels that could not have been predicted at the beginning of the year, Garanti BBVA Factoring concluded a successful year – a year in which it achieved its goals and contributed to the sector and our national economy. In 2020, while maintaining its pioneering position in Turkey's factoring sector, the Company continued to offer the rapid solutions required by commercial life at high quality and structured to meet the needs of its customers.

The Company increased its year-on-year transaction volume by 21% and reached a transaction volume of TL 13.5 billion. When we look at the sector, we see that the year-end transaction volume grew by 14% compared to 2019. Achieving growth above the sector in its transaction volume in 2020, Garanti BBVA Factoring grew predominantly in domestic transactions and in the SME segment.

Exceeding its growth targets in both factoring receivables and turnover criteria, Garanti BBVA Factoring reached the targeted levels in its profitability ratios by also managing the return-cost balance. In addition, the Company increased the share of SME customers in TL factoring receivables, which is one of its main targets.

The financial results show that we reached an asset size of TL 2.9 billion and factoring receivables of TL 2.8 billion as of year-end 2020. With equities reaching TL 213.6 million, Garanti BBVA Factoring achieved a net profit of TL 50.2 million and return on equity of 27%. Thus, it achieved growth of 32% in total assets and 34% in factoring receivables. Enhancing the capital base without compromising on asset quality, our Company concluded a successful year; collections were made and the year-end problematic receivables ratio remained at 4.52%, while keeping new entries to the non-performing loans portfolio very limited.

The effects of the coronavirus pandemic, which emerged in China in 2020 and quickly spread throughout the world, began to be felt with the emergence of the first case in our country and the start of a remote working process. The main impact of the Covid-19 pandemic has been the rapid change of working models and, alongside the more intensive use of technology in all processes, face-to-face meetings and interviews have moved online to a great extent. Garanti BBVA Factoring has adapted very quickly to this process – a return on its ongoing investments in technology and digital platforms – and continued all its business processes without any disruption.



TL 50.2 Million

Garanti BBVA Factoring's net profit for the period is TL 50.2 million.

Following the first coronavirus case in our country, we organized a remote working process for all head office employees in the middle of March, in a manner that seamlessly accommodated customer demands. The field teams in the regions also began a rotation system of working from the office. Any inadequacies in the equipment required by employees working remotely were identified and quickly resolved. Garanti BBVA Factoring, which has worked unceasingly since the beginning of the pandemic process, responded without interruption to the financing requests of its customers in line with their needs.

Thus, within a few days following that first case, our Company updated all its processes in accordance with the remote working system and seamlessly continued all its services. Online and remote conferencing methods were utilized in meetings with customers and suppliers and in internal meetings, saving time lost in transportation and ensuring that all work proceeded without interruption.

When we examine the factoring sector in terms of the effect of pandemic-related uncertainty regarding the credit markets, it was seen that there was an intense funding demand until the end of April. During this process, there was a growth in transaction volumes, particularly in SME factoring receivables, arising from increased demands. Although demand



shifted to the banking sector until the end of August, due to the credit regulations brought to the banking sector during the pandemic process, the transaction volumes started to move again in September.

Garanti BBVA Factoring continued its digital transformation process in 2020 at full speed. Currently, our customers can perform their factoring transactions in seconds, practically and securely, via the mobile application. Thanks to system-supported, reliable inquiry criteria, the risks of receivables are assessed and their suitability for financing is determined, and our customers are instantly responded to through the application. In 2020,

General Manager's Assessment

CUSTOMER SATISFACTION FOCUSED ACTIVITIES

Conducting activities in awareness with its responsibility to society, Garanti BBVA Factoring continued its social responsibility projects in 2020 with the Community Volunteers Foundation (TOG) and the Hope Foundation for Children with Cancer (KAÇUV).

Garanti BBVA Factoring also completed the rating of receivables calculation and pricing processes in the mobile application and made this available to its customers. Through the application, customers can learn at what price they can use financing for their invoiced receivables, and access financing within seconds.

As a continuation of the scoring model that started to be used last year, in order to increase operational efficiency in risk assessment processes, it was ensured that the controls currently carried out by employees on different screens are also carried out by the system. As well, Garanti BBVA Factoring integrated the scoring model into the mobile application to enable a more effective risk assessment via the app.

To increase operational efficiency, our Company aims to reconfigure all processes that do not require decision-making with robotic process automation (RPA-Robotic Process Automation), thereby raising efficiency and customer satisfaction. As of the end of 2020, the early warning systems of credit monitoring and operational works in reconciliation processes were transformed into robotic processes within this scope.

In 2020, the Supplier Financing product, which offers supplier companies the advantage of paying the provisions of their receivables prior to maturity and extending the payment term to the buyer companies, was also moved to a digital format. Thanks to the

supplier financing module put into use in 2020, suppliers can turn their buyer-approved receivables into financing by completing all the processes, a 10- to 15-minute activity. The transactions are entirely based on digital processes; uncertainties around financing approval or pricing are eliminated, thus shortening the operational processes considerably.

In 2020, Garanti BBVA Factoring raised its Corporate Governance Compliance Rating to 9.44, attesting to the importance the Company attaches to the Corporate Governance Principles published by the Capital Markets Board. In this context, our Company continues to observe the rights of its stakeholders and to carry out its activities within the framework of social responsibility principles, while maintaining financial development on a healthy basis.

Always conducting its activities in awareness of its responsibilities to society and the community, Garanti BBVA Factoring continued its social responsibility projects in 2020 with the Community Volunteers Foundation (TOG) and the Hope Foundation for Children with Cancer (KAÇUV). Within the scope of our ongoing scholarship fund project with TOG, we support the education of 16 students. The "Hopeful Boxes" Project, which we have been conducting for many years with KAÇUV, also continues. Our Company cares about providing support in these areas as much as we care about achieving our financial goals. We see these projects as a duty to our country and society.



TL 2.9 billion

Garanti BBVA Factoring has an asset size of TL 2.9 billion as of year-end 2020.



34%

Garanti BBVA Factoring achieved 34% growth in factoring receivables.

Garanti BBVA Factoring, aiming to maintain steady growth in the upcoming operating period, as in 2020, and to increase its business volumes in areas it deems profitable, directs its focus in this context especially on SME enterprises, in order to meet the increasing financing needs in domestic transactions, and on exporter customers in foreign currency-based transactions. We have set growth targets above the effects of inflation and gross national product. Achieving growth targets without compromising asset quality, we will steadfastly focus on supporting profitability by further increasing our effectiveness in monitoring and follow-up processes, by optimizing collections regarding the non-performing receivables portfolio, and by keeping additional provision expenses at a minimum level.

We hope that 2021 will be a year in which the coronavirus pandemic is defeated, its impact is reduced and we return to normalization. I would like to express my gratitude to our stakeholders for their full support to our Company during this activity year, as they have supported us since the day we were founded, and to our employees who have enabled us to maintain our leading position in the industry by achieving all our goals.

Best regards,

Kaya Yıldırım
General Manager



Factoring Sector Overview

STRONG ECONOMIC INDICATORS

As of the end of 2020, there are 5 factoring companies in Turkey, where the factoring sector has shown a rapid development with transaction volumes and number of customers, especially since the second half of the 2000s.



Factoring in Turkey

Factoring activities in Turkey began in the 1980s and were initially conducted by banks. Today, factoring companies are regulated by the “Financial Leasing, Factoring and Financing Companies Law No. 6361” published in the Official Gazette No. 28496 on December 13, 2012, and the “Regulation on the Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies No. 28627” issued by the Banking Regulation and Supervision Agency on April 24, 2013. As of the end of 2020, 55 factoring companies are operating.

Factoring is a financial transaction in which companies that sell products and services through forward contracts transfer their accounts receivable to a third-party financial company to ensure cash flow and secure their receivables. Factoring is basically defined as financing, guarantee and collection services.

In Turkey, a significant portion of domestic trade is forward transactions, while the cash against goods (open account transaction) payment method is widely used for export sales. Due to payment habits and methods in the Turkish market, trading companies rely on factoring to meet their need for cash and payment guarantee.



13%

The global factoring industry has expanded at an average annual rate of 13% over the last 25 years.



68%

Europe has a weight in factoring transactions with a ratio of 68%.

In our country, the factoring sector has developed quickly in terms of transaction volume and customer numbers especially since the second half of the 2000s. When the factoring sector became subject to supervision and inspection of BRSA in 2006, the industry became more institutionalized and transparent. In recent years, factoring has become an essential instrument in financial markets due to the increased popularity of factoring products as well as common channels to reach customers.

In 2016, the factoring industry strengthened its collaboration with Türk Eximbank. After obtaining access to Eximbank's export rediscount credits, which are extended to exporters, the factoring industry executed an agreement with Eximbank in 2016 to use insured receivables as additional collateral. Subsequently, factoring companies began to provide financing to exporters for their export receivables, which are secured under Eximbank's insurance policies

Additionally, in 2020, the Association of Financial Institutions has been developed the system infrastructure and the legal framework for the "Supplier Financing" product, which is planned to be launched next year.

Factoring Worldwide

Since the 1950s, several factoring companies providing advanced services have been established in many countries. However, the sector did not show much progress until the 1970s. Factoring became a reliable financing method after the oil crisis in 1973 for many enterprises who were seeking to expand their operations internationally under more challenging global trade conditions.

In line with widespread economic growth, a rebound in trade, better risk analysis, and more aware customers, factoring has today become a modern financing method for companies around the world. In parallel with the expansion of factoring into new industries and regions, the rapid rise in computer usage and technology advancements, the merger of independent organizations with large commercial banks, and the increased competition within the sector, the global factoring volume is increasing rapidly.

Today, we have a well-established factoring industry in more than 50 countries, particularly in Europe and the USA. The factoring transactions in Europe compose the majority with a 68% rate, followed by 20% in Asia and 9% in the USA.

The global factoring industry has expanded at an average annual rate of 13% over the last 25 years.

Research and Development

VALUE CREATED BY EXPERT STAFF

In 2020, Garanti BBVA Factoring has also integrated the scoring model into the mobile application in order to make a more effective risk assessment in the mobile application.

In order to increase customer satisfaction and productivity, Garanti BBVA aims to develop the internal organizational structures and business manner so that they can function more productively.

With the implementation of various projects in 2019, Garanti BBVA Factoring aims to improve the internal processes and to comply with the functioning of the sector and with the Garanti-BBVA consolidation procedures. The company has integrated productivity into its vision, which is to be one of the pioneers in the sector.

As a continuation of the scoring model that started to be used in 2019, in order to increase operational efficiency in risk assessment processes, it has been

ensured that the controls currently carried out by the employees on different screens are carried out also by the system.

The scoring model was also integrated into the mobile application in order to make a more effective risk assessment in the currently used Garanti BBVA Factoring mobile application.

Development studies of the web environment where buyers and suppliers can come together in a digital environment and perform supplier financing transactions have been completed and has also started to be used by the customers.

Investments

In the 2020 fiscal period, Garanti BBVA Factoring purchased tangible assets worth TL 221 thousand and intangible assets (software) worth TL 8 million thousand.



Risk Management Policies

OPTIMUM DISTRIBUTED CAPITAL

As part of the Risk Management activities, the Company periodically reviews its existing risk management models and organization.

Financial Risk Management Objectives and Policies

The purpose of the Garanti BBVA Factoring's risk management strategy is to ensure both the optimal allocation of capital and the growth by measuring the risks and considering the risk-return balance within the activities under the Risk Management Committee.

Within this scope, the main principles are; (i) Detecting and analyzing the risks according to the volume, characteristics and complexity of Garanti BBVA Factoring's activities; (ii) Complying with the international and local legal regulations; (iii) Maintaining the financial strength by monitoring and controlling risks in order to limit the impacts of potential adverse market conditions on the capital and revenues; (iv) Creating a risk culture within Garanti BBVA Factoring by creating risk transparency and awareness; (v) Ensuring the Company to assess the potential risks caused by newly developed products or services.

As part of the Risk Management activities, the Company periodically reviews its existing risk management models and organization. Existing policies are reviewed in light of changing economic conditions, risk appetite and institutional practices and new policies are introduced.

Thanks to defined risk appetite, Garanti BBVA Factoring determines risk levels that are acceptable and safe in order to realize the goals and strategies of the Board. The Company closely and regularly monitors risk appetite indicators and risk-based limits related to capital and profitability, which are also determined within the framework of risk appetite.

The Risk Management Committee, founded to monitor the policies and action plans, meets regularly during the year in accordance with the working principles.

Credit Risk

Garanti BBVA Factoring faces credit risks as per its subject of activity. In credit risk management, there are methods mainly focused on the pre-allocation and monitoring processes. The Company has an existing credit policy. Companies that lack credit allocation criteria cannot start a credit relationship with Garanti Factoring. The Credit Committee regularly meets, and all credit requests are considered on their own individual merit. There are also early warning systems in place, to monitor allocated credits. Within this framework, regular activities are carried out including customer credibility measurement. The Company has subcommittees in charge of credit processes and NPL management to ensure effective monitoring of credit risk.

Risk Management Policies

SUFFICIENT LEVEL OF FUNDING

A limit allocation is provided to appropriate buyer/seller side borrower companies that comply with the criteria determined and approved by the Garanti BBVA Factoring Credit Committee.

Activities performed in the allocation and monitoring stage of credit risk management can be summarized as follows:

During the credit allocation process, the Garanti BBVA Factoring Credit Committee gathers weekly, evaluates requests and makes decisions in accordance with the asset allocation limits. Additionally, other authorities with the delegation of allocation can perform credit allocations within the scope of their authority. The rating of receivables and the credibility of the seller, as well as the content of the trade, are prioritized during the analysis. There is a "limit expiry date" in the allocation of the current credit limits. The allocated limit is valid for a maximum of one (1) year. The decision-making authority reserves the right to amend the expiry date to a period of less than one (1) year for control purposes. During credit allocation analyses, there are two methods of credit risk determination and management:

1. Criteria-based limit allocation: A limit allocation is made to the appropriate buyer/seller side borrower companies that comply with the criteria which are determined and approved by Garanti BBVA Factoring Credit Committee. These criteria would be revised if necessary, depending on the market conditions, sectoral developments and the results obtained from the current allocation process. In the assessment of credit risk, credit analysis is performed by scoring method for SME qualified customers. If these criteria are no longer valid for a customer after the loan allocation, any other loan disbursements are stopped, and the risk liquidation process starts.

2. Standard analysis process: Credit allocations are made through the analysis made by the Credit Department within the scope of their limit.

During the credit monitoring stage, early warning systems are introduced for the monitoring of allocated credits. Additionally, necessary studies and customer credibility measurements are performed at regular periods. To this end, bad checks, overdue factoring receivables and invoices are monitored daily. If deemed necessary, customers undergo additional screening and intelligence processes.

With regard to undue allocated checks, buyer-based risk control is performed monthly on the total depositary as part of the intelligence process; certain buyers are inspected in terms of the concentration level. The Credit Allocation Unit analyzes the relevant inspection results and considers the new risk limits for the related companies.

The tracking of macro credits is reported weekly to the Assets Liabilities Committee, whereas the tracking of the customer/group, sectoral and geographical concentrations are monitored monthly and reported to the members of the Risk Management Committee.

Market and Structural Interest Rate Risk

Garanti BBVA Factoring uses hedging instruments in accordance with changing market conditions; meanwhile, market risks are managed via derivative transactions and risk-mitigating positions in line with treasury transaction limits approved by the Board.

The interest rates of the allocated credits, which are the main cost element of the Company, are subject to the impact of market fluctuations. Therefore, the Senior Management supervises and manages the maturity of debts in accordance with expectations for changes in market interest rates. Cash flow and liquidity risks are managed by monitoring the maturities of factoring receivables, bank credits and deposit accounts. Daily situation reports are compiled and submitted to the Senior Management together with the end-of-day open treasury transactions.

The risks of exchange rate fluctuations are also managed under the treasury transaction limits in accordance with defined limits for end-of-day open positions, and the Senior Management is provided with situation reports for these positions.

Liquidity Risk

The purpose of liquidity risk management is to avoid cases in which the Company fails to fulfill payment obligations due to a lack of funding.

During the liquidity management process, measures and implementations are defined in accordance with the usual economic conditions and stress conditions.

The liquidity management policy of Garanti BBVA Factoring is to sustain the current funding and to provide adequate funding that will meet claims for the financing of receivables and any potential liquidity shortage.

Garanti BBVA Factoring builds the risk management system as an essential part of its risk management strategy. The Risk Management Committee considers the Company's situation, and the global economy and legal environment while achieving its defined objective.

Among the risk management system components of Garanti BBVA Factoring, there is the general risk framework, consisting of risk levels and types that the Company can undertake to maintain its strategic plans with no essential deviation even during stressful periods.

Garanti BBVA Factoring has a liquidity and funding risk monitoring framework that comprises qualitative and quantitative elements. The Risk Management Committee ensures that the defined metrics are the key elements of the decision-making process in liquidity and funding risk management.

The essential metrics are as follows:

- i. Liquidity and Funding Risk Limit:** This metric aims to reduce the dependence on short-term funding and markets with a more sensitive risk perception through a proper diversification in the wholesale funding structure. This aim is set by defining the maximum level for net short-term funding.
- ii. Prospective Metrics:** These metrics are established to detect potential threats in advance, and to take preventive management actions to control these threats when applicable. Prospective metrics are as follows:

Risk Management Policies

SOLID LIQUIDITY PROFILE

As part of anti-money laundering and combating the financing of terrorism measures, activities are carried out within the jurisdiction of the Compliance Officer to ensure conformity with national and international regulations.

- **Stress Test:** It is crucial to project the metrics in different scenarios to assess the solidity of the liquidity profile. Predictions for liquidity and funding structures help the Bank identify the potential deviations from the strategic plans and limits. Stress test analyses are utilized for the development of the Liquidity Urgent Action Plan, as well as the identification of measures to reduce the risk.
- **Early Warning Signals:** These key indicators ensure the detection and prevention of potential liquidity stress conditions.

Operational Risk

All the operational risks within the Company are managed under the supervision of the Board, Audit Committee, Risk Management Committee and Early Detection of Risk Committee. The aim is to define, assess, monitor and control/reduce the risk elements. Each Unit is accountable for the monitoring and control of operational risks within that Unit and is responsible for reducing the risks by taking necessary actions. The ultimate responsibility lies with the relevant Senior Management.

To establish an efficient internal control system, the Company conducts the required organizational arrangements, implements viable communication and information systems, and establishes the supervisory function. The Company manages operational risks with a triple line of defense. The first line comprises the units of experts conducting the activity. Consisting of control functions, the second line is in charge of monitoring and proposing controls, as

well as developing and implementing the relevant monitoring/control instruments. The third line is the Garanti BBVA Directorate of Audit Board.

Emergency and Business Continuity management procedures are adopted to protect the reputation of the Company, to fulfill its legal obligations, and to fulfill customers' needs even under adverse conditions. Persons responsible for the implementation of the emergency and contingency plan are also designated.

As part of anti-money laundering and combating the financing of terrorism measures, activities are carried out within the jurisdiction of the Compliance Officer to ensure conformity with national and international regulations.

The Garanti BBVA Directorate of the Audit Board and Internal Control Department conducts monitoring regularly. The aim is to assess whether the internal control system is functioning smoothly and that the operational risks are effectively taken under control. The internal control system includes the following: systemic controls; the controls made by employees during the ordinary course of business; organizational structure; and delegation of authorities and responsibilities, as well as the control environment related to the risk notion in general terms.

Monitoring activities can be conducted in a computer-aided manner utilizing the Company's system infrastructure located at its headquarters or

these activities can be performed conventionally via 'on-site inspections' at the location where the operational risk has occurred.

In performing legal risk management, transactions performed by the Company are inspected parallel to the laws and the Company's internal policies and rules and confirmed to comply or not.

Systemic or procedural limits are applied to enhance the control environment in various fields of activity. These limits are set to restrict operational risks by considering certain matters, such as the importance of the work for the Company, the risk involved and the size of the loss it may cause, and the qualifications of the employee in charge of the transaction. These limits are evaluated periodically and updated in accordance with needs. The operational risk-related limits are managed by identifying and approving the non-conformities of the following authorities with the credit allocation process and competences: the signatory list authorities, the payment and transfer authorities, the accounting transaction authorities, and the purchase, sales and expense related authorities. Additionally, the Operational Risk Losses/Gross Income indicator, which is one of the risk management metrics, helps to monitor the actual losses. The Risk Management Committee reports potential exceeding to the Board.

Operational risks are reported to the Audit Committee and, if necessary, to the Early Detection of Risk Committee, by the Internal Control Department.

In addition, the relevant lines of business and units are responsible for reporting the operational risks of their activities to the relevant Senior Management and the Risk Management Committee.

Reputational Risk

All employees of the Company and, ultimately, the Board, are responsible for the protection of the Company's reputation. The Human Resources Department, the Compliance Officer and the Internal Control Department define the ethical principles that regulate the behaviors and business relations of employees and monitors the compliance thereof. The Company avoids any transaction and activity that may pose a reputation risk in the eyes of the authorities, customers and other market players and, thus, acts with the utmost care for the benefit of society, environment and humanity. The Company carries out all transactions and activities in full compliance with applicable laws and regulations, and Corporate Governance Principles, as well as social, ethical and environmental values and principles.

The documents, "Ethics and Integrity Principles" and "Prevention of the Abuse and Unethical Behaviors Policy," are shaped by input from the Human Resources Department and the Garanti Bank Compliance Department. These documents aim to regulate the behaviors and business relations of the Company's employees. Dedicated to its Corporate Management Principles, the Company pays strict attention to the implementation of those Principles. It also keeps the Annual Report and website updated per the Corporate Management Principles.

Assessment of the Internal Control and Risk Management Systems by the Audit Committee

The Company's fundamental and essential principles include the following: the active supervision by the Board and Company's senior management; the establishment and monitoring of the relevant Company policies; the measurement, assessment and reporting of the risks in a timely, accurate and impartial manner; and the establishment of a sufficient and effective internal control system.

Therefore, the Internal Control Unit has done the following:

- The Unit has conducted the control activities to ensure that company activities are carried out in a regular, efficient and effective manner in compliance with the legal regulations and the strategies and policies set by the Board.
- Within the scope of the control plan in 2020, the Unit has performed the control actions to measure the efficiency of the internal control systems and regularly reported the results to the Company Senior Management and Audit Committee.

In 2020, the Audit Committee and the Board supervised the sufficiency and efficiency of internal control and risk management systems. These systems including the accounting and reporting systems have been also monitored within the framework of the applicable regulations. In 2021, the Audit Committee and the Board will continue to supervise the sufficiency and efficiency of risk management and internal control systems in line with the Company strategies and activities.

Nihat Karadağ
Board Member
Member of the Audit Committee

Serkan Çankaya
Board Member
Member of the Audit Committee

Information on Direct and Indirect Subsidiaries and Respective Share Ratios

Garanti Faktoring A.Ş. has neither direct or indirect subsidiaries nor any respective share ratios as of December 31, 2020.

Information on Acquired Shares

As of December 31, 2020, Garanti Faktoring A.Ş. has not acquired any of its shares.

Information on Private Audit and Public Audit

The Company did not undergo any private audits in 2020.

Garanti Faktoring A.Ş. Lawsuits Filed Against

During the 2020 fiscal period, there were no lawsuits brought against Garanti Faktoring A.Ş. that might affect the financial position and operations of Garanti BBVA Factoring.

Information on Administrative or Legal Penalties Imposed on Garanti Faktoring A.Ş. and/or Board Members

During the 2020 fiscal period, there were no lawsuits brought against Garanti Faktoring A.Ş. that might affect the financial position and operations of Garanti BBVA Factoring.

Previous Period Budget and Performance Assessment

While the factoring receivables of the sector increased by 31% in 2020 and reached TL 44.56 billion, the total receivables of Garanti BBVA Factoring increased by 33.7%.

While the year-on-year total assets in the sector increased by 29.8%, Garanti BBVA Factoring's year-on-year total asset balance increased by 32.3%.

As of the end of 2020, non-performing loans coverage ratio was 90.41%, and the ratio of non-performing receivables was 4.5%.

Despite the Covid-19 effect, exchange rate shocks and the resulting interest rate increases experienced in the markets during the year, thanks to its robust financial structure and convenient funding composition, Garanti BBVA Factoring was affected by the interest rate increases experienced in the markets at a minimum level and achieved a net interest margin of 3.82%.

Asset (TL million)	2019	2020
Cash Assets and Banks	12	12
Factoring Receivables	2,090	2,794
Other	3.9	6.3
Total Assets	2,202	2,913

Liabilities (TL million)	2019	2020
Funds Borrowed	2,005	2,088
Bond Issue	-	582
Other	7.1	7.7
Shareholder's Equity	164	214
Total Liabilities	2,202	2,913

Net Profit (TL thousand)	2019	2020
Net Interest Income	111,722	111,284
Other Income	(37,845)	(11,699)
Operating expenses	(51,384)	(49,435)
Net Profit	24,438	50,150

Growth Rate (%)	Garanti BBVA Factoring	Factoring Sector
Average Assets	19.6%	16.1%
Average Factoring Receivables	22.1%	18.6%
Average Equity	13.6%	14%
NPL Ratio	67.7%	34.1%
Number of Total Factoring Employees	-6.2%	-4%

Profitability Ratios (%)	2019	2020
Average Return on Assets	1.47	2
Average Return on Equity	14.95	26.99
Operating Income/Average Assets	17.9	12.3
Operating Expenses/Average Assets	2.42	1.97
Net Interest Margin	5.45	3.82
Coverage Ratio	95.8	104.1

Donations and Aid Granted in 2020 - Social Responsibility Projects

DEVELOPMENT OF INDIVIDUAL AND SOCIETY

Garanti BBVA Factoring donated a total of TL 91,476 in 2020. Of those funds, TL 47,916 was donated to the Community Volunteers Foundation, TL 43,560 to the Hope Foundation for Children with Cancer (KAÇUV) and TL 300 to the Turkish Educational Foundation.

As per its corporate social responsibility principles, Garanti BBVA Factoring provides aid and donations to, but not limited to, individuals, non-governmental organizations, associations and foundations, state institutions and organizations in the fields of education, culture, art, the environment and sports, within the scope of the following principles.

In line with its mission, policies and Code of Ethics, the Company provides aid and donations in areas that will enhance both individuals and society. The Company may also provide in-kind or cash donations to natural or legal persons, including customers, for the promotion of its corporate identity or in recognition of factoring activities.

In compliance with the Financial Leasing, Factoring and Financing Companies Law No. 6361, Donations and Aids Policy principles and the governing legislation codes, the Company submits all donations and aid for the relevant period to the General Assembly Meeting within the relevant year as a separate agenda item and shares this information with the public in the Annual Report.

Garanti BBVA Factoring donated a total of TL 91,476 in 2020. Of those funds, TL 47,916 was donated to the Community Volunteers Foundation, TL 43,560 to the Hope Foundation for Children with Cancer (KAÇUV), and TL 300 to the Turkish Educational Foundation.

Moreover, in 2020, the Company provided scholarships to 16 students via the Garanti BBVA Factoring Scholarship Fund, formed within the Community Volunteers Foundation.

CO-OP Project

Under the eleventh edition of Bahçeşehir University's CO-OP Project, "Garanti BBVA Factoring: The World of Receivable Finance" classes continued during the spring semester in 2020. The Company's managers delivered 30 hours of classroom training on the sector to the students of Bahçeşehir University for a total of nine weeks during the spring semester. Furthermore, students also actively participated in customer visits over the course of three weeks. As in previous years, students showed great interest in the program in 2020.

Environmental Practices

To support recycling within the Company, garbage bins were removed from the desks in the head office and separate waste bins for paper, plastic and other wastes were placed at specific points on the floor.

Human Resources and Training

Considering human resources as its most valuable asset, Garanti BBVA Factoring acts with the understanding of being a success and productivity-oriented organization. The Company is open to continuous improvement and strives to ensure that employees are happy, satisfied and the leaders of their own business. In addition, the Company rewards success within measurable performance criteria, aiming to increase employee loyalty and commitment.

With its distinctive, qualified and dynamic workforce, Garanti BBVA Factoring had 121 employees as of December 31, 2020.



1,891 hours of training

Garanti BBVA Factoring provides all employees with the opportunity to participate in trainings in order to improve their technical, professional and personal competencies. In 2020, the Company organized 21 in-class trainings and 36 online trainings. A total of 1,891 hours of in-class and online trainings were delivered; the annual average training period per employee was 15.63 hours.

The topics of the training programs organized in 2020 included technical and professional programs such as Financial Analysis, Advanced Excel, Recent Economic Developments, Balance Sheet Analysis Techniques, Non-performing Loans and the Personal Data Protection Law, as well as personal development programs such as Stress Management, Relationships within the Team, Persuasion and Managing Conflict, Improving Management Skills, Advanced Presentation Skills, Personal Leadership Skills, Creative Drama in Communication, Accurate and Influential Speech, Personal Motivation, Analytical Thinking and Decision Making. In 2020, in-class English trainings were provided to employees according to their own levels; the in-class trainings were suspended after March, due to the pandemic. For 2021, development studies for a group-wide online language platform have been initiated.

At Garanti BBVA Factoring, a fundamental principle of the human resources policy is to assign managerial staff from within the Company by prioritizing internal promotion. In 2020, all the promotions at manager level were drawn from the Company's own employees.

The purpose of the recognition program is to reward employees who "make a difference," in line with the Company's goals and strategies, in selected categories, and to create an awareness of excellence across the organization. In this regard, three employees received awards in various categories in 2020.

Distribution of Employees by Gender (%)

Male	43
Female	57

Average Age of Employees

Male	39
Female	37

Education Level (%)

Elementary School	1
High School	7
Associate Degree	8
Bachelor's Degree	82
Master's Degree	24

In-class and On-The-Job Training Provided to Employees (Hours)

Per Person	16
Total	1,952

Information on Group Companies

a) Garanti Faktoring A.Ş.'s Legal Transactions With the Holding Company or an Affiliated Company of the Holding Company or For the Sake of the Holding Company or an Affiliated Company through the Guidance of the Holding Company, and all the Other Measures Taken or Avoided in Previous Year of Activity For the Sake of the Holding Company or Affiliated Company are as follows:

Transactions realized with the parent company and its subsidiaries are ordinary commercial activities; there is no transaction, or any measure taken or avoided in favor of the holding company or its subsidiaries, with or without the direction of the parent company.

The Commercial activities with the controlling and affiliated companies are explained starting from page 147 of this report with the footnote n.24 of the Financial Statements of Garanti Faktoring A.Ş. as of December 31, 2020.

b) As for Garanti Faktoring A.Ş.; When the Legal Transactions are Done or the Measures are Taken or Avoided; Whether There were any Appropriate Counter-Action in Each Legal Transaction As Per the Terms and Conditions to the Best of Their Knowledge; Whether the Measures Taken or Avoided Has Damaged the Company; If Any, Whether It has Been Compensated or not:

Accordingly, there was the counter-action for the legal transactions within the scope of the commercial activities defined in appendix No. (1) of sub-clause (a); however, there were no measures taken or avoided, thus, no damage was present.

Amendments to the Articles of Association

There is no Articles of Association Change within 2020.

Regulations on Factoring Legislation

The decision of the Banking Regulation and Supervision Agency numbered 9312 and dated 08.12.2020 is given below.

In a period of high uncertainties and risks in global markets due to the pandemic, in order to support the real sector, bank customers and banks, some of the Board Resolutions and instructions that were made in the past, which made some temporary arrangements in some obligations to be fulfilled by banks, were re-evaluated. As a result of this re-evaluation, it has been decided that it would be appropriate to extend the said regulations for the same purposes in the current period, in which the possible effects of the pandemic continue, and within this framework, the following are decided until 30.06.2021.

- Based on the decision of BRSA numbered 8948 dated 17 March 2020, 90 days delay for the classification of nonperforming loans in the scope of the fourth and fifth articles of Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans can be applied for 180 days and the provisions to be set aside for loans, which are still classified in the Second Group despite the 90-day delay may continue to be allocated according to their own risk models used by banks in the calculation of expected credit loss under Turkish Financial Reporting Standards (IFRS) 9.
- Based on the decision of BRSA numbered 8950 dated 19 March 2020, the 90-day delay period specified in subparagraph (a) of the first paragraph of Article 6 and the sixth paragraph of the same article of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies can be applied as 180 days, also valid for companies that allocate expected credit losses within the scope of IFRS 9 and as 240 days by the financial leasing companies; and the receivables not transferred to "Receivables to be Liquidated" account despite 90 days delay, the companies may continue to make provisions according to their own risk models.

Article 13 of Law No. 7247 on Amending Certain Laws and Decree Laws published in the Official Gazette dated 26 June 2020 and numbered 31167 and the second paragraph of Article 38 of Law No. 6361 have been amended as follows.

The factoring agreement is issued as a distance contract by using written or remote communication tools or whether it is a distance contract or not, in such a way that BRSA determines that it can replace the written form, drawn up over an information or electronic communication device through methods that allow the authentication of the customer. BRSA is authorized to determine the procedures and principles regarding the implementation of this paragraph.

With an addition to Article 42 Paragraph 3 of the Capital Movements Circular;

In the event of irrevocable acquisition of receivables that have arisen or will arise in foreign currency in factoring related to domestic trade transactions by banks and factoring companies, it is regulated that the transaction will not be considered as a foreign currency loan and regardless of the compliance with the rules stated in article 14 of the circular, to transact by notifying the risk center.

With this regulation, it has been easier for companies with domestic foreign currency receivables to access foreign currency loans.

Important Events that Occurred after the End of the Operating Year

No developments of special importance took place after the end of the operating year.

Remuneration of Board Members and Key Executives

The net payment amount provided/to be provided to the key managers of Garanti BBVA Factoring in the fiscal period expired on December 31, 2020 is TL 3.633 (thousand).

Garanti Faktoring A.Ş. Profit Distribution Policy and Information Regarding Profit Distribution

Garanti Faktoring A.Ş. (Company) Profit Distribution Policy was determined; within the framework of the Turkish Commercial Code, Capital Market Law and Capital Markets Board legislation, regulations and decisions and the relevant provisions of the Tax Procedure Law; and in line with the Corporate Governance practices, our Company's strategies and financial plans; and by considering the economic situation of the country and the sector and by maintaining the delicate balance between our shareholders' expectations and our Company's requirements.

Our Company determines the dividend amount, dividend distribution ratio and dividend payment method (cash and/or scrip issue), within the framework of the relevant legislation and Articles of Association provisions and in line with the General Assembly decisions.

There are no privileges in our Company's profit distribution, and without per diem deduction, profit is distributed to all shares equally as of the date of distribution.

Dividends can be paid in equal or varying installment amounts provided that a decision is taken at the General Assembly Meeting that decided to make a profit distribution. There are no regulations in our Company's Articles of Association stipulating advanced dividend payments.

In case the Board of Directors makes a proposal to the General Assembly not to distribute any profit, information regarding the reasons of this situation and the method to use the non-distributed profit is included in the agenda item on profit distribution and is submitted to the shareholders' approval at the General Assembly Meeting. This information is also publicly announced in the annual report and on our Company's website.

In case an amendment is made to the profit distribution policy, the policy will be presented to the approval of the shareholders at the General Assembly Meeting, and the Board of Directors decision and reasons regarding this amendment are publicly announced within the framework of the regulations of the Capital Markets Board Communiqué on "Disclosure of Material Matters" on the Company's website.

According to the financial statements of our company for the 1 January 2019 - 31 December 2019 accounting period, prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/ TFRS) and with the mandatory formats determined by the Capital Markets Board under its "Communiqué on the Principles Regarding Financial Reporting in the Capital Markets" No. II 14.1 and audited by KMPG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (independent auditor); it has been decided, pursuant to the principle of "determination and distribution of profit" regulated in our company's articles of association and by considering the deferred tax effect of TL 6,592,651.28 calculated from the profit for the year 2019, to transfer the net profit for the period amounting to TL 24,438,427.38, remaining after deducting tax provision from the 2019 profit of TL 31,031,078,66, to the legal and extraordinary profit reserves accounts and thus to keep it within the company; and to transfer the amount of 16,029,970.22 Turkish Liras that occurred due to the first transition to the application of TFRS 9 Financial Instruments Standard as of January 1, 2019 and classified under the item "Previous Year Profit/Loss" to extraordinary reserves account.

Transactions with Related Parties

Garanti BBVA Factoring's related party transactions are specified in footnote n.24 of the financial statements of Garanti BBVA Faktoring as of December 31, 2020 on page 147 and onwards.

Corporate Governance Compliance Report

Corporate Governance Principles Compliance Statement

Garanti Faktoring A.Ş. (Garanti BBVA Factoring), (Company) is the follower and implementer of the Corporate Governance Principles published by the Capital Market Board (CMB). Our Company has adopted full compliance with the Corporate Governance Principles stipulated in the Law and has got a corporate governance approach based on transparency, equality, responsibility and accountability. Our Company complies with the compulsory Corporate Governance Principles stipulated in the Corporate Governance Communiqué II-17.1 and adopts the principle of implementing the non-compulsory Corporate Governance Principles that would not have an impact on our Company's competitive power, trade secrets and on the information that will create opportunity inequalities between the shareholders and stakeholders.

The annual agreement with KOBIRATE A.Ş. (Kobirate International Credit Rating and Corporate Governance Services Inc.) was signed on June 19, 2020, to register our Company's practices regarding compliance with

the Corporate Governance Principles. As a result of the ninth term rating study conducted by KOBIRATE A.Ş., our company's CMB Corporate Governance Principles Compliance score increased from "9.42" to "9.44."

This result indicates that Garanti BBVA Factoring has largely complied with the Corporate Governance Principles published by the Capital Markets Board. Possible risks for the company have been identified and can be controlled. The rights of the shareholders are protected reasonably. Public disclosures and transparency are superior. The rights of the stakeholders are safeguarded in an equitable manner. The Board's structure and business conditions comply with the corporate governance principles. However, some minor improvements with no major risks are required within the corporate governance principles.

The details of the Corporate Governance Principles rating scores in major topics are given below in a comparison to the previous periods;

		1 st Period	2 nd Period	3 rd Period	4 th Period	5 th Period	6 th Period	7 th Period	8 th Period	9 th Period
CMB Corporate Governance Principles Compliance Rating	Weight	83.60	87.00	89.00	91.50	92.60	93.21	93.85	94.15	94.40
Shareholders	25%	81.94	86.54	87.70	92.02	92.02	92.70	92.70	92.70	92.70
Public Disclosure and Transparency	25%	86.67	89.19	93.51	96.51	97.67	97.67	99.00	99.00	99.00
Stakeholders	15%	84.62	88.42	88.90	90.90	90.90	92.93	94.95	96.98	96.98
Board of Directors	35%	80.33	85.12	86.86	87.74	90.01	90.52	90.52	90.52	91.22

On the Noncompliant Principles;

Despite the intent for full compliance to the Corporate Governance Principles, non-conformity has been achieved due to the differences between the following principles and the sector and the organizational structure of the Company. No conflicts of interest have been caused between the Company and stakeholders because of the noncompliant corporate governance principles.

There is no compliance with the principle n. 1.3.11. Shareholders or their attorneys are allowed to attend the General Assembly Meetings. Shareholders are allowed to attend the Ordinary General Assembly Meeting in-person physically or electronically as well as through their attorneys. The shareholders who cannot attend the meetings either physically or electronically shall compose the letter of attorney to depute, someone, in accordance with the sample letter obtained from our headquarters or website

www.garantibbvafactoring.com, and shall submit the signed and notarized copy as per the CMB's "Communiqué on Voting By Proxy and Proxy Solicitation" n. II-30.1.

There is no compliance with the principle n. 3.2.1. No written internal regulation or practice is available in terms of employee participation in the management.

There is no compliance with the principle n. 4.3.9. As for the determination of the members for the Company's board of directors; the members of the Board consist of the related Executive Vice Presidents and General Manager of the principal shareholder, namely, T. Garanti Bankası A.Ş. Therefore, the senior managers of T. Garanti Bankası A.Ş., who are in charge of the selections and changes of the Company's board members, are also designated as the member of the Company's board. In the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy as well.

There is no compliance with the principle n. 4.5.5. Each member of the Board is assigned to more than one committee due to the number of the Board members.

There is no compliance with the principle n. 4.6.1. The presentations related to the activities of the committees in which the Board members participated are discussed and evaluated in the Board meetings. The matters, such as the actions to be taken, areas to be improved, etc., are determined in the Board meetings and are followed up. No further performance assessment is carried out in addition to the specified matters.

There is no compliance with the principle n. 4.6.5. The annual wages paid to the independent members of the board are detailed in the annual report. The Members of the Board of Directors are not given any honorarium. The wages paid to the senior management and the executives with managerial responsibilities are shared in sum in the general assembly meetings and annual reports.

On the Partial Compliance Principles;

There is partial compliance with the principle 1.5.2. There is the following provision in Article No. 17 of the Articles of Association: "The minority rights shall

be exercised by the shareholders holding at least one-twentieth of the capital. The shareholders holding at least one-twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per the Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude." All shareholders are equally informed without any discrimination, and investor relations practices are equally conducted.

There is partial compliance with the principle 3.1.3. Some parts of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/ Corporate Governance section.

3.2.2. Our Company organizes vision meetings including the General Manager presentation with the participation of all employees every year. With periodical regional budget and performance meetings and weekly assets/liabilities committee meetings, information on the Company's progress is provided, suggestions are communicated and developments are followed.

Within the scope of Garanti BBVA Factoring Sustainability Compliance Framework;

as part of the Communiqué (II-17.1.a) on the Amendment of the "Corporate Governance Communiqué (II-17.1)" published in the Official Gazette dated 02.10.2020, our company, which carries out its policies and procedures in the field of sustainability in parallel with T. Garanti Bankası A.Ş. which is a pioneer in this field, has started its Environmental, Social and Corporate Governance studies.

With the aim of presenting the opportunities of the age to everyone in Turkey and to strengthen its mission to continuously and distinctly increase the value it adds to its customers, shareholders, employees, society and the environment with its effectiveness, agility and organizational efficiency; Garanti BBVA Factoring acknowledges the importance of conducting its activities responsibly and aims to determine the principles that will guide all its efforts in this regard. These principles support Garanti BBVA Factoring in effectively defining and addressing the important sustainability risks and opportunities it faces in Turkey.

Corporate Governance Compliance Report

Building on the Bank's core values, Garanti BBVA Factoring defines sustainability as a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities where it operates.

Garanti BBVA Factoring aims to implement its business plans and practices with a sound environmental and social risk assessment developed within the scope of technological innovations, its activities' environmental footprint management system and risk management system.

By the Board of Directors decision the Environmental and Social Loan Policies were approved on 19.08.2014 and Garanti Ethics and Integrity Principles on 07.12.2015 and are published on <https://www.garantibbvafactoring.com>.

On 28.11.2018, Garanti Anti-Corruption Policy, on 01.04.2019, the Compliance Program of Policies and Procedures on Prevention of Laundering Proceeds of Crime and the Financing of Terrorism, on 05.08.2020, Garanti Faktoring A.Ş. Personal Data Retention and

Disposal Policy were approved by the Board of Directors and announced to the company employees on the web portal (intranet).

Environmental Impacts of Our Activities

As part of its indirect effects, Garanti BBVA provides innovative solutions to its stakeholders regarding the environment.

And as part of its direct effects, Garanti BBVA Pendik Technology Campus Building, where Garanti BBVA Factoring has been operating since March 2020 has the Gold certificate of LEED, one of the green building rating systems developed by the American Green Building Council (USGBC).

Operating in buildings belonging to Garanti BBVA; Garanti BBVA Factoring has achieved a significant reduction in carbon intensity over the years as a result of Garanti BBVA's long-term efforts within the scope of its carbon footprint. Since the implementation of the ISO 14001 Environmental Management System in 2012, Garanti BBVA's carbon density has decreased by 92%.

Garanti BBVA Factoring will continue to improve its environmentally sensitive and pioneering activities in the years ahead, and will continue to contribute to both social and environmental benefits.

A. SHAREHOLDER RELATIONS

Company Capital and Shareholding Structure

As of December 31, 2020, the capital of Garanti BBVA Factoring amounted to TL 79,500,000 and has been fully paid. The shareholding structure of our Company is shared below:

NAME OF THE SHAREHOLDER	SHARE RATIO (%)	CAPITAL STOCK (TL)	UNIT SHARE AMOUNT (Item)
TÜRKİYE GARANTİ BANKASI A.Ş.	81.84	65,065,635.07	6,506,563,506.71
Preferred	42.81	34,036,063.87	3,403,606,387.22
Deferred	12.59	10,010,607.01	1,001,060,701.14
Free Float Share	26.44	21,018,964.18	2,101,896,418.34
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	9.78	7,772,941.90	777,294,190.43
Preferred	7.56	6,006,364.21	600,636,420.76
Deferred	2.22	1,766,577.70	176,657,769.67
OTHER PUBLICLY TRADED	8.38	6,661,423.03	666,142,302.86
TOTAL	100	79,500,000.00	7,950,000,000.00
GROUP A		40,042,428.08	4,004,242,807.98
GROUP B		39,457,571.92	3,945,757,192.02

Türkiye Garanti Bankası A.Ş. owns 55.40% of the registered shares. The Bank has acquired the remaining 26.44% of the Company's shares, which trade on BIST. Garanti BBVA Factoring's 8.38% free float shares are traded on BIST National Market.

Pursuant to Article 7 of the Articles of Association, the shareholders who want to transfer the A Group registered shares are entitled to primarily acquire the equivalent rate of the shares of the registered shareholders within the same group through the current market value.

As per Article 9 of the Articles of Association, the Members of the Board of Directors are selected among the candidates nominated by the A Group shareholders.

General Assembly Meetings

General Assembly Meetings are held in conformity with the regulations specified in the Company's Articles of Association and "Garanti Faktoring A.Ş. Internal Directive on General Assembly's Working Principles and Procedures" that entered into effect upon the approval of the Ordinary General Assembly Meeting held on 29.03.2013.

The 2019 Ordinary General Assembly Meeting of Garanti BBVA Factoring was held on Monday, March 30, 2020 at 10:30 in the Company Headquarters at Çamçeşme Mahallesi Tersane Caddesi No: 15 Pendik / ISTANBUL.

The Ordinary General Assembly Meeting was held with the participation of T. Garanti Bankası A.Ş. by proxy and the participation of two shareholders personally in electronic media. The meeting quorum was 81,84%. Other shareholders and media did not attend the meeting.

General Assembly Meetings were held with the decision of the board of directors. The General Assembly Meetings were held upon the board's decision. Within the framework of the legal timeframe and general provisions, shareholders were informed about the call for the meeting, meeting date, meeting location and agenda items in conformity with the relevant procedures. Shareholders and stakeholders were simultaneously informed with the disclosure of material matters made; via Electronic General Assembly System (EGKS) and Public Disclosure Platform (www.kap.gov.tr) and on our website www.garantibbvafactoring.com.

Before the General Assembly Meeting, agenda items, power of attorney sample, informative document, balance sheet, profit-loss statements, independent audit report and its footnotes, auditor report, Board's decision regarding profit distribution, Annual Report and decision regarding the election of the Independent Audit Company, were prepared and made available for the review of shareholders prior to the meeting date on our website www.garantibbvafactoring.com under the "Investors Relations" section and via Electronic General Assembly System (EGKS).

The agenda items are discussed in the general assembly meetings and are put to the vote of shareholders through EGKS simultaneously. Shareholders are allowed to address any questions or opinions and to make any suggestions regarding the agenda items. The questions raised by the shareholders are assessed and answered within the framework of the Corporate Governance Principles and the rules and the principles of the Turkish Commercial Code. Any offered suggestions are submitted to the approval of the General Assembly if adequate quorum approves, the suggestion is turned into a decision.

Simultaneously, it was publicly announced via Public Disclosure Platform (www.kap.gov.tr). Furthermore, General Assembly Meeting minutes and attendance lists were made available for shareholders' and stakeholders' reviews on our website www.garantibbvafactoring.com under the "Investors Relations > General Assembly Meetings" section.

Right to Dividend

There are no privileges in profit sharing. Profit distribution methods and processes are stipulated in the Turkish Code of Commerce, Capital Markets Board regulations and Company's Articles of Association.

At the end of the activity period, upon the Board of Directors' decision on profit distribution, the issue is publicly announced via disclosure of material matters (www.kap.gov.tr). Board of Directors' decision on profit distribution is presented to the approval of the General Assembly and the dividend amount determined by the General Assembly is distributed to the shareholders, within the timeframe stipulated and within the framework of the Capital Markets Board Communiqué on Dividends (II-19.1).

Corporate Governance Compliance Report

Garanti Faktoring A.Ş. Profit Distribution Policy that was approved at the 2013 Ordinary General Assembly Meeting held on April 17, 2014, is publicly announced to the shareholders via disclosure of material matters (www.kap.gov.tr), and under the Corporate Governance subsection of the "Investor Relations" section on the website www.garantibbvafactoring.com. The Profit Distribution Policy is also included in the annual and interim reports.

Garanti Faktoring A.Ş. Profit Distribution Policy;

Garanti Faktoring A.Ş. Profit Distribution Policy was determined; within the framework of the Turkish Commercial Code, Capital Market Law and Capital Markets Board legislation, regulations and decisions and the relevant provisions of the Tax Procedure Law; and in line with the Corporate Governance practices, our Company's strategies and financial plans; and by considering the economic situation of the country and the sector and by maintaining the delicate balance between our shareholders' expectations and our Company's requirements.

Our Company determines the dividend amount, dividend distribution ratio and dividend payment method (cash and/or scrip issue), within the framework of the relevant legislation and provisions of the Articles of Association and in line with the General Assembly decisions.

There are no privileges in our Company's profit distribution, and without per diem deduction profit is distributed to all shares equally as of the date of distribution.

Dividends can be paid in equal or varying installment amounts provided that a decision is taken at the General Assembly Meeting that decided to make a profit distribution. There are no regulations in our Company's Articles of Association stipulating advanced dividend payments.

In case the Board of Directors makes a proposal to the General Assembly not to distribute any profit, information regarding the reasons of this situation and the method to use the non-distributed profit is included in the agenda item on profit distribution and is submitted to the shareholders' approval at the General Assembly Meeting. This information is also publicly announced in the annual report and on our Company's website.

The Board's decision and reason regarding the amendment are announced to the public within the framework of the regulations of the Capital Markets Board Communiqué on Material Matters (II-15.1) and are published on the Company's website www.garantifactoring.com.

Profit Share Distribution Chart

In the 2019 Ordinary General Assembly Meeting held on 30.03.2020, the General Assembly discussed and approved the Board decision regarding the issue of reserving the tax provisions from the profit of 2019, and transferring the remaining profit to the legal and extraordinary reserve funds to be kept within the company.

Investor Relations Department

Within our Company, the Investor Relations Department's activities are carried out by the General Accounting Unit.

Authorized persons are listed in the table below:

Full Name	Title	License Number/Type	Telephone	E-Mail
Mert Ercan	Executive Vice President	-	+90 (216) 625 40 09	MErcan@garantibbvafactoring.com
Serap Çakır	Unit Manager	701222/Corporate Govern-ance Rating License	+90 (216) 625 40 22	SCakir@garantibbvafactoring.com
		208344/Capital Markets Activities Level 3 License		
		305653/Derivative Financial Instruments License		
		602587/Credit Rating Li-cense		
Ümit Yıldız	Supervisor	-	+90 (216) 625 40 23	UYildiz@garantibbvafactoring.com
Müge B. Güngörmez	Supervisor	525739/Capital Markets Activities Level 1 License	+90 (216) 625 40 21	MGungormez@garantibbvafactor-ing.com

Main responsibilities of the department:

- Answering the written and verbal information requests of shareholders and investors,
- Carrying out relations with shareholders and investors, keeping records of the written and verbal information requests and documents up-to-date and secure,
- As per the Capital Markets Board Communiqué on Material Matters, fulfilling the obligation making public disclosure by announcing the information (that must be publicly disclosed) via Public Disclosure Platform (www.kap.gov.tr) and on www.garantibbvafactoring.com in the "Investor Relations" section,
- Preparing and issuing financial reports in conformity with the Capital Markets Board Communiqué on Capital Markets' Financial Reporting Principles (II-14.1) published in the Official Gazette n.28676 (Date: 13 June 2013), and announcing them via Public Disclosure Platform (www.kap.gov.tr) and on Company website www.garantibbvafactoring.com,
- Preparing annual and interim activity reports in accordance with the principles set out in the communiqués and regulations issued by the Capital Markets Board and the Ministry of Customs and Trade, to disclose these reports on the Public Disclosure Platform (www.kap.gov.tr) and to publish them on the corporate website at www.garantifactoring.com
- Publishing the information on the website at www.garantibbvafactoring.com under the "Investors Relations" section within the scope of Capital Markets Board Communiqué on Corporate Governance, and also publishing in the "Information Society Service" section within the scope of the Ministry of Customs and Trade's "Regulation on the Websites of the Capital Companies" and keeping it up to date,
- Making Company's General Assembly Meetings, in compliance with the Articles of Association and Garanti Faktoring A.Ş. Internal Directive on General Assembly's Working Principles and Procedures,
- Coordinating ratings activities and relations with rating companies,
- Performing Company's capital increase transactions and enabling shareholders & investors to use rights offering and scrip issue arising from capital increase,
- Making changes to the Company Articles of Association in conformity with the relevant legislation,
- Performing profit distribution transactions in accordance with the 26th Article of the Articles of Association in case the General Assembly decides to distribute profit,
- Preparing and revising policies and procedures within the scope of Capital Markets Board Communiqués and other regulations to increase the Company's compliance with the corporate governance principles,
- Keeping track of and reporting stock price and volume movements, and presenting reports to the top management,
- Presenting reports to the Corporate Governance Committee and the Board of Directors.

Investor Relations Activities

In 2020, interviews were made with twenty shareholders via telephone and e-mail, and their requests for information were met. Information presentations were prepared for the Qualified Investors in Istanbul Stock Exchange as part of bond issue transactions. Thirty eight special circumstances were disclosed. These disclosures were published on the Company's website at www.garantibbvafactoring.com under the "Investor Relations" section. "Corporate Governance Principles Compliance Rating" activities were carried out ninth time this year between our Company and Kobirate A.Ş.

B. PUBLIC DISCLOSURE AND TRANSPARENCY

Our Company's information policy entered into effect with the Board of Directors decision taken on 16.12.2013 in order to promptly, completely, accurately, and comprehensibly inform its shareholders, investors and all stakeholders including the public about all information and developments regarding the Company's activities and relevant period performance and future expectations. Within the frame work of the Capital Markets Board Communiqué on Material Matters (II-15.1)," our Company's information policy was revised with the Board of Directors approval (19.08.2014) and was announced via Public Disclosure Platform (KAP), and on the website www.garantibbvafactoring.com.

Corporate Governance Compliance Report

Corporate Website and Its Content

Garanti Faktoring's website – structured within the scope of the Corporate Governance Principles in Turkish and English – is at the web-address www.garantibbvafactoring.com

On our website at www.garantibbvafactoring.com; under the "Investor Relations" section, the information specified within the scope of Corporate Governance Principles and under the "Information Society Service" section, the issues that need to be published in the specific field of Garanti Faktoring within the scope of the relevant Regulation of the Ministry of Customs and Trade, are updated regularly and made available to shareholders and the public.

Annual Report

The Company's annual reports are prepared and issued in "Turkish" and "English" in conformity with the provisions of the Capital Markets Board Communiqué on "Corporate Governance Principles" and Ministry of Customs and Trade Regulation on "Determining the Minimum Content of Annual Reports of the Companies" published in the Official Gazette n.28395 (date: 28.08.2012). Annual reports are presented to the approval of the Board of Directors and are publicly announced via Public Disclosure Platform (www.kap.gov.tr) and on the website www.garantibbvafactoring.com in the "Investor Relations" section under the topic of "Annual Reports."

C. STAKEHOLDERS

Informing the Stakeholders

Our Company accepts the principle of protecting all stakeholders' rights with regards to the activities of the Company and informing them about the company policies and procedures.

Garanti BBVA Faktoring, regularly informs the stakeholders via disclosure of material matters on Public Disclosure Platform by sharing on Information Security portfolio's corporate website and with press releases, social media announcements and internal announcements. Stakeholders' information requests are answered by the Executive Vice President in charge of the Investor Relations Department and Sales

Marketing and Coordination Department. Written information requests sent via company's website by using GFYatirimcilliskileri@garantibbvafactoring.com and info@garantibbvafactoring.com e-mail addresses, are answered within the timeframes stipulated in the Corporate Governance Communiqué.

Our company aims to measure employee satisfaction and employee loyalty through employee engagement research, internal customer satisfaction surveys and to increase them with the actions taken according to the results.

Garanti BBVA Faktoring annually conducts an Employee Engagement Survey in order to obtain employees' opinions on work-life balance, performance management, wages, training and development opportunities. With 360 Degree Evaluation and Feedback process, it is aimed to spread the culture of receiving and giving feedback by taking the opinions of our employees about themselves, their colleagues, managers and the team members they work with.

In the vision meetings held every year with the presentation of the General Manager, the current status of Garanti BBVA Faktoring and its strategies, goals and objectives for the next year are shared with all employees. In addition, all the procedures, policies and announcements are published on the in-house portal to keep staff informed quickly.

Stakeholders can contact the Corporate Governance Committee or Audit Committee through the communication method of their choice.

Pursuant to Garanti BBVA Faktoring Ethics and Integrity Principles Procedure, Article 3.1. entitled Prevention of Conflicts of Interest, the procedures to be followed by employees in the event of a conflict of interest are stated in the Ethics Notification Hotline Procedure. When acts are witnessed contrary to applicable law and ethical principles, employees can report the situation to the Ethics Notification Hotline via the e-mail address ["Etikbildirim@garantifactoring.com"](mailto:Etikbildirim@garantifactoring.com) or the phone number + (90) 216 625 40 88," both of which are under the responsibility of the Compliance Department.

Possible conflicts of interest between the Company and suppliers that provide it various services are avoided through contractual agreements.

Stakeholders' Participation in the Management

Company affairs and management is carried out by the Board of Directors elected by the General Assembly. There are no efforts concerning the participation of stakeholders in management.

Human Resources Policy

The aim of the Garanti BBVA Faktoring human resources policy is to be a corporation; (i) that is managed with the Company's code of ethics adopting international human rights without making any language, religion, race, and gender discrimination, and (ii) where success is rewarded over transparent and measurable performance criteria, in a success and efficiency oriented environment that is open to continuous progress, and (iii) where employees are happy and everyone is the leader of his/her job.

There are career paths determined with objective and transparent criteria in Garanti BBVA Faktoring where all our employees get trainings to improve their technical, professional and individual skills. Within the limits of the Company, Garanti BBVA Faktoring adopts the principle of providing its employees with all kinds of social means on the road to success besides the importance it gives to training.

Garanti BBVA Faktoring believes that the most important factor behind the success that creates difference in the sector is the qualified human resources, and thus uninterruptedly continues to invest in increasing employees' potentials and performances.

There is no human resources representative appointed to carry out relations with the employees. Because of being a medium scale subsidiary and having 121 staff members in Turkey, Human Resources personnel carry out all tasks and responsibilities of the human resources management, within the frame work of the general functions of human resources.

Regarding the issue of recruiting personnel, relevant criteria are specified in the Article 20 of the Human Resources Regulation under the topic of Recruitment Terms and Conditions.

There haven't been any complaints about discrimination. All processes of human resources management are evaluated by the Human Resources Unit and shared, if necessary, with the top management to find a solution as soon as possible.

In line with the needs and demands, some of the unit functions and regions are restructured within the Company. Activities such as establishing relevant new units in the organization structure that will support Company's progress, changing the unit names, structuring new region offices, creating employees' job descriptions, are carried out by Organization and Process Development Unit and Human Resources Unit, and regularly announced on the Company web portal (intranet) where Company employees can easily access.

Performance and awarding process carried out by the Human Resources Unit, is clearly explained to company employees on the company web portal while employees are informed about their performances. Policies and regulations about promotion, job rotation and EVA premium systems that will be associated to performance results, are announced on the company web portal (intranet).

Code of Ethics and Social Responsibility

The Garanti Faktoring Ethical Principles and Rules policy document is shared with the public at www.garantibbvafactoring.com, under the section "Corporate Governance." Under the policy, the Garanti BBVA Faktoring Ethics and Integrity Committee was established as an internal body that operates in line with the provisions of the Ethics and Integrity Principles (Ethical Principles) approved by the Board of Directors.

Corporate Governance Compliance Report

In line with its vision, mission and strategic targets, Garanti BBVA Faktoring A.Ş. pursues the following principles in its sector:

- having a corporate approach that targets to achieve reliability and efficiency;
- being respectful, accountable, elucidative, honest, fair and transparent towards all entities it has relations with;
- being fair, trustworthy towards its employees, as well as guiding them in their development;
- respecting people, environment and work performed;
- taking all laws and regulations as basis in all its activities.

It is the responsibility of all directors and employees of the Company to practice the code of ethics and maintain their sustainability and durability by improving them in parallel to the developing conditions.

Protecting the Company's prestige, and meticulously fulfilling all necessities of its field of business establishes the basis of this responsibility.

In all its transactions, Garanti BBVA Faktoring pays utmost attention to environmental and social awareness, and makes sure that its business relations' environmental impacts and customer requests are clearly evaluated. All transactions and customer activities within this scope are monitored to see if they meet the social and environmental standards necessitated by the Company policies and legislations. In order to manage its environmental and social impacts, our Company has put its Environmental and Social Loan Policies into effect with the Board of Directors Decision dated 19.08.2014 and numbered 2014/53.

In compliance with the Financial Leasing, Factoring and Financing Companies Law No. 6361, Donations and Aids Policy principles and the governing legislation codes, the Company submits all donations and aid for the relevant period to the General Assembly Meeting within the relevant year as a separate agenda item and shares this information with the public in the Annual Report.

Garanti BBVA Faktoring's donations and social responsibility activities in 2020 can be found on page 60 of the annual report.

D. BOARD OF DIRECTORS

Board's Structure and Formation

Board is elected from among the candidates nominated by the Group (A) shareholders. The number and qualifications of the independent members of the Board of Directors are determined in accordance with the regulations regarding the Capital Markets Board's mandatory Corporate Governance Principles. The independent members of the Board of Directors are elected in conformity with these regulations.

In the 7th Article of Garanti BBVA Faktoring Articles of Association; Board's duties and term of office, Board Meetings and remuneration of the members are specified.

In case a member position in the Board of Directors becomes vacant, the Board of Directors elects a legally qualified temporary member – to be submitted to the approval of the first General Assembly that will be held – from among the same group of shareholders. Members elected in this manner will serve until the General Assembly Meeting and complete the term of office of their predecessors in case the General Assembly approves the election. In case an independent member position becomes vacant in the Board, the regulations regarding the Capital Markets Board's compulsory Corporate Governance Principles are applicable.

Garanti Faktoring's Board of Directors is composed of nine members. Chairman of the Board of Directors of the Company is Recep Baştuğ. General Manager is Kaya Yıldırım.

Board of Directors' executive members are Recep Baştuğ, Ali Temel, Kaya Yıldırım,

Non-executive members are Osman Bahri Turgut, Cemal Onaran, Selahattin Güldü, Aydın Güler

Board of Directors' independent members are Nihat Karadağ ve Serkan Çankaya.

Duties & Tasks Assumed by the Members of the Board of Directors and their Term of Office;

The Chairman of the Board of Directors, Recep Baştuğ, was elected as the Chairman of the Board of Directors on October 15, 2019, to be submitted to the approval of the first General Assembly; its membership of the Board of Directors was approved at the 2019 Ordinary General Assembly Meeting dated 30 March 2020.

Pursuant to the article, which was accepted at the 2019 Ordinary General Assembly Meeting held on 30 March 2020, on determining the number of members of the board of directors, including the general manager, as nine members and on appointment of a new board member in this context; Aydın Güler was elected as a board member to serve for the remaining term of the board of directors' members.

Other board members were appointed for 3 years at the 2018 Ordinary General Assembly Meeting held on 26 March 2019. Duties & Tasks Assumed by the Members of the Board are given below.

- Chairman of the Board of Directors is Recep Baştuğ, and the Vice Chairman of the Board of Directors is Ali Temel.
- Independent Members of Board of Directors Nihat Karadağ and Serhan Çankaya are members of the Audit Committee.
- Within the scope of Capital Markets Board Communiqué on Corporate Governance Principles, a Corporate Governance Committee has been established under the Board.

Our Board of Directors did not establish a Nomination Committee or a Compensation Committee, and thus the tasks of these committees are carried out by the Corporate Governance Committee.

- As per the Capital Markets Board's Communiqué on Corporate Governance Principles, and the Turkish Commercial Code No.6102, the Early Detection of Risk Committee was established within the structure of the Board of Directors. Committee Members are Nihat Karadağ and Assistant Prof. Serkan Çankaya, who are the Independent Board Members. Mr. Nihat Karadağ is the Chairman of the Committee.

Résumés of the Members of the Board of Directors and Tasks Assumed Outside the Company;

Résumés of the Members of the Board of Directors and Tasks Assumed Outside the Company are included on pages 34 and 35 of the annual report.

Independence Statements of the Independent Members of the Board of Directors;

26/03/2019

STATEMENT OF INDEPENDENCE AS PER THE CORPORATE GOVERNANCE COMMUNIQUE OF GARANTİ FAKTORİNG A.Ş.

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies in which the corporation holds control of management or significant effect and shareholders who hold control of the management of the corporation or have a significant effect on the corporation and legal entities in which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to a second degree,

b) I have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of the board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the period when the corporation purchases or sells services or goods,

c) I have professional education, knowledge and experience to duly fulfill the duties assigned for being an independent board member,

Corporate Governance Compliance Report

d) I am not serving as a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that it complies with the relevant legislation,

e) I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31/12/1960 and numbered 193,

f) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interest between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g) I can allocate time for the corporation's business to follow up on the activities of the corporation and duly fulfill the allocated duties,

h) I have not conducted membership of the board of directors more than a term of six years in the last ten years,

i) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are traded on the stock exchange,

j) I have not been registered and announced as a board member representing a legal entity.

In case, any developments occur to eliminate my independence, I will disclose the development to the public and immediately share it with the board of directors. And as a first thing, I will resign from my membership and duties within the board of directors due to my lack of independence,

I hereby declare the above-mentioned matters.

Nihat Karadağ

Serkan Çankaya

Independence statements of the Independent Members of the Board of Directors are shared with the public under the sections "Investor Relations" and "General Assembly Meetings" on the Company website at www.garantibbvafactoring.com.

With a General Assembly decision, Members of our Board of Directors are allowed to assume duties outside the Company as per the 395th and 396th Articles of the Turkish Commercial Code and Capital Markets Board's Corporate Governance Principles.

No specific rules are binding the Members of the Board of Directors to assume duties outside the Company.

Responsibilities and Activities of the Board of Directors

Board of Directors Meetings are held in accordance with the procedures of the "Internal Regulation Regarding the Procedures and Principles of the Board of Directors Meetings" prepared within the framework of the Articles of Association, Turkish Commercial Code and Capital Markets Board's Corporate Governance Principles.

Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members attending the meeting. Members of the Board of Directors do not have weighted right to vote and/or negative veto right. Members may vote "accept" or "decline" in the Board of Directors. They cannot vote "abstain." Members who vote "decline" shall write their reason under the ballot.

Board of Directors' decisions taken as a result of the discussions made at the Board of Directors Meetings are recorded in the Board of Director's decision book. As per the relevant Article of the New Turkish Commercial Code, Board of Directors' decision book openings and closings shall be notarized and completed within the specified timeframes.

In 2020, 33 (thirty-three) Board of Directors Meetings were held with the attendance of the majority of the total number of members. As a result of the Board of Directors Meetings, 49 (forty-nine) pages of meeting minutes were issued. The Board of Directors took 47 (forty-seven) decisions by either making meetings or by reviewing files. At the meetings held throughout the period, there were no issues that included opposition of any of the Board of Directors members that would need to be recorded in the decision minutes. Members of the Board of Directors do not have weighted right to vote and/or negative veto right.

Number, Structure, and Independency of the Committees Established under the Board of Directors

In accordance with the Capital Markets Board Corporate Governance Principles, the Board of Directors established an Audit Committee and a Corporate Governance Committee under the Board of Directors. Our Board of Directors did not establish a Nomination Committee or a Compensation Committee, and thus the tasks of these committees are carried out by the Corporate Governance Committee. Within the framework of relevant legislation provisions, the Board of Directors may establish other necessary or required committees. Committees' working principles are determined by the Board of Directors, and committee members are elected by the Board of Directors. Tasks and duties, working principles and names of the members of the committees are publicly announced via Public Disclosure Platform (www.kap.gov.tr) and on the Company website.

The CEO and the General Manager did not assume any tasks or duties in the committees. Due to our Company's Board of Directors structure, the number of Independent Members of the Board of Directors is 2 (two). Since at least the chairmen of the established committees and all members of the Audit Committee must be independent members, we were not able to comply with the principle stipulating that the members of the Board of Directors cannot assume tasks in

more than one committee. One of our independent members of the Board of Directors has to assume tasks in two separate committees.

Information on Committees and on attendance to committee meetings can be found on pages 38 and 39 of the annual report.

E. RISK MANAGEMENT AND INTERNAL CONTROL

For the Company, building an effective risk management system and creating a strong internal control environment is the most important factor behind sustainable growth and development. The Company continuously monitors risks via its technological infrastructure and business processes; and makes reporting to management staff to give clues about strategic and daily decisions. The Company analyzes value at risk and maturity in order to measure market and liquidity risks. The Company's foreign currency position is daily monitored and reported to the relevant units and the top management in order to manage it within the allocated limits.

As per the Board of Directors' Decision No. 2014/15 dated 07.04.2014, Garanti Faktoring A.Ş. Risk Management Strategy, Policy and Implementation Procedures have been approved and entered into force. With this policy, Garanti BBVA Factoring aims to measure the risks within the framework of risk management strategy and Company activities and to distribute the capital optimally by maintain the risk-return balance and to achieve growth within the framework of this balance. Within this scope, main principles are; (i) Detecting and analyzing the risks in line with the volume, characteristics, and complexity of the Company activities; (ii) Complying with international and local legal regulations; (iii) Protecting the financial strength by monitoring and controlling risks to limit the impacts of potential adverse market conditions on the capital and revenues; (iv) Creating a risk culture within the Company by creating transparency and risk awareness.

Corporate Governance Compliance Report

Internal control mechanisms were built for all Company personnel to comply with and to practice to; (i) carry out Company activities in conformity with the legislation in force and within the framework stipulated by the Board of Directors, and (ii) to maintain the integrity and reliability of the accounting and reporting systems.

Via Audit Committee, the Internal Audit Unit functions under the Board of Directors. Within the scope of the annual audit plan prepared according to risk assessments, Internal Audit Unit audits the effectiveness and efficiency of the internal control and risk management systems in a manner covering the entire Company.

F. COMPANY'S STRATEGIC TARGETS

The strategic targets of Garanti BBVA Factoring can be found on pages 24 and 25 of the annual report.

G. FINANCIAL RIGHTS

The remuneration Policy issued and approved by the board of directors regarding all kinds of rights, benefits and wages provided to the members of the board of directors and senior executives and the criteria used in their determination and the principles of remuneration is publicly disclosed under the "Investor Relations> Corporate Governance" section of the website at www.garantibbvafactoring.com.

The financial rights provided to the members of the board of directors and senior executives were included under the agenda item numbered nine of the Company's Ordinary General Assembly Meeting held on 30.03.2020 and within the scope of Garanti Faktoring A.Ş.'s remuneration policy, it was decided by the majority of the votes of those who participated that an increase of 5% would be made for the year 2020 and that an annual gross amount of 170.100-TL and a monthly gross amount of 14.175-TL be paid for each independent board member as an attendance fee.

With the agenda item numbered 11,

It has been informed that the company's remuneration policy is presented under the Investor Relations section on the website and that, within the framework of the remuneration policy that determines the remuneration principles of the members of the board of directors and senior executives in accordance with the Corporate Governance Principles, in 2019, a total of TL 14,471 thousand of benefits and salaries, of which TL 337 thousand to the members of the board of directors, TL 6,251 thousand to senior management and TL 7,883 thousand to Managers with administrative responsibilities, has been provided, as stated in our financial reports for the 2019 fiscal year.

Our Company, does not lend money, extend credit, or does not extend credit such as "personal loans" by means of third persons or does not give surety to any of the members of the Board of Directors' or executive managers.

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
1.1. FACILITATION OF EXERCISING SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	Yes					
1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	Yes					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	Yes					
1.3.7 - Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the Company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	Yes					
1.3.8 - Members of the Board of Directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	Yes					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and aids.	Yes					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			No			
1.4. VOTING RIGHT						
1.4.1 - There is no restriction or practice preventing shareholders from exercising their voting rights.	Yes					
1.4.2 - The Company does not have shares that carry privileged voting rights.	Yes					
1.4.3 - The Company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					Not applicable	

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
1.1. FACILITATION OF EXERCISING SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	Yes					
1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	Yes					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	Yes					
1.3.7 - Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the Company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	Yes					
1.3.8 - Members of the Board of Directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	Yes					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and aids.	Yes					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			No			
1.4. VOTING RIGHT						
1.4.1 - There is no restriction or practice preventing shareholders from exercising their voting rights.	Yes					
1.4.2 - The Company does not have shares that carry privileged voting rights.	Yes					
1.4.3 - The Company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					Not applicable	

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
1.5. MINORITY RIGHTS						
1.5.1 - The Company pays maximum diligence to the exercising of minority rights.	Yes					
1.5.2 - The Articles of Association extend the exercising of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.		Partial				There is the following provision in Article 17 of the Articles of Association: "The minority rights shall be exercised by the shareholders holding at least one twentieth of the capital. The shareholders holding at least one twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude." All shareholders are equally informed without any discrimination; and investor relations practices are equally conducted.
1.6. DIVIDEND RIGHTS						
1.6.1 - The Dividend Distribution Policy approved by the General Assembly is posted on the corporate website.	Yes					
1.6.2 - The Dividend Distribution Policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	Yes					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	Yes					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the Company.	Yes					
1.7. TRANSFER OF SHARES						
1.7.1-There are no restrictions preventing shares from being transferred.	Yes					

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
2.1. CORPORATE WEBSITE						
2.1.1-The Company website includes all elements listed in Corporate Governance Principle 2.1.1.	Yes					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares of real person shareholders owning more than 5% of the issued share capital) is updated on the corporate website at least every 6 months.	Yes					
2.1.4-The Company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	Yes					
2.2. ANNUAL REPORT						
2.2.1-The Board of Directors ensures that the annual report represents a true and complete view of the Company's activities.	Yes					
2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	Yes					
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fide principles.	Yes					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the corporate website.		Partial				A certain part of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/ Corporate Governance section.
3.1.4 - A whistleblowing programme is in place for reporting illegal and unethical issues.	Yes					
3.1.5-The Company addresses conflicts of interest among stakeholders in a balanced manner.	Yes					
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in the management.			No			Company affairs and management is carried out by the Board of Directors elected by the General Assembly. There are no efforts concerning the participation of stakeholders in the management.

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		Partial				Garanti BBVA Factoring, every year organizes a General Manager presentation and vision meetings with the participation of all Company employees. With periodical regional budget and performance meetings and weekly assets/liabilities committee meetings, information on Company's progress is provided, suggestions are communicated and developments are followed.
3.3. HUMAN RESOURCES POLICY						
3.3.1-The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	Yes					
3.3.2-Recruitment criteria are documented.	Yes					
3.3.3-The Company has a policy on human resources development, and organizes trainings for employees.	Yes					
3.3.4-Meetings have been organised to inform employees on the financial status of the Company, remuneration, career planning, education and health.	Yes					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	Yes					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees in detail, announced to them and taken into account to determine employee remuneration.	Yes					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment at the Company.	Yes					
3.3.8-The Company ensures freedom of association and supports the right for collective bargaining.					Not applicable	
3.3.9 - A safe working environment for employees is maintained.	Yes					

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The Company measured customer satisfaction, and operated to ensure unconditional customer satisfaction.	Yes					
3.4.2-Customers are notified of any delays in handling their requests.	Yes					
3.4.3-The Company complies with the quality standards with respect to its products and services.	Yes					
3.4.4-The Company has adequate controls in place to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	Yes					
3.5. CODE OF ETHICS AND SOCIAL RESPONSIBILITY						
3.5.1-The Board of the Company has adopted a code of ethics and disclosed on the corporate website.	Yes					
3.5.2 - The Company is considerate of its social responsibilities. Measures have been taken to prevent corruption and bribery.	Yes					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors has ensured that strategy and risks do not threaten the long-term interests of the Company, and an effective risk management is in place.	Yes					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategic targets, ensured resources were adequately allocated, and monitored management's performance.	Yes					
4.2. BOARD OF DIRECTORS' PRINCIPLES OF ACTIVITY						
4.2.1 - The Board of Directors documented its activities and reported to the shareholders.	Yes					
4.2.2 - Duties and authorities of the members of the Board of Directors are disclosed in the annual report.	Yes					
4.2.3-The Board has ensured the Company has an internal control framework adequate for its size and complexity of activities.	Yes					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	Yes					
4.2.5-The roles of the Chairman and Chief Executive Officer are separated and defined.	Yes					
4.2.7 - The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes between the Company and shareholders and communicating with shareholders.	Yes					
4.2.8-The Company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital with respect to the loss caused by the fault of its members during their assignment.	Yes					The Main Shareholder, Garanti BBVA procured a Directors' Liability Insurance with a coverage of EUR 100 million in respect of the Company including its subsidiaries.

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The Board of Directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board of Directors annually evaluates its composition and nominates directors so as to be compliant with the policy.			No			As for the determination of the members for the Company's Board of Directors; the members of the Board consist of the related executive vice presidents and General Manager of the main shareholder, namely, T. Garanti Bankası A.Ş.. Therefore, the senior managers of T. Garanti Bankası A.Ş., who are in charge of the selections and changes of the Company's Board Members, are also designated as the member of the Garanti Bankası A.Ş. Board. This is the Company policy as for the determination of the Board Members. In the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy as well.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	Yes					
4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS						
4.4.1-Each Board Member attended the majority of the board meetings in person.	Yes					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all Board Members.	Yes					
4.4.3-The opinions of Board Members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	Yes					
4.4.4-Each member of the board has one vote.	Yes					
4.4.5-The Board has a charter/written internal rules defining the meeting procedures of the board.	Yes					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	Yes					
4.4.7-There are limits to external commitments of Board Members. Shareholders are informed of the duties Board Members have assumed outside the Company at the general assembly meeting.	Yes					

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS						
4.5.5-Board Members serve in only one of the Board's committees.			No			Each member of the Board is assigned to more than one committee due to the number of the Board Members.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	Yes					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	Yes					
4.5.8-Minutes of all committee meetings are kept and reported to the Board Members.	Yes					
4.6. FINANCIAL RIGHTS OF THE BOARD MEMBERS AND EXECUTIVE DIRECTORS						
4.6.1 - The Board of Directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			No			The presentations related to the activities of the committees in which the Board Members participated are discussed and evaluated in the Board meetings. The matters, such as the actions to be taken, areas to be improved, etc., are determined in the Board meetings and are followed up. No further performance assessment is carried out in addition to the specified matters.
4.6.4-The Company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title via third parties or provided guarantees such as surety in favour of them.	Yes					
4.6.5-The individual remuneration of Board Members and executives is disclosed in the annual report.		Partial				The annual wages paid to the independent members of the board are detailed in the annual report. The other Board Members are not paid any honorarium. The wages paid to the senior management and the executives with managerial responsibilities are shared as a cumulative sum in the general assembly meetings and annual reports.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitation of Exercising of Shareholder Rights	
The number of investor meetings (conference, seminar/etc.) organised by the Company during the year	0
1.2. Right to Obtain and Examine Information	
The number of special auditor requests	0
The number of special auditor requests that were accepted at the general assembly meeting	0
1.3. GENERAL ASSEMBLY	
The link of the announcement made on the Public Disclosure Platform (KAP) that includes the information requested under the principle 1.3.1 (a-d)	https://www.kap.org.tr/tr/Bildirim/833326
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously	No
The links of the announcements made on KAP associated with the transactions that are not approved by the majority of independent members or by unanimous votes of present Board Members within the context of Principle 1.3.9.	-
The links of the announcements made on KAP related to the transactions carried out with related parties, under the Communiqué on Corporate Governance (II-17.1), article 9	https://www.kap.org.tr/tr/Bildirim/822883
The links of the announcements made on the Public Disclosure Platform (KAP) related to the transactions that are of a frequent and continuous nature, under the Communiqué on Corporate Governance (II-17.1), article 10	https://www.kap.org.tr/tr/Bildirim/822883
The heading of the section on the corporate website that contains the policy regarding donations and aids	Investor Relations / Donations and Aids Policy
The link of the announcement made on KAP including the minutes of the General Assembly Meeting where the donations and aids policy has been approved	https://www.kap.org.tr/tr/Bildirim/677729
The number of the article in the Articles of Association governing stakeholders' attendance at the general assembly	Article 17
Information regarding the stakeholders who attend general assemblies	-
1.4. Voting Rights	
Whether there are any privileged voting rights	N/A
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.	. Garanti Bankası A.Ş. 42.81%
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.	. Türkiye İhracat Kredi Bankası A.Ş. 7.56%
Shareholding rate of the majority shareholder	81.84%
1.5. Minority Rights	
Whether the scope of minority rights is expanded (in terms of content or percentage) in the articles of association	The minority rights shall be exercised by the shareholders holding at least one twentieth of the capital. The shareholders holding at least one twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per the Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude.
If yes, specify the relevant article number of the articles of association.	Article 17

Corporate Governance Information Form

1.6. Dividend Right	
The heading of the section on the corporate website that includes the policy on profit distribution	Investor Relations/ Corporate Governance/Profit Distribution Policy
In case the Board proposes not to distribute the profit at the general assembly meeting, the basis for such proposal and the minutes of the related general assembly agenda item which includes the reason not to distribute profit, and the utilization method of the undistributed profit	At the Board of Directors meeting dated 25.02.2020; according to the financial statements of our company for the 1 January 2019 - 31 December 2019 accounting period, prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and with the mandatory formats determined by the Capital Markets Board under its "Communiqué on the Principles Regarding Financial Reporting in the Capital Markets" No.11 14.1 and audited by KMPG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (independent auditor); it has been decided, pursuant to the principle of "determination and distribution of profit" regulated in our company's Articles of Association and by considering the deferred tax effect of TL 6,592,651.28 calculated from the profit for the year 2019, to transfer the net profit for the period amounting to TL 24,438,427.38, remaining after deducting tax provision from the 2019 profit of TL 31,031,078.66, to the legal and extraordinary profit reserves accounts and thus to keep it within the Company; and to transfer the amount of 16,029,970.22 Turkish Liras that occurred due to the first transition to the application of TFRS 9 Financial Instruments Standard as of January 1, 2019 and classified under the item "Previous Year Profit/Loss" to extraordinary reserves account, to be resolved at the 2019 Ordinary General Assembly Meeting.
The link of the announcement made on KAP including the relevant general assembly meeting minutes in case the Board proposed to the general assembly not to distribute profit	https://www.kap.org.tr/tr/Bildirim/833326
General Assembly Meetings	
General Assembly Date	30.03.2020
The number of requests for additional disclosure regarding the agenda of the general assembly	0
Percentage of shareholders' attendance at the general assembly	91.62%
Percentage of shares directly represented at the meeting	0
Percentage of shares represented by proxy	81.84
The heading of the section on the corporate website that includes the general assembly meeting minutes, and also indicates the dissentive and affirmative votes for each resolution	www.garantibbvafactoring.com/assets/pdf/2019_Tutanak-yeni.pdf
The heading of the section on the corporate website that contains all questions asked and all responses provided at the general assembly meeting	Investor Relations/General Assembly Meetings
The number of the article or paragraph of the minutes of the general assembly meeting regarding related parties	2
The number of people who have the privilege to access shareholding information upon notification of the Board (the Insider List)	92
The KAP link of the general assembly notification	https://www.kap.org.tr/tr/Bildirim/833326

2. PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
The headings of the sections on the corporate website that include information required by the corporate governance principle numbered 2.1.1	Investor Relations
The headings of the sections on the corporate website that include information required by the corporate governance principle numbered 2.1.1	https://www.garantibbvafactoring.com/kurumsal-yonetim.aspx
The heading of the section of the corporate website of the Company that includes the list of real person shareholders who own more than 5% of the Company's shares, directly or indirectly	Investor Relations/Shareholding Structure
The heading of the section of the corporate website of the Company that includes the list of real person shareholders who own more than 5% of the Company's shares, directly or indirectly	https://www.garantibbvafactoring.com/kurumsal-yonetim.aspx
Languages in which the corporate website is presented	Turkish, English
2.2. Annual Report	
The page numbers and/or heading of the sections in the Annual Report that include the information required by corporate governance principle 2.2.2.	
a) Page number or heading of the section in the annual report that presents Board Members' and executives' external commitments, and Board Members' independence statements	Board of Directors
b) Page number or heading of the section in the annual report that provides information on the committees established under the Board of Directors	Committees and Attendance at Committee Meetings
c) Page number or heading of the section in the annual report that includes the number of board meetings held throughout the year, and the members' attendance status	Board of Directors
d) Page number or heading of the section in the annual report that provides information on regulatory changes that can have a material impact on the Company's activities	Significant Improvements with respect to Company Operations
d)The page number or heading of the section that includes information regarding important lawsuits filed against the Company and possible consequences thereof	Significant Improvements with respect to Company Operations
f) Page number or heading of the section in the annual report that provides information on the conflicts of interest between the Company and entities providing investment advisory and rating services to the Company, and the precautions taken to prevent these	N/A

Corporate Governance Information Form

g) Page number or heading of the section in the annual report which includes information on cross holding cases where direct shareholding exceeds 5%	N/A
h) Page number or heading of the section that provides information on employees' benefits and professional training, as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts	Goals, Values and Strategic Priorities
3. STAKEHOLDERS	
3.1. Company Policy Concerning the Stakeholders	
The heading of the section on the corporate website that includes the policy on compensation	Investor Relations/Severance and Notice Pay Policy
The number of final court verdicts against the Company that result from the violation of employee rights	
The title of the individual in charge of the whistleblowing programme	Human Resources Department Manager
Contact information of the Company's mechanism to report violations	When acts are witnessed contrary to the applicable law and ethical principles, employees can report the situation to the Ethics Notification Hotline via the e-mail address etikbildirim@garantibbvafactoring.com or the phone number + (90) 212 286 77 03, both of which are under the responsibility of the Compliance Department.
3.2. Encouraging Stakeholder Participation in the Management of the Company	
The heading of the section on the corporate website that includes internal regulations on employees' participation in the managerial bodies of the Company	N/A
Managerial bodies in which employees are represented	N/A
3.3. Human Resources Policy of the Company	
The role of the Board in the development of a succession plan for key management positions	N/A
The heading of the section of the corporate website of the Company that includes the human resources policy on the hiring criteria and providing equal opportunities to candidates, or a summary of the related articles of the policy	<p>Garanti Faktoring A.Ş. determines annual manpower needs in the budget period, taking into account the possible vacancies due to strategic planning and mobility, and draws up budget and activity plans accordingly. In case of need for recruitment to a position for which a budget is not allocated, the approval of Human Resources Department and the General Manager is required for the recruitment process to begin. Garanti Faktoring A.Ş. vacancies are announced on various recruitment portals and, if necessary, on the company's website by Human Resources Department. Candidates who are deemed suitable among the submitted applications undergo job recruitment tests and interview stages.</p> <p>If deemed necessary, previous employer's reference may be requested by notifying the candidate.</p> <p>Persons who fail to successfully complete the necessary exams and interviews are not given any privileges in recruitment. A job offer prepared on the basis of the Company's hierarchy and salary system is made to the candidate, who is deemed suitable for recruitment, under the agreed terms. The employees of Garanti BBVA Factoring are the leaders of their careers. At the end of the competence and performance evaluations, our employees define, plan and manage their career goals together with their managers. Having adopted this process, Garanti BBVA Factoring attaches importance to promoting managers from within the Company.</p> <p>Acting in accordance with the principle of equal opportunity, the Company does not discriminate among its employees. The main criterion for recruiting or promoting a person or changing his/her position is whether he/she is the most suitable person for the job.</p>

Whether there is a plan to grant shares to employees	N/A
The heading of the section on the corporate website that includes the human resources policy on preventing discrimination and harassment, or a summary of the related articles of the policy	<p>Our employees act, so as to create a professional working environment, with respect and courtesy towards each other.</p> <p>Employees do not have another employee do their personal work in breach of their duties, powers and responsibilities.</p> <p>Employees do not verbally attack or say cursing words to each other and avoid any form of ill-treatment, such as physical assault and violence inside or outside the workplace.</p> <p>Regardless of their position, each of our employees maintains their relationship with each other in a way that will not be perceived as sexual harassment, discrimination or ill-treatment inside or outside the workplace, and behave in a way that does not disrupt the working climate.</p> <p>The managers take the necessary measures in order to prevent any acts of ill-treatment, discrimination or sexual harassment in the workplace, and notify the Human Resources Department in case of suspicion. Our employees also report their complaints on this matter to their senior managers or directly to the Human Resources Department. Such complaints are not used against the complainant and they are processed and concluded in a serious manner. The Company imposes severe sanctions in respect of all forms of ill-treatment, discrimination or sexual harassment as well as attempts to conceal such acts.</p>
The number of final court verdicts against the Company that result from the liabilities associated with occupational accidents	N/A
3.5. Code of Ethics and Social Responsibility	
The heading of the section on the corporate website that includes the policy on ethical principles	Investor Relations/Code of Ethics
The heading of the section on the corporate website that includes the corporate social responsibility report. If there is no report on corporate social responsibility, precautions taken with respect to the environmental, social and corporate governance issues	<p>Investor Relations/Corporate Governance. In all its transactions, Garanti BBVA Faktoring pays utmost attention to environmental and social awareness, and makes sure that its business relations' environmental impacts and customer requests are clearly evaluated.</p> <p>All transactions and customer activities within this scope are monitored to see if they meet the social and environmental standards necessitated by the Garanti BBVA Faktoring policies and legislation. Garanti BBVA Faktoring does not finance activities that are prohibited and restricted by national legislation and international conventions to which Turkey is a party and, regardless of the amount, any activities/projects covering the following topics without carrying out environmental and social impact assessments.</p>
Precautions taken to fight against all kinds of corruption, including fraud and bribery	Garanti Anti-Corruption Policy entered into force after having been approved at the Board of Directors meeting dated 24.09.2020.

Corporate Governance Information Form

4. BOARD OF DIRECTORS-I	
4.2. Principles of Activity of the Board of Directors	
The date of the last board performance assessment conducted	N/A
Whether the board performance assessment was externally facilitated	N/A
Whether all Board Members are discharged	Yes
Names of authorized Board Members, and the content of their authorization	Recep Baştuğ- Chairman of the Board of Directors
Names of authorized Board Members, and the content of their authorization	Ali Temel-Deputy Chairman of the Board of Directors
The number of reports presented to the Supervisory Board or other related committees by the internal control department	8
The heading of the section or page number in the annual report that contains the evaluation on the efficacy of the internal control system	Committees and Attendance at Committee Meetings
Name of the Chairman of the Board	Recep Baştuğ
Name of the Chief Executive Officer/General Manager	Kaya Yıldırım
The link of the announcement made on the Public Disclosure Platform (KAP), where the reasoning is explained for the chairman and the chief executive officer/general manager to be the same person	-
Link to the KAP notification stating that any damage that may be caused by the members of the Board of Directors during the performance of their duties is insured for an amount exceeding 25% of the Company's capital	-
The heading of the section on the corporate website that includes the current diversity policy aimed at increasing the number of female Board Members	-
The number and ratio of female board members	-

Composition of the Board

Name/Surname of the Board Member	Executive Role	Independent Member	Date of Initial Election to the Board	The link of the announcement made on KAP that contains the statement of independence	Whether the Independent Member is Evaluated by the Nomination Committee	Whether a Member Ceased to Qualify as an Independent Member	Whether minimum 5 years of experience in audit/ accounting and/or finance is held
Recep BAŞTUĞ	Yes	No	15/10/2019	-	-	-	Yes
Ali TEMEL	Yes	No	13/03/2017	-	-	-	Yes
Cemal ONARAN	No	No	13/03/2017	-	-	-	Yes
Osman Bahri TURGUT	No	No	23/03/2016	-	-	-	Yes
Selahattin GÜLDÜ	No	No	19/06/2018	-	-	-	Yes
Aydın GÜLER	No	No	30.03.2020	-	-	-	Yes
Kaya YILDIRIM	Yes	No	1/08/2018	-	-	-	Yes
Nihat KARADAĞ	No	Yes	26/03/2019	https://www.kap.org.tr/tr/Bildirim/749901	Yes	No	Yes
Serkan ÇANKAYA	No	Yes	26/03/2019	https://www.kap.org.tr/tr/Bildirim/749901	Yes	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Format of the Board Meetings	
The number of physical board meetings involving members attending in person in the reporting period	33
Average attendance rate at the board meetings	100%
Whether the board uses an electronic portal to facilitate its works or not	No
When are the information and documents presented to Board Members as per the working rules of the Board of Directors (how many days before the meeting)	3
The heading of the section on the corporate website that includes information on internal regulations of the Company specifying the rules for board meetings	None
The upper limit set forth in the policy for the Board Members to assume other duties outside the Company	None
4.5. Committees Established under the Board of Directors	
The page number or heading of the section in the annual report which include information on the committees of the Board of Directors	Committees and Attendance at Committee Meetings
The link of the announcement made on KAP that includes the principles of activity for committees	https://www.kap.org.tr/tr/Bildirim/224354

Committees of the Board of Directors-I

Name of the Committee	Committee Defined as "Other" In the First Column	Committee Name-Surname of the Members	Committee Chair or Not	Board of Directors
1-Audit Committee	-	Nihat Karadağ	Yes	Board Member
		Serkan Çankaya	No	Board Member
2-Corporate Governance Committee:	-	Nihat Karadağ	Yes	Board Member
		Osman Bahri Turgut	No	Board Member
		Serap Çakır	No	Not a Board Member
3-Early Detection of Risk Committee	-	Nihat Karadağ	Yes	Board Member
		Serkan Çankaya	No	Board Member

Corporate Governance Information Form

4. BOARD OF DIRECTORS-III

4.5. Committees Established under the Board of Directors-II

Specify where the activities of the audit committee are presented in your annual report or on the corporate website (Page number or heading of the section) Investor Relations/Committees

Specify where the activities of the corporate governance committee are presented in your annual report or on the corporate website (Page number or heading of the section) Investor Relations/Committees

Specify where the activities of the nomination committee are presented in your annual report or on the corporate website (Page number or heading of the section) Investor Relations/Committees/Corporate Governance Committee

Specify where the activities of the early detection of risk committee are presented in your annual report or on the corporate website (Page number or heading of the section) Investor Relations/Committees

Specify where the activities of the remuneration committee are presented in your annual report or on the corporate website (Page number or heading of the section) Investor Relations/Committees/Corporate Governance Committee

4.6. Financial Rights Provided to the Board Members and Executive Directors

The page number or the heading of the section in the annual report where information on operational and financial performance goals, and whether they have been achieved is presented. Previous Period Budget and Performance Assessment

The heading of the section of the corporate website of the Company that includes the remuneration policy for executive and non-executive Board Members. Investor Relations /Remuneration Policy

Page number or heading of the section in the annual report which states the wages and other benefits provided to Board Members and other executives with administrative responsibilities Compensation and Benefits Granted to Board Members and Executives with Administrative Responsibility

Committees of the Board of Directors-II

Names of Board Committees	Name of the Committee Designated as "Other" in the first column	Ratio of Non-Executive Members	The number and rate of female Board Members	Number of Physical Meetings Held by the Committee	The number of reports presented to the Board by the Committee on its activities
1-Audit Committee	-	0	100	8	4
2-Corporate Governance Committee:	-	66	33	3	3
3-Early Detection of Risk Committee	-	0	100	6	6

Statement of Responsibility Related to Acceptance of the Financial Tables

Istanbul, 27 / 01 / 2021

ATTN: BORSA İSTANBUL A.Ş. DIRECTORATE
İstinye/İSTANBUL

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
RESOLUTION NO: 27/01/2021
RESOLUTION DATE: 2020/004

STATEMENT OF RESPONSIBILITY AS PER THE 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD COMMUNIQUE NO.14.1 SERIES: II

- a) We have reviewed Garanti Faktoring A.Ş.'s (Company) financial tables prepared as of 31.12.2020.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the financial tables does not include any misleading disclosure on material matters or deficiencies that might cause misconception about the disclosure as of the date its was made.
- c) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, we do declare that the financial statements and the annual report prepared and issued as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) honestly reflect the facts, the progress and the performance of the business and the financial status of the Company, together with the important risks and uncertainties.

Best Regards,

Annexes:

- 1- Independently Audited Financial Statements as of December 31, 2020

Mert ERCAN
Executive Vice President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Member of
the Audit Committe

Serkan ÇANKAYA
Member of
the Audit Committee

Garanti Faktoring A.Ş.

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 WITH INDEPENDENT AUDITORS' REPORT

*(Convenience Translation of Financial Statements and Related Disclosures and
Footnotes Originally Issued in Turkish)*





KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Convenience Translation of the Review Report Originally Prepared and Issued in Turkish

To the Board of Directors of Garanti Faktoring A.Ş.

A) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Garanti Faktoring A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Garanti Faktoring A.Ş. as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated 24 December 2013 and numbered 28861, other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board ("BRSA") and the pronouncements made by the Banking Regulation and Supervision Agency and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations together "the BRSA Accounting and Financial Reporting Legislation".

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of factoring receivables

Refer to Note 2.5 for the details of accounting policies and significant judgments of for impairment of factoring receivables.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2020, the Company's factoring receivables constitute 96% of its total assets.</p> <p>The Company recognizes its factoring receivables in accordance with BRSA Accounting and Financial Reporting Legislation. In accordance with the aforementioned Regulation and TFRS 9 Financial Instruments standard ("Standard").</p> <p>The significant assumptions and estimates of the Company's management are as follows.</p> <ul style="list-style-type: none"> • significant increase in credit risk, • incorporating the forward looking macroeconomic information in calculation of credit risk; and • design and implementation of expected credit loss model. <p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The company calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models.</p>	<p>Our procedures for testing the impairment of factoring receivables include below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Company's impairment accounting policy compared with the Regulation and Standard. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Company management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.



Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.

Additionally, we also evaluated the adequacy of the financial statements' disclosures related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the "BRSA Accounting and Financial Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- Obtain an understanding of 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 Company'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 30 January 2019.

2) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2020 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Alper Güvenç, SMMM
Partner

27 January 2021
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

GARANTI FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

ASSETS	Notes	Audited 31 December 2020			Audited 31 December 2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS AND CENTRAL BANK	3	2,258	10,147	12,405	1,511	10,331	11,842
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)	4	39,661	9	39,670	-	7	7
III. DERIVATIVE FINANCIAL ASSETS	5.1	1,921	-	1,921	-	-	-
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)	-	-	-	-	-	-	-
V. FINANCIAL ASSETS AT AMORTISED COST (Net)	6	2,081,440	707,398	2,788,847	1,669,668	435,088	2,104,756
5.1 Factoring Receivables	6.1	2,086,089	708,240	2,794,329	1,658,307	432,099	2,090,406
5.1.1 Discounted Factoring Receivables (Net)	5.1.1	1,010,724	163,041	1,173,765	917,390	143,866	1,061,256
5.1.2 Other Factoring Receivables	5.1.2	1,075,365	545,199	1,620,564	740,917	288,233	1,029,150
5.2 Financing Loans	-	-	-	-	-	-	-
5.2.1 Consumer Loans	-	-	-	-	-	-	-
5.2.2 Credit Cards	-	-	-	-	-	-	-
5.2.3 Installment Commercial Loans	-	-	-	-	-	-	-
5.3 Leasing (Net)	-	-	-	-	-	-	-
5.3.1 Receivables From Finance Lease	-	-	-	-	-	-	-
5.3.2 Receivables From Operating Lease	-	-	-	-	-	-	-
5.3.3 Unearned Income (-)	-	-	-	-	-	-	-
5.4 Other Financial Assets At Amortised Cost	-	-	-	-	-	-	-
5.5 Non Performing Receivables	6.2	118,959	13,281	132,240	150,872	188,885	339,757
5.6 Allowances for Expected Credit Loss/Specific Provisions (-)	6.3	(123,599)	(14,123)	(137,722)	(139,511)	(185,896)	(325,407)
VI. SHAREHOLDING (Partnership) INVESTMENTS	-	-	-	-	-	-	-
6.1 Investments In Associates (Net)	-	-	-	-	-	-	-
6.2 Investments In Subsidiaries (Net)	-	-	-	-	-	-	-
6.3 Investments In Joint Ventures (Net)	-	-	-	-	-	-	-
VII. TANGIBLE ASSETS (NET)	7	5,054	-	5,054	5,254	-	5,254
VIII. INTANGIBLE ASSETS (NET)	8	11,244	-	11,244	9,424	-	9,424
IX. REAL ESTATES FOR INVESTMENT (NET)	-	-	-	-	-	-	-
X. CURRENT PERIOD TAX ASSETS	9	3,420	-	3,420	8,014	-	8,014
XI. DEFERRED TAX ASSETS	9	43,661	-	43,661	58,424	-	58,424
XII. OTHER ASSETS	10	5,788	542	6,330	3,582	313	3,895
SUBTOTAL	-	2,194,456	718,096	2,912,552	1,755,877	445,739	2,201,616
XIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	11	11	-	11	11	-	11
13.1 Assets Held For Sale	11	11	-	11	11	-	11
13.2 Assets Held For Discontinued Operations	-	-	-	-	-	-	-
TOTAL ASSETS	-	2,194,467	718,096	2,912,563	1,755,888	445,739	2,201,627

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	LIABILITIES	Notes	Audited 31 December 2020			Audited 31 December 2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	11	1,449,664	638,026	2,087,690	1,590,602	414,529	2,005,131
II.	FACTORING PAYABLES	6.1	639	2,647	3,286	507	10,093	10,600
III.	LEASE OBLIGATIONS	12	3,716	1,156	4,872	2,174	2,379	4,553
IV.	SECURITIES ISSUED (NET)	13	582,026	-	582,026	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	5.2	252	-	252	-	-	-
VII.	PROVISIONS	14	12,425	737	13,162	9,712	535	10,247
7.1	Restructuring Reserves	-	-	-	-	-	-	-
7.2	Provisions For Employee Benefits	14.1	10,758	-	10,758	8,134	-	8,134
7.3	General Provisions	-	-	-	-	-	-	-
7.4	Other Provisions	14.2	1,667	737	2,404	1,578	535	2,113
VIII.	CURRENT PERIOD TAX LIABILITIES	-	-	-	-	-	-	-
IX.	DEFERRED TAX LIABILITIES	-	-	-	-	-	-	-
X.	SUBORDINATED LOANS-DEBT	-	-	-	-	-	-	-
XI.	OTHER LIABILITIES	15	5,565	2,120	7,685	3,234	3,878	7,112
	SUBTOTAL		2,054,287	644,686	2,698,973	1,606,229	431,414	2,037,643
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	-	-	-	-	-	-	-
12.1	Held For Sale	-	-	-	-	-	-	-
12.2	Discontinued Operations	-	-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY	16	213,590	-	213,590	163,984	-	163,984
13.1	Paid-in Capital	-	79,500	-	79,500	79,500	-	79,500
13.2	Capital Reserves	-	-	-	-	-	-	-
13.2.1	Share Premiums	-	-	-	-	-	-	-
13.2.2	Share Cancellation Profits	-	-	-	-	-	-	-
13.2.3	Other Capital Reserves	-	-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	(1,170)	-	(1,170)	(626)	-	(626)
13.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss	-	-	-	-	-	-	-
13.5	Profit Reserves	-	85,110	-	85,110	76,702	-	76,702
13.5.1	Legal Reserves	-	10,757	-	10,757	9,205	-	9,205
13.5.2	Statutory Reserves	-	-	-	-	-	-	-
13.5.3	Extraordinary Reserves	-	74,353	-	74,353	67,497	-	67,497
13.5.4	Other Profit Reserves	-	-	-	-	-	-	-
13.6	Profit or Loss	-	50,150	-	50,150	8,408	-	8,408
13.6.1	Prior Periods Profit / Loss	-	-	-	-	(16,030)	-	(16,030)
13.6.2	Current Period Profit / Loss	-	50,150	-	50,150	24,438	-	24,438
	TOTAL LIABILITIES AND EQUITY		2,267,877	644,686	2,912,563	1,770,213	431,414	2,201,627

The accompanying notes are an integral part of these financial statements.

GARANTI FAKTORING A.Ş.
STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

OFF-BALANCE SHEET ITEMS	Notes	Audited		Audited		TOTAL
		31 December 2020		31 December 2019		
		TL	FC	TL	FC	
I. IRREVOCABLE FACTORING OPERATIONS						
II. REVOCABLE FACTORING OPERATIONS						
III. GUARANTEES TAKEN	25.1	1,369,693	82,358	796,979	187,087	984,066
IV. GUARANTEES GIVEN	25.2	78,474	33,121,183	291,821	23,150,443	23,442,264
V. COMMITMENTS	25.3	674,485	16,429	654,196	128	654,324
5.1 Irrevocable Commitments		39,787	-	-	-	-
5.2 Revocable Commitments		39,787	-	39,787	-	-
5.2.1 Lease Commitments		-	-	-	-	-
5.2.1.1 Finance Lease Commitments		-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	25.4	48,801	46,245	-	95,046	-
6.1 Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-
6.1.3 Net Investment Hedges		-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading		48,801	46,245	-	95,046	-
6.2.1 Forward Buy/Sell Transactions		-	-	-	-	-
6.2.2 Swap Buy/Sell Transactions		48,801	46,245	-	95,046	-
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-
6.2.5 Other		-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	25.5	1,336,686	228,349	784,598	173,167	957,765
TOTAL OFF BALANCE SHEET ITEMS		4,524,389	34,080,622	3,038,123	23,986,041	27,024,164

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	INCOME STATEMENT	Notes	Audited	
			1 January - 31 December 2020	1 January - 31 December 2019
I.	OPERATING INCOME	17	309,468	375,828
	FACTORIZING INCOME		309,468	375,828
1.1	Interest Income on Factoring Receivables		297,653	368,204
1.1.1	Discounted		170,684	216,882
1.1.2	Other		126,969	151,322
1.2	Fees and Commissions Income from Factoring Operations		11,815	7,624
1.2.1	Discounted		4,516	165
1.2.2	Other		7,299	7,459
	FINANCING LOANS INCOME		-	-
1.3	Interest income From Financing Credits		-	-
1.4	Fees and Commissions From Financing Credits		-	-
	FINANCE LEASE INCOME		-	-
1.5	Finance Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from the Leasing Transactions		-	-
II.	FINANCIAL EXPENSES (-)	18	(189,566)	(263,863)
2.1	Interest Expense From Funds Borrowed		(161,436)	(176,025)
2.2	Interest Expense From Factoring Payables		-	-
2.3	Interest Expense of Finance Lease Expenses		(417)	(556)
2.4	Interest Expense From Securities Issued		(26,190)	(80,449)
2.5	Other Interest Expenses		(706)	(8)
2.6	Fees and Commissions Paid		(757)	(6,825)
III.	GROSS PROFIT / LOSS (I+II)		119,902	111,965
IV.	OPERATING EXPENSES (-)	19	(49,316)	(50,828)
4.1	Personnel Expenses		(30,025)	(29,185)
4.2	Employee Severance Indemnity Expense		(813)	(854)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(18,378)	(20,671)
4.5	Other		(100)	(118)
V.	GROSS OPERATING PROFIT / LOSS (III-IV)		70,646	61,137
VI.	OTHER OPERATING INCOME	20	151,683	59,528
6.1	Interest Income From Bank Deposits		691	1,945
6.2	Interest Income From Securities Portfolio		1,689	-
6.3	Dividend Income		-	-
6.4	Trading Account Income		345	-
6.5	Income From Derivative Financial Instruments		5,539	3,185
6.6	Foreign Exchange Gains		131,576	44,876
6.7	Other		11,843	9,522
VII.	PROVISION EXPENSES		(97,990)	(65,701)
7.1	Specific Provisions		-	-
7.2	Allowances for Expected Credit Loss	21	(97,450)	(64,951)
7.3	General Provisions		-	-
7.4	Other		(540)	(750)
VIII.	OTHER OPERATING EXPENSES (-)	22	(59,668)	(23,933)
8.1	Impairment Losses From Securities Portfolio		-	-
8.2	Impairment Losses From Non-Current Assets		-	-
8.3	Trading Account Loss		-	-
8.4	Loss From Derivative Financial Instruments		(252)	(480)
8.5	Foreign Exchange Loss		(59,247)	(23,453)
8.6	Other		(169)	-
IX.	NET OPERATING PROFIT / LOSS		64,671	31,031
X.	INCOME RESULTED FROM MERGER		-	-
XI.	PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD		-	-
XII.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XIII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X-XI-XII)		64,671	31,031
XIV.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (4)	9	(14,521)	(6,593)
14.1	Current Tax Charge		378	849
14.2	Deferred Tax Charge		(14,899)	(7,442)
14.3	Deferred Tax Benefit		-	-
XV.	NET PROFIT FROM CONTINUING OPERATIONS (XIII+XIV)		50,150	24,438
XVI.	INCOME FROM DISCONTINUED OPERATIONS		-	-
16.1	Income from Assets Held for Sale		-	-
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
16.3	Other Income from Discontinued Operations		-	-
XVII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
17.3	Other Expenses from Discontinued Operations		-	-
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (4)		-	-
19.1	Current Tax Charge		-	-
19.2	Deferred Tax Charge (+)		-	-
19.3	Deferred Tax Benefit (-)		-	-
XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-	-
XXI.	NET PROFIT FOR THE PERIOD (XII-XVII)		50,150	24,438
21.1	Current Profit (Loss) Distribution		50,150	24,438
21.1.1	Non-controlling Interests		-	4,438
21.1.2	Subsidiaries		50,150	20,000
XXII.	DILUTED EARNINGS PER SHARE		0.630818	0.307396
22.1	A) Profit per Share from Continuing Operations	23	0.630818	0.307396
22.2	B) Profit per Share of Discontinued Operations		-	-

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(Tutarlar aksi belirtilmedikçe Bin Türk Lirası ("Bin TL") olarak ifade edilmiştir.)

	Notes	Audited	
		1 January - 31 December 2020	1 January - 31 December 2019
I. PERIOD INCOME/LOSS		50,150	24,438
II. OTHER COMPREHENSIVE INCOME		(544)	31
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(544)	31
2.1.1 Gains/(losses) on revaluation of tangible assets		-	-
2.1.2 Gains/(losses) on revaluation of intangible assets		-	-
2.1.3 Gains/(losses) on revaluation of intangible assets		(680)	39
2.1.4 Other items that will not be reclassified to profit or loss		-	-
2.1.5 Taxation on comprehensive income that will not be reclassified to profit or loss		136	(8)
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1 Translation differences for transactions in foreign currencies		-	-
2.2.2 Translition and classification profit / loss of financial assets at fair value through other comprehensive income		-	-
2.2.3 Gains/(losses) from cash flow hedges		-	-
2.2.4 Gains/(losses) from net investment hedges		-	-
2.2.5 Other items that will be reclassified to profit or loss		-	-
2.2.6 Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)		49,606	24,469

GARANTİFAKTÖRİNG A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
 (Amounts expressed in thousands of Turkish Lira ("Thousands of TL") unless otherwise indicated.)

		CHANGES IN SHAREHOLDERS' EQUITY													
		CURRENT PERIOD						PREVIOUS PERIOD							
		1 January - 31 December 2020						1 January - 31 December 2019							
		Notes	Field in Capital	Capital Reserves	Share Premium	Share Capital	Other Comprehensive Income and Expenses	Other Comprehensive Income and Expenses to be reclassified to profit or loss	Foreign exchange differences	Revaluation and/or recalculation difference of available-for-sale financial assets	Other Profit/Loss from cash flow income and expenses to be reclassified on	Other Comprehensive Income and Expenses to be reclassified on	Profit/(Loss)	Current Year Profit/(Loss)	Total Shareholders' Equity
	Audited														
II.	Balance at Beginning of Period	16	79,500	-	-	-	-	603	-	-	-	76,702	8,408	-	163,084
III.	Changes at Beginning of Period														
III.1.	Effects of changes in accounting policies														
III.2.	Effects of changes in accounting estimates														
III.3.	Effects of changes in accounting policies and estimates of Period (I-II)														
IV.	Field Comprehension Income		79,500	-	-	-	620	(414)	-	-	-	76,702	8,408	163,084	
V.	Capital Increase in Cash		-	-	-	-	-	-	(544)	-	-	-	50,150	49,606	
VI.	Capital Increase in Other		-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Capital Reserves from Retained Earnings Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	
X.	Other Changes in Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	(8,408)	-	
XII.	Dividends		-	-	-	-	-	-	-	-	-	-	(8,408)	-	
XIII.	Other Reserves		-	-	-	-	-	-	-	-	-	-	(8,408)	-	
	Balance at end of the period (I) December 2020 (II) January - March 2021		79,500	-	-	-	(1,179)	-	-	-	-	85,110	50,150	-	212,890
	Audited														
II.	Balance at Beginning of Period	17	79,500	-	-	-	-	657	-	-	-	134,078	(57,276)	-	155,242
III.	Changes at Beginning of Period														
III.1.	Effects of changes in accounting policies														
III.2.	Effects of changes in accounting estimates														
III.3.	Effects of changes in accounting policies and estimates of Period (I-II)	2,5	-	-	-	-	-	-	-	-	-	-	(16,830)	-	(16,830)
IV.	Field Comprehension Income		79,500	-	-	-	657	31	-	-	-	134,078	(6,000)	-	160,000
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	24,438	24,438	
VI.	Capital Increase in Other		-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Capital Reserves from Retained Earnings Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	
X.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	57,276	-	
XI.	Dividends		-	-	-	-	-	-	-	-	-	-	57,276	-	
XII.	Other Reserves		-	-	-	-	-	-	-	-	-	-	(57,276)	-	
	Balance at end of the period (I) December 2019 (II) January - March 2020		79,500	-	-	-	(626)	-	-	-	-	76,702	(16,830)	57,176	(57,276)

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORING A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	STATEMENT OF CASH FLOWS	Notes	Audited	
			1 January - 31 December 2020	1 January - 31 December 2019
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating profit before changes in operating assets and liabilities		105,696	107,473
1.1.1	Interest/Leasing income received		288,999	376,397
1.1.2	Interest/Leasing expenses		(181,134)	(273,755)
1.1.3	Dividends received		-	-
1.1.4	Fees and commissions received		12,686	10,063
1.1.5	Other earnings		-	-
1.1.6	Receiving from non-performing receivables recognized as a loss	6.3	4,634	3,959
1.1.7	Cash payments to staff and service suppliers		(46,965)	(47,662)
1.1.8	Taxes paid		(3,420)	(8,014)
1.1.9	Other		30,896	46,485
1.2	Changes in operating assets and liabilities		(635,462)	392,543
1.2.1	Net (increase) decrease in factoring receivables		(695,407)	135,979
1.2.2	Net (increase) decrease in financial loans		-	-
1.2.3	Net (increase) decrease in receivables from leasing transactions		-	-
1.2.4	Net (increase) decrease in other assets		5,959	(15,937)
1.2.5	Net increase (decrease) in factoring payables		(7,314)	(4,742)
1.2.6	Net (increase) decrease in payables from leasing transactions		3,869	1,630
1.2.7	Net increase (decrease) in funds borrowed		74,944	262,086
1.2.8	Net increase (decrease) in due payable		-	-
1.2.9	Net increase (decrease) in other liabilities		(17,513)	13,527
I.	Net cash provided from operating activities		(529,766)	500,016
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2	Cash obtained from sale of joint ventures, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(221)	(22)
2.4	Fixed assets sales	7	48	-
2.5	Cash obtained from funds borrowed and securities issued	4	(39,663)	-
2.6	Cash obtained from sale of financial assets available for sale		-	-
2.7	Cash paid for purchase of financial assets held to maturity		-	-
2.8	Cash obtained from sale of financial assets held to maturity		-	-
2.9	Other	10	(8,008)	(6,938)
II.	Net cash provided from investing activities		(47,844)	(6,960)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash obtained from funds borrowed and securities issued		811,316	966,316
3.2	Cash used for repayment of funds borrowed and securities issued		(234,020)	(1,471,596)
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance lease		(3,550)	2,923
3.6	Other		-	-
III.	Net cash provided from financing activities		573,746	(508,203)
IV.	Effect of change in foreign exchange rate on cash and cash equivalent		3,868	1,453
V.	Net increase/decrease in cash and cash equivalents		4	(7,848)
VI.	Cash and cash equivalents at the beginning of the period		11,842	19,778
VII.	Cash and cash equivalents at the end of the period	2.5	11,846	11,930

The accompanying notes are an integral part of these financial statements.

GARANTİ FAKTORİNG A.Ş.**PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	Notes	Audited	
		1 January - 31 December 2020	1 January - 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)			
1.1 CURRENT PERIOD PROFIT		64,671	31,031
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	9	14,521	6,593
1.2.1 Corporate tax (income tax)		(378)	(849)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties		14,899	7,442
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		50,150	24,438
1.3 ACCUMULATED LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVES (-)		-	1,552
1.5 OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]		50,150	22,886
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1 To owners of ordinary shares		-	-
1.6.2 To owners of privileged shares		-	-
1.6.3 To owners of redeemed shares		-	-
1.6.4 To profit sharing bonds		-	-
1.6.5 To holders of profit and loss sharing certificates		-	-
1.7 DIVIDENDS TO PERSONNEL (-)		-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1 To owners of ordinary shares		-	-
1.9.2 To owners of privileged shares		-	-
1.9.3 To owners of redeemed shares		-	-
1.9.4 To profit sharing bonds		-	-
1.9.5 To holders of profit and loss sharing certificates		-	-
1.10 STATUS RESERVES (-)		-	-
1.11 EXTRAORDINARY RESERVES		-	(22,886)
1.12 OTHER RESERVES		-	-
1.13 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1 APPROPRIATED RESERVES		-	-
2.2 SECOND LEGAL RESERVES (-)		-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.2.1 To owners of ordinary shares		-	-
2.2.2 To owners of privileged shares		-	-
2.2.3 To owners of redeemed shares		-	-
2.2.4 To profit sharing bonds		-	-
2.2.5 To holders of profit and loss sharing certificates		-	-
2.3 DIVIDENDS TO PERSONNEL (-)		-	-
2.4 DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE		-	-
3.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	0.307396
3.2 TO OWNERS OF ORDINARY SHARES (%)		-	30.74
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Decision regarding to the 2020 profit distribution will be made at general assembly meeting.

GARANTI FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Garanti Faktoring Hizmetleri A.Ş. was incorporated on 4 September 1990 in Turkey to provide factoring services to industrial and commercial firms. The commercial title of Aktif Finans Faktoring Hizmetleri A.Ş. was changed to Garanti Faktoring Hizmetleri A.Ş. with the approval of the General Assembly held on 27 March 2002. At the 2013 General Assembly Meeting of the company held on 17 April 2014 the commercial title of the Company was changed to Garanti Faktoring A.Ş. ("the Company").

The Company offered its shares to public in 1993 with the authorization of the Capital Markets Board ("CMB") and is quoted in Borsa İstanbul A.Ş. ("BİAŞ").

The Company operates in accordance with the Capital Markets Law and "Financial Leasing, Factoring and Financing Companies Law" published in the Official Gazette dated 13 December 2012 and numbered 28496 and the "Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies" issued by the Banking Regulation and Supervision Agency ("BRSA") dated 24 April 2013 and numbered 28627 published in the Official Gazette.

Information about the Company's shareholders and respective shares are as follows:

	Shareholding		Shareholding	
	31 December 2020	(%)	31 December 2019	(%)
Türkiye Garanti Bankası A.Ş.	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası A.Ş.	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	79.500	100,00	79.5000	100,00

The shareholding of T. Garanti Bankası A.Ş. as at 31 December 2020 is 55,40% and T. Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2019: 55,40% and 26,44%).

The Company has 121 employees as at 31 December 2020 (31 December 2019: 129).

The Company is registered in Turkey and operates at the following address:

Çamçeşme, Tersane Caddesi No: 15 Pendik / İstanbul

The Company provides factoring operations with 11 (eleven) branches in Turkey.

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 27 January 2021. The General Assembly has the authority to change the financial statements.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**2.1 Basis of Presentation****2.1.1 Statement of Compliance**

The Company prepares its financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the communiqué on “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public” published in the Official Gazette dated 24 December 2013 and numbered 28861 and the “Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies” and other regulations, communiqués and circulars published by the BRSA and Turkish Accounting Standards (“TAS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not legislated by the aforementioned regulations

Changes regarding classification and measurement of financial assets

Within the scope of “Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies” published in the Official Gazette dated 2 May 2018 and numbered 30409, companies are entitled to reserve for the expected credit loss allowance under TFRS 9 and the effective date of the regulation is 31 December 2018. The Company has started to calculate its expected credit loss in accordance with TFRS 9 starting from 1 January 2019 with the Board of Directors decision dated 28 December 2018.

2.1.2 Functional Currency

Financial statements of the Company are presented in Turkish Lira (“TL”), which is the Company’s functional currency.

2.1.3 Preparation of Financial Statements in Hyperinflationary Periods

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with Turkish Accounting Standards on “Preparation of Financial Statements in Hyperinflationary Periods” (“TAS 29”) for the financial statements prepared until 31 December 2004. BRSA issued a circular on 28 April 2005 stating that the indicators requiring the application of inflation accounting ceased to exist; consequently inflation accounting was not applied in the financial statements after 1 January 2005.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.3 Changes in Accounting Estimates and Errors**

The Company set aside specific provisions for factoring receivables in accordance with the "Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published in the Official Gazette No. 28861 dated 24 December 2013 and other regulations regarding the amendment of the related regulation. The Company continues to recognize provisions for impairment as it has been in previous periods in accordance with the related legislation.

If the changes in accounting estimates relate to only one period, changes are applied in the current period but if changes in estimates relate to future periods, changes are applied both in the current and following periods prospectively. Material prior period errors are corrected retrospectively and prior period financial statements are restated.

The management is required to apply accounting policies and make decisions, estimations and assumptions that affect the reported assets, liabilities, income and expenses, in order to prepare the financial statements in accordance with the BRSA Accounting and Reporting Legislation. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed constantly. The effect of a change in accounting estimates is recognized prospectively in the current and future periods. The main notes for the items including estimates are as follows:

Note 3 –	Cash and Cash Equivalents and Central Bank
Note 6 –	Financial Assets Measured at Amortized Cost (Net)
Note 7 –	Tangible Assets
Note 8 –	Intangible Assets
Note 9 –	Tax Assets and Liabilities
Note 14–	Provisions

2.4 New and Revised Turkish Accounting Standards**The new standards, amendments and interpretations which are effective as at 31 December 2020 but not yet adopted are as follows*****Standards issued but not yet effective and not early adopted***

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

Classification of Liabilities as Short or Long Term (Amendments in TAS 1)

The classification of Liabilities as Short or Long Term (Amendments in TAS 1) published by the IASB on 23 January 2020 in order to make the presentation in the financial position table for the classification of liabilities as short or long term according to IAS 1 more explanatory, was published in 2020.

This amendment clarifies the additional explanations about the long-term classification of liabilities that the company can defer at least twelve months later and other matters related to the classification of liabilities.

The amendments made in TAS 1 address the following issues:

- In the classification of obligations, it should be clearly stated that the right of the enterprise to defer liability should exist at the end of the reporting period.
- Stipulating that the expectations and objectives of the business management regarding the use of the right to defer the liability will not affect the long-term classification of the liability.
- Explaining how the borrowing conditions of the company will affect the said classification.

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

d. Explanation of the provisions regarding the classification of liabilities that the entity can pay with its own equity instruments.

The company has to apply these changes retrospectively as of the reporting periods that started on and after January 1, 2022. However, its early application is allowed. However, with the amendment published on 15 July 2020, the IASB decided to postpone the effective date of the IAS 1 amendment until January 1, 2023.

The implementation of this amendment in TAS 1 is not expected to have a significant impact on the financial statements of the Company.

Changes that have come into effect and have not been implemented

The changes that have entered into force as of the fiscal periods that started on and after January 1, 2020 are as follows:

1-) Updated Conceptual Framework (2018 version)

2-) Changes in TFRS 3 Business Combinations - Business Definition

The application of the amendment in TFRS 3 did not have a significant effect on the financial statements of the Company.

3-) Changes in TMS 1 and TMS 8 - Material Description

The application of the amendment in TMS 1 and TMS 8 did not have a significant effect on the financial statements of the Company.

4-) Indicative Interest Rate Reform (Amendments in TFRS 9, TAS 39 and TFRS 7)

The implementation of this change has not had a significant impact on the financial statements of the Company.

New and updated standards and comments published by IASB but not yet published by POA

Amendment to the References to the Conceptual Framework in IFRS 3

In May 2020, the IASB issued an amendment regarding the references to the Conceptual Framework in IFRS 3.

With the amendment, the references made by the IASB in IFRS 3 to an earlier version of the Conceptual Framework for Financial Reporting have been replaced with references to the latest version published in March 2018.

Although the company has to apply these changes from the reporting periods starting on January 1, 2022 and after, early application is allowed.

Tangible Fixed Assets - Making it suitable for the purpose of use (Amendment to IAS 16)

In May 2020, the IASB issued the "Tangible Fixed Assets - Conforming to the Intended Use" amendment to the IAS 16 Tangible Fixed Assets standard. With the amendment, it is no longer allowed to deduct the revenues from the sale of the products from the cost of the tangible fixed asset item in the process of making an asset fit for its intended use. Instead, the company will recognize such sales revenues and sales costs of the products sold, as well as profit or loss.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.4 New and Revised Turkish Accounting Standards (continued)****Economically disadvantaged contracts-Contract fulfillment costs (Amendment to IAS 37)**

The amendment clarifies the accounting provisions in this regard, increasing transparency and consistency - in particular, it does not allow the deduction of the proceeds from the sale of the manufactured products from the cost of the item of tangible fixed asset, while the amendment makes the asset available for its intended use. Instead, a company will now reflect such sales revenue and associated costs in profit or loss.

Although the Company has to apply these changes from the reporting periods starting on January 1, 2022 and after, early implementation is allowed.

The IASB published the "Economically disadvantaged contracts - contract fulfillment costs" amendment amending IAS 37 Provisions, Contingent Liabilities and Contingent Assets in May 2020.

The IASB has published this amendment to IAS 37 to clarify that, in order to assess whether a contract is economically disadvantaged, the cost of fulfilling the contract includes both mandatory additional costs that must be incurred and costs associated with the allocation of other direct costs.

The amendments specify what costs an entity can include in determining the cost of fulfilling a contract in order to assess whether a contract is fulfilled.

Although the company has to apply these changes from the reporting periods starting on January 1, 2022 and after, early application is allowed.

Annual Improvements -2018-2020 Period**Improvements in IFRS**

The "Annual Improvements in IFRS / 2018-2020 Period" published for the standards in force is presented below. These changes are effective as of January 1, 2022, and early application is allowed. The application of these changes in IFRS is not expected to have a significant impact on the financial statements of the Company.

IFRS 1- First Implementation of International Financial Reporting Standards

This amendment facilitates the implementation of IFRS 1 in case a subsidiary starts to apply IFRSs after the parent company; for example; If a subsidiary starts to apply IFRSs later than the parent company, by taking advantage of the exemption in paragraph 1.D16 (a) of IFRS, the accumulated foreign currency translation differences for all foreign currency transactions are calculated over the amounts included in the financial statements of the parent company according to the transition date of the parent company to IFRS Standards can choose to measure with this amendment, by applying this optional exemption for subsidiaries, i) reduce unnecessary costs; and ii) facilitate the transition to IFRS Standards by eliminating the need to keep similar simultaneous accounting records.

IFRS 9 Financial Instruments

This amendment - in order to perform the '10% test' for derecognition of financial liabilities - in determining the fees received on the net amount by deducting the fees paid for these transactions, the fees to be taken into account are only the ones that will be considered as the debtor and the lender and they are mutually paid between or on behalf of them. or the fees charged.

IFRS 16 Leases, Illustrative Example 13

With this change, the part of Explanatory Example 13 regarding the lessor's payment to the lessee for special costs is removed. As currently published, this example is not clear as to why such payments are not a rental incentive. Thus, it will help to eliminate the possibility of confusion in determining the lease incentives in real estate leasing transactions, which are common in general.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies****(a) Revenue**

Factoring service income is composed of collected interest income and commission income earned from advance payments made to customers.

A proportion of factoring invoice total obtained constitutes commission income. Interest and commission income and other income and expenses are accounted accrual basis.

Other interest income is accrued based on the effective interest rate which equals the estimated cash flows to net book value of the related asset.

(b) Financial Instruments**Classification and measurement**

Classification and measurement of financial assets in accordance with TFRS 9 Financial Instruments standard is determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance.

TFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company accounts for its financial assets in three classes. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Company classifies its financial assets at the time of purchase.

"Financial assets measured at amortized cost" are financial assets held as part of a business model aimed at collecting contractual cash flows and that have cash flows that include interest payments solely on principal and principal balance at specific dates in contractual terms, are not traded in an active market. Financial assets at amortized cost of the Company also include "cash and cash equivalents", "factoring receivables".

Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated income statement.

"Financial assets at fair value through other comprehensive income" are financial assets held as part of a business model for the collection and settlement of contract cash flows and for which there are cash flows from interest payments arising principally only at principal and principal amounts under contractual terms. Interest income, foreign currency gains and losses and impairment losses calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income.

When financial assets are excluded from the statement of financial position, the total gains or losses that previously recognized in other comprehensive income are reclassified to profit or loss.

For investments in equity-based financial assets, the Company may inadvertently choose the method of reflecting subsequent changes in fair value to other comprehensive income during the first financial statement purchase. In the case of such a preference, the dividends from the related investments are recognized in the consolidated income statement.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Classification and measurement (continued)**

Under TFRS 9, all investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost value may be an appropriate estimate of fair value.

The Company uses the cost method as a method to determine the fair value in case there is not sufficient information about the fair value measurement or if the fair value can be measured with more than one method and the cost reflects the fair value estimation among these methods.

"Financial assets at fair value through profit or loss" are financial assets measured other than those at amortized cost and fair value through other comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the consolidated income statement.

Factoring Receivables and Other Receivables

Factoring receivables and other receivables are stated at fair value at initial recognition. Subsequent to initial recognition, all receivables except for factoring receivables are carried at amortized cost using the effective interest method. Interest income is calculated and accounted by using the effective interest rate method.

Impairment of financial assets

As at 1 January 2019, loss allowance for expected credit losses is set aside for factoring receivables measured at amortized cost based on TFRS 9 and the regulation published in the Official Gazette no. 30409 dated 2 May 2018 and effective from 31 December 2018 in connection with "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" TFRS 9 impairment requirements are not applicable for equity instruments.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, it shall be measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, it is measured loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The expected credit loss is calculated on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis.

Calculation of expected credit losses

Expected credit losses is calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Calculation of expected credit losses (continued)**

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics:

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used for commercial portfolios. The internal rating models used for the commercial portfolio include customer financial information and demographic information. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD calculations are performed using historical data which best reflects current conditions. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date.

With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

Stage 2: When there is a significant increase in credit risk since origination, lifetime expected credit losses is calculated. Including multiple scenario usage, probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

Stage 3: Lifetime expected credit losses are recognised for the impaired lease receivables. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

It is considered a debt as default on these two below conditions;

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default for the financial institutions is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.
2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Calculation of expected credit losses (continued)**

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate. When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Forward-looking macroeconomic information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

Significant increase in credit risk

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

Qualitative assessment:

It is classified the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment.

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watchlist,
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

Quantitative assessment:

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

It is classified the related financial asset as stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

Low credit risk

TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

If it is determined that a financial instrument has a low credit risk as of the reporting date, it is assumed that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Disclosures on write down policy**

The Regulation on Accounting Practices and Financial Tables of Financial Leasing, Factoring and Financing Companies was published in the Official Gazette No. 30961 on November 27, 2019. With this regulation, it is possible to deduct the part of Factoring Receivables, which are classified as "Loss like Receivables" by financial institutions, for which there is no reasonable expectation of recovery by companies, and thus to be taken off the balance sheet.

The company makes an objective and subjective assessment while determining whether there are no reasonable expectations.

As explained in the accounting policies entitled Calculation of Expected Credit Loss, provisions for expected credit losses are made under TFRS 9 for the parts of Factoring receivables that are not expected to be collected.

Therefore, the portion of factoring receivables, which are deemed to have no reasonable expectation for the recovery of the loan by the unit responsible for the collection of the relevant receivables, and which are currently monitored in the "Receivables classified as loss" category, up to the allocated provisions, may be subject to derecognition.

In addition, all factoring receivables that meet at least the following conditions are considered to be completely lost by the Company and can be deducted from the record based on the positive opinion of the relevant units:

In this context, the provision rates of the related receivables can be determined as 100% if the relevant units also have positive opinion.

- i. Being monitored as a receivable as a loss for at least 2 years,
- ii. The fact that no collection has been made in the last 6 months or the Company has gone bankrupt in the last 6 months, and there is no new collection capacity due to the assets at the bankruptcy estate,
- iii. Lack of a guarantee in kind,

In line with the relevant accounting policy, the Company deducted its factoring receivables for the amount of TL 273.508 as of 31 December 2020.

Current Year

Write down of	TL	FC
The Factoring Receivables	32.981	240.527

The rate of follow-up declined from 12.14% before deregistration to 4.52% after write-down.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Disclosures on write down policy (continued)****Derivative Financial Instruments**

The Company’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivatives are initially recognized at fair value at the date a derivative contract is entered and are subsequently remeasured to their fair value at the end of each reporting period.

Financial Liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value at initial recognition, and remeasured at fair value as at the balance sheet date at each reporting period.

Financial Liabilities at Fair Value Through Profit or Loss

Changes in fair values are accounted for in the profit or loss statement. Net gains or losses in the statement of profit or loss include the interest paid on the financial paint in question.

(c) TFRS 16 Leases

The Company has started to apply TFRS 16 Leases standard (“TFRS 16”) starting from 1 January 2019. TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Definition of Leasing

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

On transition to TFRS 16, the Company elected to apply it as it used to be defined as a lease by using the practical expedient to the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Company has allocated to each lease and non-lease component, based on its relative stand-alone price, at the reassessment or inception of a contract containing a lease component. However, for the properties it is tenant, the Company has chosen not to separate non-lease components and to account for non-lease and non-lease components as a single lease component.

As a lessee

The Company leases properties and vehicles. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise to the financial statements right-of-use assets and lease liabilities for properties and vehicles leases with a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents lease liabilities in ‘Lease Liabilities (Net)’ in the statement of financial position.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

On June 5, 2020, the POA published the Concessions Granted in Lease Payments in relation to COVID-19 “Changes to TFRS 16 Leases” and structured them in the “Leases Standard by publishing TFRS 16”. With this change, COVID-19 was justified in the exemption to find out if there was a change in the lease in the tenants’ payments. The change in question did not have a significant impact or financial performance on the Company’s financial performance.

(d) Tangible Assets and Amortization

Tangible assets are carried at historical cost, less accumulated depreciation and accumulated impairment losses.

Tangible assets are depreciated principally on a straight-line basis considering the expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenses for the maintenance of tangible assets are normally recorded in profit and loss statement. Gain or loss arising on the disposal or retirement of an item of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Tangible Asset	Estimated useful lives (Year)
Vehicles	5
Furniture and fixtures	3-15
Leasehold improvements	3-10

(e) Intangible Assets

Intangible Fixed Assets Acquired

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(e) Intangible Assets (continued)

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible fixed assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Intangible Assets	Estimated useful lives (Year)
Rights	3-5
Software	3-5

(f) Impairment of Assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets which were subject to impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Capital Increase

Capital increases by the existing shareholders are decided in the General Assembly Meetings and accounted for over the registered nominal values.

(h) Retirement Pay Provision

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan in accordance with the TAS 19 “Employee Benefits” (“TAS 19”).

Retirement pay provision of the employees is calculated by discounting the future retirement liability of the employees and presented in the financial statements. All actuarial gains and losses are accounted under the other comprehensive income.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(i) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

(j) Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred

(k) Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company is expressed in thousands of TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2020 and 31 December 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
USD	7,3405	5,9402
EURO	9,0079	6,6506
GBP	9,9438	7,7765

In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(l) Earnings per Share

In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “Bonus Share” distributions are treated as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(m) Events after the reporting period

Events after the balance sheet date comprise any event between the balance sheet date and the date of authorization of the financial statements for publication, even if any event after the balance sheet date occurred subsequent to an announcement on the Company's profit or following any financial information disclosed to public.

The Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date if such subsequent events arise.

(n) Segment Reporting

No segmental information is disclosed as the Company operates in Turkey and provides only factoring services.

(o) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(o) Income Tax(continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(p) Statement of Cash Flows

In the statement of cash flows, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investment activities express cash used in investment activities (capital expenditures and financial investments) and cash flows generated from investment activities of the Company.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

Cash and Cash Equivalents:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Case / Effective	1	-
Cash and Cash Equivalents	12.502	11.930
Blocked Deposits	(657)	-
	11.846	11.930

(r) Covid-19 pandemic effects

Covid - 19 outbreaks influence spreading in the world and Turkey. Covid-19 was declared as a pandemic by World Health Organization (WHO) in 11 March 2020, and the measures taken against the pandemic, exposure to the pandemic in all countries has led to disruptions in almost all countries and has adversely affected the economic conditions both globally and locally. Based on the evaluation made by the Company Management, the economic effects of this pandemic have been evaluated as not having a significant adverse effect on the Company as of the report date.

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as at 31 December 2020 and 31 December 2019 are as follows:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	TL	FC	TL	FC
Cash and cash equivalents	1.622	10.224	1.518	4.472
Time deposits (*)	657	-	-	5.940
Expected credit losses	(21)	(77)	(7)	(81)
	2.258	10.147	1.511	10.331

(*) TL 657 is held as collateral for Takasbank Monetary Market transactions.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)

As of 31 December 2020 and 31 December 2019, financial assets at fair value through profit or loss consist of government bonds issued as collateral for trading in the Takasbank Money Market (31 December 2019: None) and shares representing equity securities not listed.

	31 December 2020		31 December 2019	
	Carrying Value	% Share Rate	Carrying Value	% Share Rate
	TL	FC	TL	FC
Pledged / Blocked	39.661	-	-	-
Factors Chain International (FCI)	-	9	-	7
	39.661	9	-	7

5.1 DERIVATIVE FINANCIAL ASSETS

Derivatives are initially recorded at their fair values. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The details of derivative financial assets consisting of currency swap agreements. As at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Derivative financial assets	1.921	-	-	-
	1.921	-	-	-

5.2 DERIVATIVE FINANCIAL LIABILITIES

The details of derivative financial liabilities consisting of currency swap agreements. As at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Derivative financial liabilities	252	-	-	-
	252	-	-	-

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

6 FINANCIAL ASSETS AT AMORTISED COST (NET)**6.1 Factoring Receivables and Payables*****Factoring Receivables***

Details of factoring receivables as at 31 December 2020 and 31 December 2019 are as follows:

Financial assets at amortised cost (net)	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Discounted Factoring Receivables (Net)	1.010.724	163.041	917.390	143.866
Other Factoring Receivables	1.075.365	545.199	740.917	288.233
Non Performing Receivables	118.959	13.281	150.872	188.885
Expected Credit Losses (-)	(123.599)	(14.123)	(139.511)	(185.896)
<i>Stage 1</i>	<i>(9.676)</i>	<i>(842)</i>	<i>(4.566)</i>	<i>(257)</i>
<i>Stage 2</i>	<i>(7.642)</i>	-	<i>(7.016)</i>	-
<i>Stage 3</i>	<i>(106.281)</i>	<i>(13.281)</i>	<i>(127.929)</i>	<i>(185.639)</i>
Factoring receivables	2.081.449	707.398	1.669.668	435.088

Based on the BRSA's decision dated 8 December 2020 and numbered 9312, for factoring receivables that are delayed between 90 and 180 days from 17 March 2020 until 30 June 2021 and continue to be classified in the second stage, taking into account the probability of default as 100% makes provision for lifetime expected credit losses. However, according to the Company's risk models, since loss given default is a parameter that increases with aging for Stage 3, it has been taken into account in the same way as other factoring receivables in Stage 2.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

6 FINANCIAL ASSETS AT AMORTISED COST (NET) (continued)**6.1 Factoring Receivables and Payables (continued)*****Factoring Receivables (continued)***

Stage 1 overdue receivables of the company are TL 23 (31 December 2019: TL 5.380) and the delay periods are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
<i>Stage 1</i>				
<i>Overdue 1 month</i>	23	-	5.380	-
	23	-	5.380	-

Stage 2 overdue receivables of the company are TL 1.169 (31 December 2019: TL 203) and the delay periods are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
<i>Stage 2</i>				
<i>Overdue 1 month</i>	347	-	77	-
Overdue 1-3 months	604	-	126	-
Overdue 3-6 months	218	-	-	-
	1.169	-	203	-

Factoring Payables

Details of short term factoring payables as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Factoring payables	639	2.647	507	10.093
	639	2.647	507	10.093

Factoring payables represent the amounts of collections on behalf of factoring customers not transferred to the factoring customer accounts yet.

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

6 FINANCIAL ASSETS AT AMORTISED COST (NET) (continued)

6.2 Non-Performing Receivables

Details of the Company's non-performing factoring receivables as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Non-performing Factoring Receivables	118.959	13.281	150.782	188.885
	118.959	13.281	150.782	188.885

6.3 Expected Credit Losses

Details of the Company's expected credit losses for factoring receivables at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Expected credit losses	(123.599)	(14.123)	(139.511)	(185.896)
	(123.599)	(14.123)	(139.511)	(185.896)

The movements of expected credit losses for factoring receivables for the year ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Opening balance 1 January	325.407	250.943
TFRS 9 opening adjustment	-	20.204
<i>Expected credit loss of the period ;</i>		
Stage 1	8.787	2.580
Stage 2	3.682	7.016
Stage 3	21.576	53.694
<i>Collections/reversals of the period ;</i>		
Stage 1	(3.092)	(4.908)
Stage 2	(3.056)	(163)
Stage 3	(4.636)	(3.959)
Deducted receivables provision cancellations		
Stage 3	(210.946)	-
	137.722	325.407

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

7 TANGIBLE ASSETS

Movements in tangible fixed assets for the period ended 31 December 2020 are as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Acquisition Cost				
Furniture and fixtures	5.427	10	(852)	4.585
Vehicles	19	-	-	19
Leasehold improvements	1.757	211	-	1.968
Right-of-use				
Leased buildings	2.357	3.902	(1.693)	4.536
Right-of-use				
Vehicles	3.633	-	(62)	3.571
	13.163	4.123	(2.607)	14.679
Accumulated Depreciation				
	1 January 2020	Depreciation for the period	Disposals	31 December 2020
Furniture and fixtures	4.712	402	(804)	4.310
Vehicles	19	-	-	19
Leasehold improvements	1.395	92	-	1.487
Leased buildings	383	1.178	(511)	1.050
Vehicles	1.400	1.412	(53)	2.759
	7.909	3.084	(1.368)	9.625
Net book value	5.254			5.254

(*)As of 31 December 2020, the insurance amount on tangible assets are TL 339 (31 December 2019: TL 1.490) and the insurance premium amount is TL 1 (31 December 2019: TL 3).

GARANTİ FAKTORİNG A.Ş.NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

7 TANGIBLE ASSETS (continued)

Movements in tangible assets for the year ended 31 December 2019 are as follows:

	1 January			31 December
	2019	Additions	Disposals	2019
Acquisition Cost				
Furniture and fixtures	5.420	22	(15)	5.427
Vehicles	19	-	-	19
Leasehold improvements	1.757	-	-	1.757
Right-of-use				
Leased buildings	-	2.822	(495)	2.327
Right-of-use	-	-	-	-
Vehicles	-	3.820	(187)	3.633
	7.196	6.664	(697)	13.163

	1 January	Depreciation		31 December
	2019	for the period	Disposals	2019
Accumulated Depreciation				
Furniture and fixtures	4.132	594	(14)	4.712
Vehicles	19	-	-	19
Leasehold improvements	1.310	85	-	1.395
Leased buildings	-	878	(495)	383
Vehicles	-	1.587	(187)	1.400
	5.461	3.144	(696)	7.909
Net book value	1.735			5.254

8 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 31 December 2020 is as follows:

	1 January			31 December
	2020	Additions	Disposals	2020
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	30.688	8.008	-	38.696
	33.764	8.008	-	41.772
Accumulated Amortization				
Rights	3.076	-	-	3.076
Other (Software)	21.264	6.188	-	27.452
	24.340	6.188	-	30.528
Net book value	9.424			11.244

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

8 INTANGIBLE ASSETS (continued)

The movement of intangible assets for the period ended 31 December 2019 is as follows:

	1 January 2019	Additions	Disposals	31 December 2019
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	23.750	6.938	-	30.688
	26.826	6.938	-	33.764
Accumulated Amortization		Charge for the period	Disposals	31 December 2019
Rights	3.076	-	-	3.076
Other (Software)	16.112	5.152	-	21.264
	19.188	5.152	-	24.340
Net book value	7.638			9.424

As at 31 December 2020 and 31 December 2019, the Company has not any intangible asset that is generated within the company.

9 TAX ASSETS AND LIABILITIES*Corporate Tax*

The Company is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting exempt income and other non-taxable income (carried forward losses if available and investment incentives if preferred).

The effective tax rate in 31 December 2020 is 22% (2019: 22%). While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax is calculated as 22% of the income as at 31 December 2020 (2019: 22%). The corporate income tax rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 with the amendment of legislation.

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4 months of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)*Income Withholding Tax*

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Income tax withholding 24 April 2003 - 22 July 2006 is 10% among all companies. This rate since 22 July 2006, by the Council of Ministers No. 2006/10731 of 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Tax provision movement

	1 January – 31 December 2020	1 January – 31 December 2019
Reported profit before taxation	64.671	31.031
Calculated tax on reported profit	(14.228)	(6.827)
Permanent differences:		
Effect of change in tax rate	(186)	282
IFRS 9 transition effect of change in tax rate	-	(24)
Non-deductible expenses	(107)	(24)
Tax Charge	(14.521)	(6.593)

The tax (expense) / income in the profit or loss statement for the periods ended 31 December 2020 and 31 December 2019 are summarized below:

Based on the 26th article of the Income Tax Law and the Law on Making Amendments to Some Laws, which entered into force by publishing in the Official Gazette dated 19 July 2019 and numbered 30836, the special provisions set aside from 1 January 2019 have been taken into account in the calculation of corporate tax provision.

Corporate tax payable as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Temporary tax paid in current period	(3.329)	(7.701)
Withholding income tax	(91)	(313)
Current Period Tax Receivable/ (Payable)	(3.420)	(8.014)

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)

Income Withholding Tax (continued)

The tax rate used in the calculation of deferred tax assets and liabilities is 20% (31 December 2019: 22%).

	31 December 2020	31 December 2019
Temporary Differences		
Unused tax loss ^(*)	95.306	13.007
Unearned factoring interest income	49.089	41.714
Expected credit losses Stage 3	48.065	211.488
Expected credit losses Stage 1 and stage 2	18.258	11.926
Personnel premium provision	4.868	3.853
Reserve for employee benefits	4.208	2.920
Valuation differences of TFRS 16	3.309	3.238
Unused vacation accrual	1.682	1.361
Provisions for lawsuit	1.667	1.127
Deferred income accruals	1.557	17
Valuation differences of BITT accruals	1.167	1.084
Valuation differences on interest accruals	1.105	601
Valuation differences of derivative financial assets	252	-
Other provisions	-	419
Temporary differences related to deferred tax assets	230.533	292.755
Temporary differences on tangible and intangible assets	3.754	3.055
Valuation difference of IFRS 16	3.550	2.923
Valuation differences of derivative financial assets	1.921	-
Commissions rediscounts of factoring receivables	1.718	1.163
Prepaid guarantee letter and brokerage commissions	575	471
Valuation differences of bonds and funds borrowed	351	15
Other	361	-
Temporary differences related to deferred tax liabilities	12.230	7.627

^(*)As at 31 December 2020, there is a tax loss of amounting to TL 95.306 and the expiration date is 31 December 2025.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)

	31 December 2020	31 December 2019
Deferred tax assets / (liabilities)		
Unused financial losses	19.062	2.862
Unearned factoring interest income	9.818	9.177
Expected credit losses Stage 3	9.613	42.298
Expected credit losses Stage 1 and 2	3.652	2.624
Personnel premium provision	974	848
Provision for severance pay	842	584
Valuation difference of TFRS 16	662	712
Unused vacation accrual	336	299
Provisions for lawsuit	333	232
Prereceived commissions	311	4
Valuation differences of BITT accruals	233	238
Valuation differences on interest accruals	211	132
Valuation differences of derivative financial assets	50	92
Deferred tax assets	46.107	60.102
Temporary differences on tangible and intangible assets	(751)	(672)
Valuation difference of TFRS 16	(710)	(643)
Valuation differences of derivative financial assets	(384)	-
Commissions rediscounts of factoring receivables	(344)	(256)
Prepaid guarantee letter and brokerage commissions	(115)	(104)
Valuation differences of bonds and funds borrowed	(70)	(3)
Other	(72)	-
Deferred tax liabilities	(2.446)	(1.678)
Deferred tax assets (net)	43.661	58.424

()As at 31 December 2019, there is a tax loss of amounting to TL 95.306 and the expiration date is 31 December 2025.*

Movements of deferred tax assets are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Corporate tax refund for 2018	378	607
Cancellation of previous years' corporate tax provision	-	242
Deferred tax income / loss	(14.899)	(7.442)
Balance at the end of the period	(14.521)	(6.593)

(*) The lawsuit filed against the Large Taxpayers Tax Office on 24 May 2019 regarding the fact that the special provisions for doubtful receivables that are at the stage of lawsuit and execution are not considered as deduction in the tax base in the Corporate Tax Declaration of 2018, has been concluded in favor of the Company. In the 2018 corporate tax return, an excess payment of TL 378 was accrued and a cash refund is expected. The relevant amount has been shown in the current period profit and loss statement by netting off the current tax provision and deferred tax income of the same amount has been cancelled.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

9 TAX ASSETS AND LIABILITIES (continued)

The Company calculates deferred income tax assets and liabilities by taking into account the effects of temporary differences arising as a result of different evaluations between BRSA Accounting and Financial Reporting Legislation and Tax Procedure Law.

10 OTHER ASSETS

Details of other assets as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2020	
	TL	FC	TL	FC
Receivables from BITT accruals	5.001	181	2.950	110
Prepaid expenses	595	63	549	71
Other	192	298	83	132
	5.788	542	3.582	313

11 FUNDS BORROWED

Details of funds borrowed as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Funds borrowed	1.449.664	638.026	1.590.602	414.529
	1.449.664	638.026	1.590.602	414.529

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 31 December 2020 and 31 December 2019.

	31 December 2020				31 December 2019			
	Original Amount	Interest Rate (%)	Up to 1 Year	TL Equivalent 1 Year and over	Original Amount	Interest Rate (%)	Up to 1 Year	TL Equivalent 1 Year and over
TL	1.449.664	9,05-19,06	1.449.664	-	1.590.602	14,11-25,50	1.477.464	113.138
USD	50.087	0,50-4,46	367.660	-	31.349	4,73-4,80	186.216	-
EURO	27.620	0,30-3,68	248.802	-	30.299	0,40-2,21	201.503	-
GBP	2.168	0,30-3,89	21.564	-	3.447	1,95-3,02	26.810	-
Total			2.087.690				1.891.993	113.138

(*) TL 490.037 of the funds borrowed as at 31 December 2020 is borrowed from Takasbank Money Market (31 December 2019: TL 199.130). TL 668.500 worth of guarantee has been given for the funds borrowed from Takasbank Money Market (31 December 2019: TL 648.550).

As at 31 December 2020 and 31 December 2019, the remaining funds borrowed are uncollateralized.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

12 LEASE OBLIGATIONS

Details of lease obligations as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Nominal	4.351	1.180	3.186	2.466
Cost	(635)	(24)	(1.012)	(87)
Carrying Value	3.716	1.156	2.174	2.379

13 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
<i>Bonds</i>				
Nominal	584.939	-	-	-
Cost	563.477	-	-	-
Carrying Value	582.026	-	-	-

The Company issued discounted bonds only for qualified investors.

1 January – 31 December 2020			1 January – 31 December 2019		
Date of issue	Nominal value	Maturity	Date of issue	Nominal value	Maturity
29.07.2020	144.887	22.01.2021	-	-	-
01.10.2020	168.054	05.01.2021	-	-	-
16.10.2020	199.997	14.01.2021	-	-	-
03.11.2020	72.000	01.02.2021	-	-	-
Total	584.939			-	

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

14 PROVISIONS

Details of provisions as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Provision for employee benefits	10.758	-	8.134	-
Provision for lawsuits	1.168	-	787	-
Provision for brokerage commissions	-	737	-	535
Other provisions	499	-	791	-
	12.425	737	9.712	535

14.1 Provision for Employee Benefits

Provision for employee benefits as at 31 December 2020 includes retirement pay provision amounting to TL 4.208 (31 December 2019: TL 2.920), unused vacation accrual amounting to TL 1.682 (31 December 2019: TL 1.361) and personnel bonus accrual amounting to TL 4.868 (31 December 2019: TL 3.853).

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month's salary and this amount for the period 01 January – 31 December 2020 is TL 7.117.7 (full), (31 December 2019: TL 6.379,86 (full)). The amount of compensation to be paid is equal to one month's salary for every and each year of employment.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

Consequently, in the accompanying financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9,70% and a discount rate of 13% (31 December 2019: inflation rate of 8,20%, discount rate of 12,50%).

Movement of retirement pay provision as at 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Net liability at the beginning of the period	2.920	2.343
Severance indemnity paid in the period	(205)	(238)
Recognized under income statement	813	854
Retirement provision recognized under other comprehensive income	680	(39)
Net liability at the end of period	4.208	2.920

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

14 PROVISIONS (continued)**14.1 Provision for Employee Benefits (continued)***Personnel Bonus Accrual*

Movement of the personnel bonus provision as at 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	3.853	2.184
Paid in the period	(2.386)	(1.296)
Reversal	(413)	(635)
Accrual for the period	3.814	3.600
Balance at the end of the period	4.868	3.853

14.2 Other Provisions*Unused Vacation Accrual*

The movement of unused vacation provisions as at 31 December 2020 and 31 December 2019 are as follows

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	1.361	865
Paid in the period	(102)	(29)
Reversal	(102)	(63)
Accrual for the period	525	588
Balance at the end of the period	1.682	1.361

As at 31 December 2020, the Company has set aside TL 737 correspondent allowance provision, TL 1.167 continuing legal proceedings, TL 500 continuing legal proceedings (As 31 December 2019 TL 417 is other wages to be paid to staff TL 553 is correspondent allowance provision, TL 1.127 continuing legal proceedings and TL 34 is other expense rediscount).

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Balance at 1 January	1.578	535	1.496	493
Paid in the period	(549)	(535)	(1.343)	(493)
Accrual for the period	638	737	1.425	535
Balance at the end of the period	1.667	737	1.578	535

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

15 OTHER LIABILITIES

Details of other liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Taxes payable	3.290	-	2.482	-
Transitory liability accounts	28	351	16	2.012
Transfer payable	-	1.765	-	1.758
Other payables	690	4	719	108
Deferred commissions	1.557	-	17	-
Other liabilities	5.565	2.120	3.234	3.878

16 SHAREHOLDERS' EQUITY**16.1 Paid-in Capital**

As at 31 December 2020, the Company's share capital amounts to TL 79.500 (31 December 2019: TL 79.500). As at 31 December 2020, the Company has 7.950.000.000 (31 December 2019: 7.950.000.000) total registered shares consisting of 4.004.242.970 preferred shares and 3.945.757.030 ordinary shares with a par value of Kuruş (“Kr”) 1 each (31 December 2019: Kr 1).

16.2 Capital Reserves

None (31 December 2019: None).

16.3 Other Comprehensive Income or Expense

As at 31 December 2020, TL (1.170) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss (31 December 2019: TL (626) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss).

16.4 Accumulated Other Comprehensive Income or Expense

None (31 December 2019: None.).

16.5 Profit Reserves

As at 31 December 2020, the Company's profit reserves comprise of the legal reserves amounting to TL 10.757 (31 December 2019: TL 9.205) and extraordinary reserves amounting to TL 74.353 (31 December 2019: TL 67.497).

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

16 SHAREHOLDERS' EQUITY (continued)**16.6 Profit Distribution (continued)****16.6 Profit Distribution**

Profit distribution table	31 December 2019
Net Profit for the year	24.438
Legal Reserves (-)	1.552
DISTRIBUTABLE NET PROFIT OF THE PERIOD	22.886
Donations (+)	79
Distributable net profit of the period (with Donations)	22.965
EXTRAORDINARY RESERVES	22.965

(*) As of 1 January 2019, the loss of TL 16.030, which was classified under the "Previous Years' Profit Loss" due to the initial transition to TFRS 9 Financial Instruments Standard, has been transferred to the extraordinary reserves account. Including this amount, a total of TL 6.856 has been classified into extraordinary reserves.

17 OPERATING INCOME

The details of operating income for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Factoring interest income	297.653	368.204
Factoring fee and commission income (net)	11.815	7.624
	309.468	375.828

18 FINANCE EXPENSES

The details of finance expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Interest expenses on funds borrowed	161.436	176.025
Interest expenses on marketable securities issued	26.190	80.449
Financial lease expenses	417	556
Fees and commissions given	757	6.825
Other interest expense	706	8
	189.506	263.863

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

19 OPERATING EXPENSES

The details of operating expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Personnel expenses	30.025	29.185
Depreciation and amortization charges	9.272	8.296
IT maintenance and contract expenses	2.900	2.951
Consultancy expenses	1.085	898
Legal case expenses	1.072	1.609
Communication expenses	845	972
Provision for retirement pays	813	854
Subscription expenses	763	794
Maintenance and repair expenses	701	1.963
Vehicle expenses	516	667
Rent expenses	322	1.074
Taxes and duties	278	397
Losses from liquidated receivables	115	50
Representation expenses	60	307
Travel expenses	37	142
Other	512	669
	49.316	50.828

The details of personnel expenses classified under operating expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Salaries and wages	20.860	20.041
Bonuses	3.814	3.600
Social security premium employer's share	2.792	2.300
Personnel transportation expenses	291	737
Insurance expenses	590	662
Personnel food expenses	578	652
Per diem payments	336	322
Unemployment insurance employer's share	326	278
Training expenses	25	211
Other	413	381
	30.025	29.185

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

20 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange profits	131.576	44.876
Reversal of expected losses provision (*)	11.528	9.030
Profits on derivative financial transactions	5.539	3.185
Interests received from securities	1.689	-
Interests received from banks	691	1.945
Other	660	492
	151.683	59.528

(*) Includes TL 39 of reversal of expected losses provision for banks and TL 705 default interest provision calculated for third phase.

21 PROVISIONS

The details of expected credit loss for the periods ended as at 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Stage 1 (*)	8.842	2.650
Stage 2	3.682	7.016
Stage 3 (**)	84.926	55.285
	97.450	64.951

(*) The expected loss provision for assets classified under Cash, Cash Equivalents and Central Bank is included (TL 55).

(**) The foreign currencies (TL 62.561) include the increase in exchange rate for the expected earnings provision and 788 TL default interest provision calculated for the third stage

22 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange losses	59.247	23.453
Losses on derivative financial transactions	252	480
Securities on impairment expense	169	-
	59.668	23.933

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

23 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Net profit for the period	50.150	24.438
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
Earnings per thousand shares (KR)	630,82	307,40

24 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	1.522	3.786	1.360	9.013
Demand deposits	1.522	3.786	1.360	9.013
Garantibank International NV	1	6.244	1	900
Demand deposits	1	6.244	1	900
	1.533	10.030	1.361	9.913

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as at 31 December 2020 is TL 1.353.879 (31 December 2019: TL 776.701).

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası AŞ	596.110	413.332	755.315	29.111
Garantibank International NV	-	21.509	-	-
	596.110	434.841	755.315	29.111

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

24 RELATED PARTY TRANSACTIONS (continued)

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Miscellaneous Payables:				
Türkiye Garanti Bankası A.Ş.	57	-	11	-
	57	-	11	-

Income and expenses from related parties for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Interest income from factoring receivables		
Garanti Bank International NV	1.643	106
	1.643	106
Interest income on bank deposits		
Türkiye Garanti Bankası A.Ş.	36	279
	36	279
Interest expenses on funds borrowed		
Türkiye Garanti Bankası A.Ş.	75.783	54.153
Garanti Bank International NV	99	56
	75.882	54.209
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	759	1.502
Türkiye Garanti Bankası A.Ş.	201	134
Garanti Bank International NV	64	91
	1.024	1.727

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

24 RELATED PARTY TRANSACTIONS (continued)

<i>General Administrative Expenses</i> ^(*)	1 January – 31 December 2020	1 January – 31 December 2019
Türkiye Garanti Bankası AŞ	3.740	2.169
Garanti Filo Yönetim Hizmetler AŞ	1.416	1.765
İstanbul Takas ve Saklama Bankası AŞ	551	271
Garanti Finansal Kiralama AŞ	154	334
Garanti Emeklilik ve Hayat AŞ	-	116
	5.862	4.655

^(*) *General Administrative Expenses comprises of rent expense, IT maintenance and contract expenses, transaction commissions, car rental expenses, travelling expenses and insurance expenses.*

The details of off-balance sheet transactions from related parties for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Commitments:				
Türkiye Garanti Bankası A.Ş.	39.787	-	-	-
Securities sale transactions				
	39.787	-	-	-

	1 January- 31 December 2020	1 January- 31 December 2019
Profits from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	1.411	183
	1.411	183
Losses from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	-	25
	-	25

Salary and other benefits provided to board members and executives:

The amount of salary and other benefits provided to board members and executives by the Company for the period ended 31 December 2020 is TL 3.633 (31 December 2019: TL 3.844).

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

25 CONTINGENT ASSETS AND LIABILITIES**25.1 Guarantees Received**

Guarantees received for the Company's factoring receivables as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Sureties received (*)	-	27.702.762	-	20.290.987
Finance notes	2.200	5.155.029	39.900	2.644.067
Insurance coverage	45.118	48.372	214.627	61.491
Correspondent guarantees	-	162.027	-	112.841
Mortgage	30.500	3.450	36.513	4.479
Chattel mortgage	281	49.543	281	36.578
Customer cheques	375	-	-	-
Letters of guarantee	-	-	500	-
	78.474	33.121.183	291.821	23.150.443

(*) Sureties received consist of the sum of amounts signed by each guarantor for every contract within the context of the factoring contracts.

25.2 Guarantees Given

Guarantees given as at 31 December 2020 and 31 December 2019 consist of letters of guarantee given to the institutions below:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Takasbank (Note 11)	668.500	-	648.500	-
Courts	5.981	47	-	-
Other	4	-	5.692	128
Guarantees given to the reporter	-	16.382	4	-
	674.485	16.429	654.196	128

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

25 CONTINGENT ASSETS AND LIABILITIES (continued)

25.3 Commitments

As of 31 December 2020 and 31 December 2019, the details of the securities sale agreements are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Securities Sale Commitments	39.787	-	-	-
	39.787	-	-	-

25.4 Derivative Financial Instruments

The details of derivative agreements as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Currency swap buy transactions	48.801	-	-	-
Currency swap sell transactions	-	46.245	-	-
	48.801	46.245	-	-

25.5 Safety Securities

The details of cheques and notes in collection as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Cheques in collection	1.325.705	200.630	774.831	150.765
Notes in collection	10.981	27.719	9.767	22.402
	1.336.686	228.349	784.598	173.167

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS**26.1 Financial Risk Management Purposes and Policies**

The Company's risk management strategy aims to measure the risks in the framework of the Company's activities by considering the risk-return balance for the optimum allocation of the capital and growth.

In this context, for the purposes of establishing a companywide risk culture, the basic principles of risk management implementation are defined by analyzing risks according to the volume, nature and complexity of the Company's activities; ensuring compliance with international and local regulations; controlling risks for protection of financial strength for limiting any potential adverse effects of market conditions on capital and income; creating risk transparency and risk awareness.

26.1.1 Credit Risk

The Company is exposed to credit risk through its factoring transactions. The allocation and monitoring of credit risk management activities can be summarized as follows.

Under the credit allocation;

Credit committee of Garanti Faktoring A.Ş. assesses loan applications from customers on a weekly basis. Apart from this, authorized sub - committees can also grant loans by using their defined limits. Within the scope of the assessment, quality of receivables, borrower's credibility and the content of the trade are given particular importance. With the credit limit allocation, "limit validity time" application is applied, maximum limit is granted only for one year, but with the decision of the management the time limit can be reduced to shorter periods for control purposes.

During the assessment of credit allocations, determination of the credit risk and its management is carried out basically in two ways:

1. Criteria based limit allocation; a limit allocation is made to the appropriate buyer / seller side borrower company that complies with the criteria which are determined by the Credit Committee. These criteria would be revised if necessary, depending on the market conditions, sectoral developments and the results obtained from the current allocation process. If these criteria are no longer valid for a customer after the loan allocation, any other loan disbursements are stopped, and the risk liquidation process starts.
2. Standard analysis process; Credit allocations are made through the analysis made by the Credit Department within the scope of their limits.

Credit monitoring phase;

In order to monitor the allocated credits an early warning system has been developed. Periodically, customer credibility assessments are performed. In this context, overdraft checks, overdue factoring receivables and invoices are monitored on a daily basis and, if deemed necessary, additional intelligence investigations about customers are made.

For the due dated checks, investigation department performs monthly risk controls and also assess concentration level by selecting certain customers from the total risk exposure. Then loan department reviews the work performed and re-assesses the loan limits for those selected customers.

In order to follow the customers with significant exposures, the top 20 borrowers with the highest risks, or the exposure to the related parties are reported to the Asset-Liability Committee on a weekly basis.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**26.1 Financial Risk Management Purposes and Policies (continued)****26.1.2 Market Risk**

The Company takes necessary precautions to safeguard itself according to the changing market conditions. The market risk is managed by taking the hedging positions and undertaking derivative transactions within the limits approved by the Board of Directors. The major cost element of the Company is the interest expenses from borrowings and it may be affected by the fluctuations in the market.

In this context, under the monitoring of the senior management, debt maturities are managed with respect to the interest expectations in the market. In addition, to manage the cash flow and liquidity risk, the maturity of factoring receivables, bank loans and deposit accounts is monitored. Daily status reports are prepared and end of day open treasury operations are reported to senior management.

Foreign exchange risk is monitored by the end of day open position limits under the Treasury Transaction Limits and end of day open positions are reported to the Company's management.

26.1.3 Liquidity Risk

Liquidity Risk is managed by the Treasury and Asset Liability Committee within the framework of the risk management policies, in order to take the necessary measures timely and accurately to avoid the liquidity shortage due to the market conditions and the balance sheet structure.

Daily liquidity management is carried out by the Treasury Department. Treasury, while performing this task, considers early warning signals for possible liquidity shortages. Medium and long-term liquidity management is carried out by the Treasury in accordance with the Asset Liability Committee decisions.

The company policy for the liquidity management is designed to have the sufficient liquidity in order to, maintain funding, utilizing any investment opportunities, fulfilment of any credit demand and any possible liquidity shortage. The Company's funding is based on bank loans and bond issues. While constituting the asset structure to ensure efficient management of liquidity, following points are taken into consideration:

- Ease of liquidity,
- Ease of liquidity of collaterals received

The necessary diversification of assets and liabilities is provided in order to fulfil the payment obligations considering the related currencies. The Company monitors cash flows from assets and liabilities and predicts future liquidity needs in TL and FX liquidity management.

Early warning systems are established and monitored by taking into consideration of both the Company's own financial indicators as well as the Turkish capital market, macroeconomic data and global market indicators. The weight of the funding sources like borrowings and bonds in the liabilities, the counterparty transaction volume concentration and the maturity structure is monitored.

GARANTI FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**26.1 Financial Risk Management Purposes and Policies (continued)****26.1.4 Operational Risk**

All operational risks are managed under the supervision of the Board of Directors and the Audit Committee in accordance with the framework that covers; risk identification, risk assessment, risk monitoring and risk control/mitigation. Each unit of the Company is responsible from their own operational risk monitoring, controlling and mitigating their operational risk by taking the necessary actions. The ultimate responsibility is on the relevant senior management.

In order to create an effective “internal control system”, the Company makes necessary organizational arrangements, establishes the appropriate communication and information systems and constitutes monitoring function.

Internal Audit Department is responsible from the audit of departments at headquarters and branches and investigation of any fraudulent activities performed by the staff or third parties. It is also responsible from creating a sound internal control environment and its coordination, and also carrying out of the Company’s operations within the legislation and regulations and in accordance with the Company management strategy and policy. In order to ensure compliance with national and international regulations, studies are carried out by the compliance officer in the scope of the strategy for the combat against the crime revenue and financing of terrorism.

The performance of the internal control system of the Company and the effectiveness of controlling operational risks is monitored regularly by the Internal Audit Department. In this context, system controls that constitute the internal control system, business cycle controls performed by the staff, organizational structure, segregation of duties, and basically general control environment are assessed.

This assessment can be performed centrally at the headquarters by utilizing computer-aided infrastructure or can be carried out traditionally by the “on site review”. In addition, those responsible from the emergency and contingency plans and their backups are designated.

For the purposes of legal risk management, available controls that are designed for monitoring of the compliance of the Company’s transactions with laws, internal policies and rules are monitored.

To strengthen the control environment in the operational areas, systemic or procedural limitations are applied. These limits that are set to limit the operational risks, are designed in accordance with the significance of the transactions for the Company, risk involved and probable amount of the loss and the qualifications of the staff. Limits are assessed and updated periodically depending on the needs. Operational risk limits are managed by determination of inconsistencies and approvals surrounding authorized signatures, authority over payments and transfers, accounting, purchase and sale and expense processes and loan disbursement process.

Operational risks are reported to the Audit Committee by the Internal Audit Department. In addition, the related business lines and units report their own operational risks to their respective senior management.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**26.1 Financial Risk Management Purposes and Policies (continued)****26.1.5 Reputation Risk**

The Board of Directors and the whole staff of the Company is responsible from the protection of the reputation of the Company. Human Resources and Internal Audit Department determines the principles of the ethical rules and code of conduct of the Company and monitor the compliance of the employees to those rules.

The Company tries to avoid any kind of operation that would create a reputational risk in the eyes of regulators, its customers and other market participants and perform its maximum effort to be beneficial to the society, nature and humanity. The Company performs its all transactions and operations within the framework of compliance with the legislation, corporate governance principles, social, ethical and environmental principles.

In order to regulate the behavioural affairs of its employees and their business relationships, "Ethical Principles Procedure" and "Fraud and Unethical Behaviour Prevention Policy" documents are available as prepared by the Human Resources Department and Internal Audit Department. The Company is committed to the principles of corporate governance and shows maximum effort in the implementation of these principles. Annual report and website is regularly updated, within the framework of corporate governance principle.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.2 Liquidity Risk**

The following table provides an analysis for the Company's financial liabilities by grouping the contractual maturities as at the balance sheet date. Amounts in the following table are the undiscounted contractual cash flows:

31 December 2020

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	2.677.874	2.722.446	2.249.586	469.738	3.122
Funds borrowed	2.087.690	2.128.690	1.660.392	468.298	-
Securities issued	582.026	584.939	584.939	-	-
Factoring payable	3.286	3.286	3.286	-	-
Payable leasing transactions	4.872	5.531	969	1.440	3.122

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	2.512	2.512	2.512	-	-
Derivative cash inflows	48.801	48.801	48.801	-	-
Derivative cash outflows	46.289	46.289	46.289	-	-

31 December 2019

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	2.020.284	2.076.453	1.903.451	169.365	3.715
Funds borrowed	2.025.131	2.060.201	1.892.485	167.716	-
Factoring payables	10.600	10.600	10.600	-	-
Other payables	4.553	5.652	366	1.649	3.715

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.3 Market Risk***Foreign currency risk*

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2020 and 31 December 2019.

Foreign currency assets and liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
	(TL equivalent)	(TL equivalent)
A. Foreign currency monetary assets	718.033	445.667
B. Foreign currency monetary liabilities	(644.686)	(431.414)
C. Derivative financial instruments	(46.245)	-
Net foreign currency position (A+B+C)	27.102	14.253

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26

NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Currency Risk (continued)

The table below summarizes the Company's foreign currency position in detail as at 31 December 2020 and 31 December 2019. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2020	USD	EURO	GBP	Total
Assets				
Cash and cash equivalents	2.603	3.546	3.998	10.147
Financial assets at fair value through profit or loss	-	9	-	-
Factoring receivables (Net)	422.676	258.661	26.061	707.398
Other Assets (*)	151	327	1	479
Total assets	425.430	262.543	30.060	718.033
Liabilities				
Funds borrowed	367.660	248.802	21.654	638.026
Factoring payables	1.209	1.118	320	2.647
Sundry creditors and other liabilities	515	2.802	696	4.013
Total liabilities	369.384	252.722	22.580	444.686
Net foreign currency position	56.046	9.821	7.480	73.347
Derivative Financial Assets	(46.245)	-	-	(46.245)
Net position	9.801	9.821	7.480	27.102

(*) Prepaid expense amounting to TL 63 that is presented in other assets is excluded from the table.

GARANTİ FAKTORING A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

31 December 2019	USD	EURO	GBP	Total
Assets				
Banks	6.701	2.780	850	10.331
Financial assets at fair value through profit or loss	-	7	-	7
Factoring receivables (Net)	183.450	219.855	31.783	435.088
Other assets (*)	223	12	6	241
Total Assets	190.374	222.654	32.639	445.667
Liabilities				
Funds borrowed	186.216	201.503	26.810	414.529
Factoring payables	3.362	6.470	261	10.093
Sundry creditors and other liabilities	450	5.823	519	6.792
Total liabilities	190.028	213.796	27.590	431.414
Net foreign currency position	346	8.858	5.049	14.253
Net position	346	8.858	5.049	14.253

(*) Prepaid expense amounting to TL 72 that is presented in other assets is excluded from the table.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.3 Market Risk (continued)***Foreign currency sensitivity risk*

10% decrease in the TL against the relevant foreign currencies as at 31 December 2020 results in an increase in profit before tax for the period amounting to TL 2.710 (31 December 2019: TL 1.426 increase). This analysis is made with the assumption that the other variables were held constant as at 31 December 2020 and 31 December 2019.

TL		
31 December 2020		Profit/(Loss)
USD		980
EURO		982
GBP		748
Total		2.710

TL		
31 December 2019		Profit/(Loss)
USD		35
EURO		836
GBP		505
Total		1.426

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020				31 December 2019			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
Assets	-	-	-	17,97	-	-	-	-
Factoring receivables	6,18	3,07	5,45	22,32	5,79	3,59	441	16,30
Liabilities	-	-	-	5,35	-	-	-	-
Marketable securities issued	-	-	-	12,98	-	-	-	-
Funds borrowed	3,91	0,84	1,77	15,98	3,98	1,01	2,73	15,86

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of "TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.3 Market Risk (continued)***Interest rate risk sensitivity analysis*

The Company's financial instruments that have interest rate sensitivity as at 31 December 2020 and 31 December 2019 are as follows:

	Carrying Value	
	31 December 2020	31 December 2019
Fixed Rate		
Factoring receivables	2.794.329	2.090.406
Time deposits	657	5.940
Funds borrowed	1.755.528	1.621.732
Financial assets at fair value through profit or loss	39.670	-
Debt securities issued	582.026	-
Floating Rate		
Funds borrowed	332.162	383.399

If interest rates of the floating rate instruments denominated in USD and EURO were 100 basis points higher/lower at the date of reissue and all other variables were constant as at 31 December 2020, net income for the period would decrease/increase by TL 3.322 (31 December 2019: TL 3.834) as a result of higher/lower interest expense from floating interest rate financial instruments.

Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the profit through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings disclosed in Note 16.

It is shown by the management reviews the cost of capital and the risks associated with each class of capital. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and presents to the Board of Directors for approval.

The overall strategy of the Company did not differ materially from the prior period.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

27 FINANCIAL INSTRUMENTS*Fair Value of Financial Instruments*

The Company has calculated fair values of financial instruments using available market information and appropriate valuation methodologies. However, as the judgment is necessary to interpret market data to determine the estimated fair value, the calculated fair values may not be fully reflective of the value that could be realized in the current circumstances. Management assumes that the fair values of financial assets and liabilities at amortized cost including cash and banks, factoring receivables and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

Fair Value of Financial Instruments Classification

The table below presents the fair value determination method of the financial instruments at fair value as at 31 December 2020. The method for each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	39.670	-	-	39.670
Derivative financial assets	-	1.921	-	1.921
	39.670	1.921	-	41.591
Derivative financial liabilities	-	252	-	252
	-	252	-	252

28 EVENTS AFTER THE REPORTING PERIOD

None.

Contact Information

Branch Name	Address	Telephone
ADANA BRANCH	Reşatbey Mah. Atatürk Cad. Mimar Semih Rüstem İş Merkezi No:18 K:4 01020 Seyhan/ADANA	+90 322 355 10 71
ANKARA BRANCH	Ostim Mahallesi, 1467 Caddesi, No:2/1 Yenimahalle/ANKARA	+90 312 592 78 26
ANTALYA BRANCH	Elmalı Mahallesi, Şarampol Caddesi No:61 Mu-ratpaşa/ANTALYA	+90 242 246 41 27
BURSA BRANCH	Kırcaali Mahallesi, Fevzi Çakmak Caddesi No:60 Os-mangazi/BURSA	+90 224 280 38 41
DENİZLİ BRANCH	Saraylar Mah. Gazi Mustafa Kemal Bulv. No:2 DENİZLİ	+90 258 295 46 43/44
GAZİANTEP BRANCH	Mücahitler Mah. Gazi-muhtarpaşa Bulvarı No:48 K.4 Şehitkamil/GAZİANTEP	+90 342 211 68 55/56
ISTANBUL ANATOLIAN BRANCH	Yukarı Dudullu Mahallesi, Keresteciler Sitesi, A Blok, No:1 Y. Dudullu-Ümraniye-ISTANBUL	+90 216 645 76 42
ISTANBUL EUROPEAN BRANCH	İkitelli Mahallesi, Süleyman Demirel Caddesi No:1/C Başakşehir/ISTANBUL	+90 212 473 26 76
ISTANBUL BEYLİKDÜZÜ BRANCH	Cumhuriyet Mahallesi Gürpınar Yolu No: 7 Beylikdüzü 34500 ISTANBUL	+90 212 630 53 89 ISTANBUL
KARAKÖY BRANCH	Müeyyetzade Mahallesi Kemeraltı Caddesi No: 24 / A Karaköy 34425 ISTANBUL	(0212) 377 12 36
İZMİR BRANCH	Cumhuriyet Bulvarı, No:20 Kat:6 Konak İZMİR	+90 232 488 70 21



 Garanti Factoring

 Garanti Factoring

 Garanti Factoring

 gFactoring