

**GARANTİ FAKTORİNG  
ANONİM ŞİRKETİ**

Financial Statements  
As at and for the Six-Month Period Ended  
30 June 2017  
With Independent Auditors'  
Review Report Thereon

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

26 July 2017

*This report contains "Independent Auditors'  
Review Report" comprising 2 pages and;  
"Financial Statements and Related Disclosures  
and Footnotes" comprising 55 pages.*



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

*To the Board of Directors of Garanti Faktoring Anonim Şirketi,*

*Introduction*

We have reviewed the accompanying statement of financial position of Garanti Faktoring AŞ ("the Company") as at 30 June 2017 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements. The Company management is responsible for the preparation and fair presentation of interim financial information in accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 and other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency (together "the BRSA Regulation") and the Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by the BRSA Regulation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.



### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information do not present fairly, in all material respects, the financial position of Garanti Faktoring AŞ at 30 June 2017 and of the results of its operations and its cash flows for the six-month period then ended in all material aspects in accordance with the BRSA Regulation and the Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by BRSA Regulation.

### *Other Matter*

The financial statements of the Company as at and for the year ended 31 December 2016 and as at and for the six-month period ended 30 June 2016 were audited and reviewed by another auditor who expressed an unmodified opinion and unmodified conclusion on those financial statements on 27 January 2017 and 27 July 2016, respectively.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

Orhan Akova  
*Partner, SMMM*  
26 July 2017  
Istanbul, Turkey

**GARANTİ FAKTORİNG A.Ş.**

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2017**

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

ASSETS	Notes	Reviewed 30 June 2017			Audited 31 December 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. CASH, CASH EQUIVALENTS AND CENTRAL BANK</b>		<b>1</b>	-	<b>1</b>	-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>3</b>	<b>17.884</b>	-	<b>17.884</b>	<b>336</b>	<b>58</b>	<b>394</b>
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading	3.1	17.884	-	17.884	336	58	394
<b>III. BANKS</b>	<b>4</b>	<b>396</b>	<b>4.610</b>	<b>5.006</b>	<b>595</b>	<b>9.008</b>	<b>9.603</b>
<b>IV. AGREEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>5</b>	-	<b>2</b>	<b>2</b>	-	<b>2</b>	<b>2</b>
<b>VI. FACTORING RECEIVABLES</b>	<b>6</b>	<b>1.792.229</b>	<b>895.347</b>	<b>2.687.576</b>	<b>1.895.694</b>	<b>939.095</b>	<b>2.834.789</b>
6.1 Discount Factoring Receivables		864.309	108.432	972.741	790.868	93.907	884.775
6.1.1 Domestic		893.398	18.043	911.441	820.405	18.455	838.860
6.1.2 Foreign		-	90.999	90.999	-	76.108	76.108
6.1.3 Unearned Income (-)		(29.089)	(610)	(29.699)	(29.537)	(656)	(30.193)
6.2 Other Factoring Receivables		927.920	786.915	1.714.835	1.104.826	845.188	1.950.014
6.2.1 Domestic		927.920	176.413	1.104.333	1.104.826	377.164	1.481.990
6.2.2 Foreign		-	610.502	610.502	-	468.024	468.024
<b>VII. FINANCIAL LOANS</b>		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Installment Commercial Loans		-	-	-	-	-	-
<b>VIII. LEASE RECEIVABLES</b>		-	-	-	-	-	-
8.1 Lease Receivables		-	-	-	-	-	-
8.1.1 Financial lease receivables		-	-	-	-	-	-
8.1.2 Operational lease receivables		-	-	-	-	-	-
8.1.3 Unearned income (-)		-	-	-	-	-	-
8.2 Leased Construction in Progress		-	-	-	-	-	-
8.3 Advances Given for Leasing Operations		-	-	-	-	-	-
<b>IX. OTHER RECEIVABLES</b>		-	-	-	-	-	-
<b>X. NON-PERFORMING RECEIVABLES</b>	<b>7</b>	<b>30.823</b>	-	<b>30.823</b>	<b>16.435</b>	-	<b>16.435</b>
10.1 Non-Performing Factoring Receivables		93.833	-	93.833	72.388	-	72.388
10.2 Non-Performing Financial Loans		-	-	-	-	-	-
10.3 Non-Performing Leasing Receivables		-	-	-	-	-	-
10.4 Specific Provisions (-)		(63.010)	-	(63.010)	(55.953)	-	(55.953)
<b>XI. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>		-	-	-	-	-	-
11.1 Fair Value Hedging		-	-	-	-	-	-
11.2 Cash Flow Hedging		-	-	-	-	-	-
11.3 Net Foreign Investment Hedging		-	-	-	-	-	-
<b>XII. INVESTMENTS HELD TO MATURITY (Net)</b>		-	-	-	-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV. ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XV. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI. TANGIBLE ASSETS (Net)</b>	<b>8</b>	<b>2.118</b>	-	<b>2.118</b>	<b>2.309</b>	-	<b>2.309</b>
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>9</b>	<b>5.500</b>	-	<b>5.500</b>	<b>5.219</b>	-	<b>5.219</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		5.500	-	5.500	5.219	-	5.219
<b>XVIII. PREPAID EXPENSES</b>	<b>10</b>	<b>3.145</b>	<b>330</b>	<b>3.475</b>	<b>3.242</b>	<b>68</b>	<b>3.310</b>
<b>XIX. TAX ASSETS</b>	<b>10</b>	<b>264</b>	-	<b>264</b>	-	-	-
<b>XX. DEFERRED TAX ASSETS</b>	<b>10</b>	<b>18.320</b>	-	<b>18.320</b>	<b>22.135</b>	-	<b>22.135</b>
<b>XXI. OTHER ASSETS</b>	<b>11</b>	<b>5.057</b>	<b>350</b>	<b>5.407</b>	<b>4.384</b>	<b>872</b>	<b>5.256</b>
<b>SUB TOTAL</b>		<b>1.875.737</b>	<b>900.639</b>	<b>2.776.376</b>	<b>1.950.349</b>	<b>949.103</b>	<b>2.899.452</b>
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
22.1 Held For Sale		-	-	-	-	-	-
22.2 Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>1.875.737</b>	<b>900.639</b>	<b>2.776.376</b>	<b>1.950.349</b>	<b>949.103</b>	<b>2.899.452</b>

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

**GARANTİ FAKTORİNG A.Ş.**
**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2017**

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

LIABILITIES	Notes	Reviewed 30 June 2017			Audited 31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	3.2	167	110	277	31.051	-	31.051
<b>II. FUNDS BORROWED</b>	12	1.463.763	631.617	2.095.380	1.639.361	510.086	2.149.447
<b>III. FACTORING PAYABLES</b>	6	651	5.527	6.178	860	7.905	8.765
<b>IV. LEASING PAYABLES</b>		-	-	-	-	-	-
4.1 Financial Lease Payables		-	-	-	-	-	-
4.2 Operational Lease Payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Leasing Expenses		-	-	-	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	13	462.011	-	462.011	503.619	-	503.619
5.1 Bills		462.011	-	462.011	503.619	-	503.619
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>	14	3.729	901	4.630	4.852	1.436	6.288
<b>VII. OTHER LIABILITIES</b>	14	-	22	22	-	130	130
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>		-	-	-	-	-	-
8.1 Fair Value Hedging		-	-	-	-	-	-
8.2 Cash Flow Hedging		-	-	-	-	-	-
8.3 Net Foreign Investment Hedging		-	-	-	-	-	-
<b>IX. TAXES PAYABLE</b>	15	2.118	-	2.118	2.576	-	2.576
<b>X. PROVISIONS</b>	16	5.600	338	5.938	4.764	412	5.176
10.1 Reserves for Restructuring		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		5.041	-	5.041	4.188	-	4.188
10.3 Other Provisions		559	338	897	576	412	988
<b>XI. DEFERRED RECEIVABLES</b>		-	-	-	-	-	-
<b>XII. TAX LIABILITY</b>	10	-	-	-	6.947	-	6.947
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>SUB TOTAL</b>		1.938.039	638.515	2.576.554	2.194.030	519.969	2.713.999
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1 Held for Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	17	199.822	-	199.822	185.453	-	185.453
16.1 Paid-in Capital		79.500	-	79.500	79.500	-	79.500
16.2 Capital Reserves		-	-	-	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Other comprehensive income or expense that will not be reclassified subsequently to profit or loss:		(522)	-	(522)	(522)	-	(522)
16.4 Other comprehensive income or expense that may be reclassified subsequently to profit or loss:		-	-	-	-	-	-
16.5 Profit Reserves		106.475	-	106.475	86.759	-	86.759
16.5.1 Legal Reserves		7.496	-	7.496	6.896	-	6.896
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		98.979	-	98.979	79.863	-	79.863
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Retained Earnings		14.369	-	14.369	19.716	-	19.716
16.6.1 Prior Years' Profit or Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		14.369	-	14.369	19.716	-	19.716
<b>TOTAL LIABILITIES AND EQUITY</b>		2.137.861	638.515	2.776.376	2.379.483	519.969	2.899.452

**GARANTİ FAKTORİNG A.Ş.**

**STATEMENT OF OFF - BALANCE SHEET ITEMS AS OF 30 JUNE 2017**

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

OFF-BALANCE SHEET ITEMS	Notes	Reviewed 30 June 2017			Audited 31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>I. IRREVOCABLE FACTORING OPERATIONS</b>		<b>348.518</b>	<b>233.355</b>	<b>581.873</b>	<b>266.280</b>	<b>372.459</b>	<b>638.739</b>
<b>II. REVOCABLE FACTORING OPERATIONS</b>		<b>580.930</b>	<b>71.983</b>	<b>652.913</b>	<b>505.760</b>	<b>56.493</b>	<b>562.253</b>
<b>III. GUARANTEES TAKEN</b>	26.1	<b>164.889</b>	<b>18.159.960</b>	<b>18.324.849</b>	<b>129.335</b>	<b>20.376.262</b>	<b>20.505.597</b>
<b>IV. GUARANTEES GIVEN</b>	26.2	<b>1.273.196</b>	<b>808</b>	<b>1.274.004</b>	<b>1.097.330</b>	<b>401</b>	<b>1.097.731</b>
<b>V. COMMITMENTS</b>	26.3	<b>3.264</b>	<b>3.254</b>	<b>6.518</b>	<b>294</b>	<b>294</b>	<b>588</b>
5.1 Irrevocable Commitments		3.264	3.254	6.518	294	294	588
5.2 Revocable Commitments		-	-	-	-	-	-
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		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL INSTRUMENTS</b>	26.4	<b>623.959</b>	<b>614.672</b>	<b>1.238.631</b>	<b>728.519</b>	<b>747.089</b>	<b>1.475.608</b>
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		623.959	614.672	1.238.631	728.519	747.089	1.475.608
6.2.1 Forward Buy/Sell Transactions		308	306	614	69	69	138
6.2.2 Swap Buy/Sell Transactions		623.651	614.366	1.238.017	728.450	747.020	1.475.470
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
<b>VII. ITEMS HELD IN CUSTODY</b>	26.5	<b>731.182</b>	<b>171.673</b>	<b>902.855</b>	<b>657.167</b>	<b>127.908</b>	<b>785.075</b>
<b>TOTAL OFF BALANCE SHEET ITEMS</b>		<b>3.725.938</b>	<b>19.255.705</b>	<b>22.981.643</b>	<b>3.384.685</b>	<b>21.680.906</b>	<b>25.065.591</b>

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

**GARANTİ FAKTORİNG A.Ş.**
**STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2017**

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

INCOME STATEMENT	Notes	Reviewed		Not Reviewed	
		1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
<b>I. OPERATING INCOME</b>	18	<b>131.463</b>	<b>129.098</b>	<b>67.709</b>	<b>64.303</b>
<b>    FACTORING INCOME</b>		<b>131.463</b>	<b>129.098</b>	<b>67.709</b>	<b>64.303</b>
1.1 Factoring Interest Income		119.438	118.493	61.668	58.946
1.1.1 Discount		48.059	41.734	26.055	21.276
1.1.2 Other		71.379	76.759	35.613	37.670
1.2 Factoring Commission Income		12.025	10.605	6.041	5.357
1.2.1 Discount		9.111	8.210	4.479	4.193
1.2.2 Other		2.914	2.395	1.562	1.164
<b>    RECEIVABLES FROM FINANCIAL LOANS</b>		-	-	-	-
1.3 Financial Loans Interest Income		-	-	-	-
1.4 Financial Loans Fees and Commissions Receivables		-	-	-	-
<b>    OPERATING RECEIVABLES</b>		-	-	-	-
1.5 Financial Leasing Receivables		-	-	-	-
1.6 Operational Leasing Receivables		-	-	-	-
1.7 Leasing Operations Fees and Commissions Receivables		-	-	-	-
<b>II. FINANCIAL EXPENSES (-)</b>	19	<b>(117.882)</b>	<b>(112.621)</b>	<b>(62.953)</b>	<b>(56.279)</b>
2.1 Interest Expense on Funds Borrowed		(81.287)	(70.903)	(43.907)	(37.023)
2.2 Interest Expense on Factoring Payables		-	-	-	-
2.3 Finance Lease Expense		-	-	-	-
2.4 Interest Expense on Securities Issued		(29.793)	(36.546)	(15.529)	(16.356)
2.5 Other Interest Expenses		(1)	(17)	-	-
2.6 Other Fees and Commissions		(6.801)	(5.155)	(3.517)	(2.900)
<b>III. GROSS PROFIT/LOSS (I+II)</b>		<b>13.581</b>	<b>16.477</b>	<b>4.756</b>	<b>8.024</b>
<b>IV. OPERATING EXPENSES (-)</b>	20	<b>(21.189)</b>	<b>(19.686)</b>	<b>(10.628)</b>	<b>(9.498)</b>
4.1 Personnel Expenses		(12.384)	(11.679)	(6.645)	(5.864)
4.2 Retirement Pay Provision Expenses		(417)	(346)	(119)	(133)
4.3 Research and Development Expenses		-	-	-	-
4.4 General Administrative Expenses		(8.385)	(7.618)	(3.864)	(3.501)
4.5 Other		(3)	(43)	-	-
<b>V. OPERATING GROSS PROFIT/LOSS</b>		<b>(7.608)</b>	<b>(3.209)</b>	<b>(5.872)</b>	<b>(1.474)</b>
<b>VI. OTHER OPERATION INCOME</b>	21	<b>261.377</b>	<b>143.141</b>	<b>99.429</b>	<b>64.432</b>
6.1 Interest income from Deposits		1.464	52	1.463	3
6.2 Interest income from Reverse Repurchase Agreements		-	-	-	-
6.3 Interest income from Marketable Securities		-	-	-	-
6.3.1 Interest Income from Financial Assets Held for Trading		-	-	-	-
6.3.2 Interest Income from Financial Assets at Fair Value Through Profit and Loss		-	-	-	-
6.3.3 Interest Income from Financial Assets Available For Sale		-	-	-	-
6.3.4 Interest Income from Financial Assets Held to Maturity		-	-	-	-
6.4 Dividend Income		-	-	-	-
6.5 Interest Received from Money Market Placements		80.064	41.925	42.446	7.017
6.5.1 Derivative Financial Transactions		80.064	41.925	42.446	7.017
6.5.2 Other		-	-	-	-
6.6 Foreign Exchange Gains		178.627	97.223	54.944	54.576
6.7 Other		1.222	3.941	576	2.836
<b>VII. SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)</b>	22	<b>(7.817)</b>	<b>(14.555)</b>	<b>(5.743)</b>	<b>(4.911)</b>
<b>VIII. OTHER OPERATION EXPENSES</b>	23	<b>(228.027)</b>	<b>(106.122)</b>	<b>(78.776)</b>	<b>(46.716)</b>
8.1 TO OWNERS OF ORDINARY SHARES		-	-	-	-
8.1.1 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-
8.1.2 Financial Assets Available For Sale		-	-	-	-
8.1.3 Financial Assets Held to Maturity		-	-	-	-
8.2 Expense from Impairment on Tangible and Intangible Assets		-	-	-	-
8.2.1 Impairment on Tangible Assets		-	-	-	-
8.2.2 Impairment on Assets Held for Sale and Discontinued Operations		-	-	-	-
8.2.3 Impairment on Goodwill		-	-	-	-
8.2.4 Impairment on Intangible Assets		-	-	-	-
8.2.5 Impairment on Subsidiaries, Associates and Joint Ventures		-	-	-	-
8.3 Losses from Derivative Financial Transactions		(1.287)	(1.098)	7.056	(460)
8.4 Foreign Exchange Losses		(226.557)	(104.908)	(85.740)	(46.183)
8.5 Other		(183)	(116)	(92)	(73)
<b>IX. NET OPERATING INCOME (I+...+VI)</b>		<b>17.925</b>	<b>19.255</b>	<b>9.038</b>	<b>11.331</b>
<b>X. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XI. NET MONETARY GAIN/LOSS</b>		-	-	-	-
<b>XII. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (VII+VIII+IX)</b>		<b>17.925</b>	<b>19.255</b>	<b>9.038</b>	<b>11.331</b>
<b>XIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	10	<b>(3.556)</b>	<b>(5.522)</b>	<b>(1.724)</b>	<b>(3.708)</b>
13.1 Current Tax Charge		-	(3.570)	-	(3.570)
13.2 Deferred Tax Charge (-)		(3.556)	(1.952)	(1.724)	(138)
13.3 Deferred Tax Benefit (+)		-	-	-	-
<b>XIV. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS</b>		<b>14.369</b>	<b>13.733</b>	<b>7.314</b>	<b>7.623</b>
<b>XV. INCOME ON DISCONTINUED OPERATIONS</b>		-	-	-	-
15.1 Income on Assets Held for Sale		-	-	-	-
15.2 Gain on Sale of Associates, Subsidiaries and Joint Ventures		-	-	-	-
15.3 Other Income on Discontinued Operations		-	-	-	-
<b>XVI. EXPENSE ON DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
16.1 Expenses on Assets Held for Sale		-	-	-	-
16.2 Losses on Sale of Associates, Subsidiaries and Joint Ventures		-	-	-	-
16.3 Other Expenses on Discontinued Operations		-	-	-	-
<b>XVII. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX</b>		-	-	-	-
<b>XVIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
18.1 Current Tax Charge		-	-	-	-
18.2 Deferred Tax Charge (+)		-	-	-	-
18.3 Deferred Tax Benefit (-)		-	-	-	-
<b>XIX. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
<b>XX. NET PERIOD PROFIT/LOSS</b>		<b>14.369</b>	<b>13.733</b>	<b>7.314</b>	<b>7.623</b>
Earnings/Loss Per Share (Kuruş (0.01 TL) per thousand shares)	24	180,74	172,74	92,00	95,89

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

**GARANTİ FAKTORİNG A.Ş.**  
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

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

	Notes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016	Not Reviewed 1 April - 30 June 2017	Not Reviewed 1 April - 30 June 2016
<b>I.</b>	<b>PERIOD INCOME/LOSS</b>	<b>14.369</b>	<b>13.733</b>	<b>7.314</b>	<b>7.623</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	-
2.1	<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	-	-	-	-
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 remeasurement of defined benefit pension plans	-	-	-	-
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	-	-	-	-
2.1.5.1	Tax income/charge	-	-	-	-
2.1.5.2	Deferred tax income/charge	-	-	-	-
2.2	<b>ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS</b>	-	-	-	-
2.2.1	Translation differences for transactions in foreign currencies	-	-	-	-
2.2.2	Income/expenses on revaluation or reclassification of available for sale financial assets	-	-	-	-
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	-	-	-	-
2.2.6.1	Tax income/charge	-	-	-	-
2.2.6.2	Deferred tax income/charge	-	-	-	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>14.369</b>	<b>13.733</b>	<b>7.314</b>	<b>7.623</b>



**GARANTI FAKTORING A.Ş.**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2017**  
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	Notes	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	To Owners Of Ordinary Shares	Accumulated revaluation profits/loss from defined benefit plans	Other (Other comprehensive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss)	Other comprehensive income or expenses that will not be reclassified to profit or loss	Foreign exchange conversion differences	Revaluation and/or reclassification differences of available-for-sale financial assets	Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on profit/loss)	Other comprehensive income or expenses that will be reclassified to profit or loss	Profit Reserves	Legal Reserves	Statutory reserves	Extraordinary Reserves	Other Profit Reserves	Current Year Profit/(Loss)	Retained Earnings / (Accumulated Losses)	Current Year Net Profit/(Loss)	Non Controlling Interest	Total Shareholders' Equity
<b>PRIOR PERIOD</b>																								
<b>1 January - 30 June 2016</b>																								
<i>Reviewed</i>																								
<b>I. Balances at the beginning of the period (Previously reported)</b>	17	79.500	-	-	-	-	-	(497)	-	(497)	-	-	-	-	61.329	5.639	-	55.690	-	25.430	-	25.430	-	165.762
<b>II. Corrections made as per TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted balances</b>		79.500	-	-	-	-	-	(497)	-	(497)	-	-	-	-	61.329	5.639	-	55.690	-	25.430	-	25.430	-	165.762
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/decrease due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Current period net profit/loss		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13.733	-	13.733	13.733
<b>XII. Profit distribution</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	25.430	1.257	-	24.173	-	(25.430)	-	(25.430)	-	-
12.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	25.430	1.257	-	24.173	-	(25.430)	(25.430)	25.430	-	25.430
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25.430)	-	(25.430)
<b>Balance at the end of the period (30 June 2016) (III+IV+.....+XI+XII)</b>		79.500	-	-	-	-	-	(497)	-	(497)	-	-	-	-	86.759	6.896	-	79.863	-	13.733	-	13.733	-	179.495
<b>CURRENT PERIOD</b>																								
<b>1 January - 30 June 2017</b>																								
<i>Reviewed</i>																								
<b>I. Balances at the beginning of the prior period (31 December 2016)</b>	17	79.500	-	-	-	-	-	(522)	-	(522)	-	-	-	-	86.759	6.896	-	79.863	-	19.716	-	19.716	-	185.453
<b>II. Corrections made as per TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted balances</b>		79.500	-	-	-	-	-	(522)	-	(522)	-	-	-	-	86.759	6.896	-	79.863	-	19.716	-	19.716	-	185.453
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/decrease due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Current period net profit/loss		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14.369	-	14.369	14.369
<b>XII. Profit distribution</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	19.716	600	-	19.116	-	(19.716)	-	(19.716)	-	-
12.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	19.716	600	-	19.116	-	(19.716)	(19.716)	19.716	-	19.716
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19.716)	-	(19.716)
<b>Balances at the end of the period (30 June 2017) (III+IV+.....+XI+XII)</b>		79.500	-	-	-	-	-	(522)	-	(522)	-	-	-	-	106.475	7.496	-	98.979	-	14.369	-	14.369	-	199.822

**GARANTİ FAKTORİNG A.Ş.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

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

STATEMENT OF CASH FLOWS	Notes	Reviewed	Reviewed
		1 January - 30 June 2017	1 January - 30 June 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1 Operating profit before changes in operating assets and liabilities		(4.973)	41.026
1.1.1 Interest/Leasing income received		118.697	116.770
1.1.2 Interest/Leasing expenses		(103.642)	(108.093)
1.1.3 Dividends received		-	-
1.1.4 Fees and commissions received		11.397	10.663
1.1.5 Other income		-	-
1.1.6 Collections from previously written off receivables	7	760	1.239
1.1.7 Payments to personnel and service suppliers		(20.467)	(18.830)
1.1.8 Taxes paid	10	(264)	-
1.1.9 Other		(11.454)	39.277
1.2 Changes in operating assets and liabilities		45.867	164.532
1.2.1 Net (increase) decrease in factoring receivables		117.882	55.011
1.2.2 Net (increase) decrease in other assets		(585)	1.230
1.2.3 Net increase (decrease) in factoring payables		(2.587)	808
1.2.4 Net increase (decrease) in funds borrowed		(60.748)	108.861
1.2.5 Net increase (decrease) in due payables		-	-
1.2.6 Net increase (decrease) in other liabilities		(8.095)	(1.378)
I. Net cash provided from operating activities		40.894	205.558
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	8	(207)	(348)
2.4 Fixed assets sales	8	-	2
2.5 Cash paid for purchase of financial assets available for sale		-	-
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	9	(1.912)	(1.674)
II. Net cash provided from investing activities		(2.119)	(2.020)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash obtained from funds borrowed and securities issued		233.645	488.999
3.2 Cash used for repayment of funds borrowed and securities issued		(277.337)	(726.240)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net cash provided from financing activities		(43.692)	(237.241)
IV. Effect of change in foreign exchange rate on cash and cash equivalents		321	(63)
<b>V. Net increase/decrease in cash and cash equivalents</b>		<b>(4.596)</b>	<b>(33.766)</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>9.603</b>	<b>40.254</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	2.5	<b>5.007</b>	<b>6.488</b>

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

## GARANTİ FAKTORİNG A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

#### 1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Aktif Finans 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:

<i>(Thousand TL)</i>	<b>Shareholding</b>	<b>Shareholding</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>(%)</b>	<b>(%)</b>
Türkiye Garanti Bankası AŞ	65.066	65.066
Türkiye İhracat Kredi Bankası AŞ	7.773	7.773
Publicly Trading	6.661	6.661
<b>Capital</b>	<b>79.500</b>	<b>79.500</b>
	<b>100,00</b>	<b>100,00</b>

The shareholding of Türkiye Garanti Bankası A.Ş. as of 30 June 2017 is 55,40% and Türkiye Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2016: 55,40% and 26,44%).

The Company has 157 employees as of 30 June 2017 (31 December 2016: 164).

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

Maslak Mahallesi Eski Büyükdere Caddesi No: 23 Sarıyer / İstanbul

The Company provides factoring operations with 19 (nineteen) 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 26 July 2017. 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 SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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 maintains its books of account in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the communique 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”) for the matters not legislated by the aforementioned regulations.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### **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. The Company has applied the accounting policies in line with the prior financial year.

### **2.3 Changes in Accounting Estimates and Errors**

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.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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 (Continued)**

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 Reporting Standards. 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 – Financial Assets at Fair Value Through Profit and Loss

Note 6 – Factoring receivables

Note 8 – Tangible Assets

Note 9 – Intangible Assets

Note 10 – Tax Assets and Liabilities

Note 16 – Provisions

### **2.4 New and Revised Turkish Accounting Standards**

#### **Standards and interpretations issued but not yet effective**

##### ***Standards issued but not yet effective and not early adopted***

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

#### **TFRS 9 Financial Instruments (2017 version)**

TFRS 9 *Financial Instruments*, has been published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in January 2017, replaces the existing guidance in TAS 39 *Financial Instruments: Recognition and Measurement*. This version includes referrals in earlier versions of TFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. TFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The company is assessing the potential impact on its financial statements resulting from the application of TFRS 9.

#### **TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)**

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

#### **Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The company does not expect that application of these amendments to IFRS 2 will have significant impact on its financial statements.

#### **IAS 40 – Transfers of Investment Property**

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 40.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)**

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)*

#### **IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The company is assessing the potential impact on its financial statements resulting from the application of IFRIC 22.

#### **IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

#### **IFRIC 23 –Uncertainty Over Income Tax Treatments**

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)**

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)*

#### **IFRS 17 –Insurance Contracts**

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The company does not expect that application of IFRS 17 will have significant impact on its financial statements.

#### **Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

#### ***Annual Improvements to IFRSs 2014-2016 Cycle***

##### ***IFRS 1 “First Time Adoption of International Financial Reporting Standards”***

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

##### ***IFRS 12 “Disclosure of Investment in Other Entities”***

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s investment in a subsidiary, a joint venture or an associate (or a portion of its investment in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

##### ***IAS 28 “Investments in Associates and Joint Ventures”***

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.



## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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.

Dividend revenue from investments is recognized when the shareholders’ rights to receive payment have been established.

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**

##### Financial Assets

Financial assets are classified into the following specified categories: “financial assets as at fair value through profit or loss”, “held-to-maturity investments”, “available-for-sale financial assets” and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated as at fair value through profit or loss.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges. Related financial assets are reported at fair value. Gain and losses that as a result of valuation are booked to statement of profit and loss.

##### Held to Maturity Investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)***

##### Financial Assets (continued)

###### Available for Sale Financial Assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. Investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

###### 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.

Specific provisions are allocated on factoring receivables in accordance with the regulation on “Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and numbered 28861.

###### Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. An entity shall assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets.

For loans and receivables, the amount of impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets except factoring receivables. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)***

##### Financial Assets (continued)

##### 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.

##### Derivative Financial Instruments and Hedge Accounting

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 into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are designated as held for trading and resulting gain or loss is recognized in profit or loss immediately as the derivatives do not meet the criteria for hedge accounting despite they provide economic hedge.

##### 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 of the balance sheet date at each reporting period.

The changes in fair value are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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) *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.

<b>Tangible asset</b>	<b>The estimated useful lives (Year)</b>
Vehicles	5
Furniture and fixtures	3-15
Leasehold improvements	3-10

#### **(d) *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.

##### **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. Computer software development costs recognized as assets are amortized over their estimated useful lives.

#### **(e) *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 suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)**

#### **(f) Capital Increase**

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

#### **(g) 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 Turkish Accounting Standard 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.

#### **(h) 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.

#### **(i) Borrowing Costs**

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

#### **(j) 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 of 30 June 2017 and 31 December 2016 are as follows:

	<b><u>30 June 2017</u></b>	<b><u>31 December 2016</u></b>
USD	3,5071	3,5192
EURO	4,0030	3,7099
GBP	4,5413	4,3189

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.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)**

#### **(k) 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.

#### **(l) 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.

#### **(m) Segment Reporting:**

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

#### **(n) 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 amounts 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.

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(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)****(n) Income Tax (continued)**

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.

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.

**(o) 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>30 June 2017</u>	<u>30 June 2016</u>
Cash in TL / Foreign Currency	1	-
Banks	5.006	6.488
	<hr/> <b>5.007</b>	<hr/> <b>6.488</b>

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)****3.1 Derivative Financial Assets Held for Trading**

Derivative financial instruments are stated at fair value. Increase in fair value is classified as derivative financial assets held for trading while decrease in fair value is classified as derivative financial liabilities held for trading.

Details of derivative financial assets held for trading that arise from forward and currency swap buy-sell agreements as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Derivative financial assets held for trading	17.884	-	336	58
	<b>17.884</b>	<b>-</b>	<b>336</b>	<b>58</b>

**3.2 Derivative Financial Liabilities Held for Trading**

Details of derivative financial liabilities held for trading that arise from currency swap buy-sell agreements and forward contracts as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Derivative financial liabilities held for trading	167	110	31.051	-
	<b>167</b>	<b>110</b>	<b>31.051</b>	<b>-</b>

**4 BANKS**

Details of banks as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Demand Deposits	396	4.610	595	9.008
	<b>396</b>	<b>4.610</b>	<b>595</b>	<b>9.008</b>

The bank balances, excluding income accruals, with original maturities shorter than 3 months which form the basis of the statement of cash flows is TL 5.006 as of 30 June 2017 (30 June 2016: TL 6.488).



**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**5 FINANCIAL ASSETS AVAILABLE FOR SALE**

Financial assets available for sale are composed of unquoted equity share investments as of 30 June 2017 and 31 December 2016.

	30 June 2017			31 December 2016		
	Carrying Value		Share Percentage % <sup>(*)</sup>	Carrying Value		Share Percentage % <sup>(*)</sup>
	TL	FC		TL	FC	
<b><i>Investments in shares</i></b>						
International Factors Group SC	-	2	1,72	-	2	1,72
	<b>-</b>	<b>2</b>		<b>-</b>	<b>2</b>	

(\*) Percentage of the shares change, according to the number of IFG shareholders.

**6 FACTORING RECEIVABLES AND PAYABLES***Factoring Receivables*

Details of factoring receivables as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Domestic and import factoring receivables	1.821.318	194.456	1.925.231	395.619
Export factoring receivables	-	701.501	-	544.132
Unearned interest income	(29.089)	(610)	(29.537)	(656)
<b>Factoring receivables, net</b>	<b>1.792.229</b>	<b>895.347</b>	<b>1.895.694</b>	<b>939.095</b>

As of 30 June 2017, there are no restructured factoring receivables included in factoring receivables (31 December 2016: TL 6.366)

Factoring receivables that are past due but not impaired of the Company amount to TL 38.341 (31 December 2016: TL 43.540) and the delays are as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Overdue 1 month	956	8.646	3.081	9.056
Overdue 1-3 month <sup>(*)</sup>	759	3.731	11.972	4.026
Overdue 3-6 month <sup>(*)</sup>	24.249	-	14.487	-
Overdue 6-12 month <sup>(*)</sup>	-	-	918	-
	<b>25.964</b>	<b>12.377</b>	<b>30.458</b>	<b>13.082</b>

(\*) Factoring receivables included in the Temporary Article 2 added on 14 December 2016 to the Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated 24 December 2013 and numbered 28861.

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**6 FACTORING RECEIVABLES AND PAYABLES (Continued)***Factoring Payables*

Details of short term factoring payables as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Factoring payables	651	5.527	860	7.905
	<b>651</b>	<b>5.527</b>	<b>860</b>	<b>7.905</b>

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

**7 NON-PERFORMING RECEIVABLES**

Details of the Company’s non-performing factoring receivables and the provisions allocated for them as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Factoring receivables	93.833	-	72.388	-
Specific provisions	(63.010)	-	(55.953)	-
<b>Non-performing receivables, net</b>	<b>30.823</b>	<b>-</b>	<b>16.435</b>	<b>-</b>

Aging of non-performing factoring receivables and specific provision allocated for them as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	Total non - performing factoring receivables	Provision	Total non - performing factoring receivables	Provision
Overdue up to 90 days	16.018	3.204	1.232	246
Overdue for 91-180 days	7.271	1.454	2.282	456
Overdue for 181-365 days	3.617	1.808	17.643	6.028
Overdue for 1 year and over	66.927	56.544	51.231	49.223
<b>Total</b>	<b>93.833</b>	<b>63.010</b>	<b>72.388</b>	<b>55.953</b>

Amount of collaterals received for non-performing factoring receivables capped with the exposure is TL 2.378 (31 December 2016: TL 2.678).

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**7 NON-PERFORMING RECEIVABLES (Continued)**

The movement of provision for non-performing factoring receivables is as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
<b>Balance as at 1 January</b>	<b>55.953</b>	<b>64.026</b>
Provision provided for the period (*)	7.817	14.555
Collections during the period (**)	(760)	(1.239)
<b>Balance at the end of the period</b>	<b>63.010</b>	<b>77.342</b>

(\*) The provisions provided during the period and the cancellation of the same provisions due to collections during the period are presented as a net value.

(\*\*) Refers to the cancelled amount of a special provision, provided in prior periods, due to collections made in the current period.

**8 TANGIBLE ASSETS**

The movement of tangible assets for the period ended 30 June 2017 is as follows:

	<b>1 January 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2017</b>
<b>Acquisition Cost</b>				
Furniture and fixtures	4.798	131	(1)	4.928
Vehicles	19	-	-	19
Leasehold improvements	1.437	76	-	1.513
	<b>6.254</b>	<b>207</b>	<b>(1)</b>	<b>6.460</b>

	<b>1 January 2017</b>	<b>Depreciation for the period</b>	<b>Disposals</b>	<b>30 June 2017</b>
<b>Accumulated Depreciation</b>				
Furniture and fixture	2.796	357	-	3.153
Vehicles	19	-	-	19
Leasehold improvements	1.130	40	-	1.170
	<b>3.945</b>	<b>397</b>	<b>-</b>	<b>4.342</b>
<b>Net book value</b>	<b>2.309</b>			<b>2.118</b>

As of 30 June 2017 the insurance on tangible assets amounts to TL 1.490 (31 December 2016: TL 1.439) and the insurance premium amounts to TL 3 (31 December 2016: TL 3).

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

**8 TANGIBLE ASSETS (Continued)**

The movement of tangible assets for the period ended 30 June 2016 is as follows:

	<b>1 January 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2016</b>
<b>Acquisition Cost</b>				
Furniture and fixtures	3.416	281	(28)	3.669
Vehicles	19	-	-	19
Leasehold improvements	1.317	67	-	1.384
	<b>4.752</b>	<b>348</b>	<b>(28)</b>	<b>5.072</b>

	<b>1 January 2016</b>	<b>Charge for the period</b>	<b>Disposals</b>	<b>30 June 2016</b>
<b>Accumulated Depreciation</b>				
Furniture and fixture	2.303	217	(27)	2.493
Vehicles	19	-	-	19
Leasehold improvements	1.076	22	-	1.098
	<b>3.398</b>	<b>239</b>	<b>(27)</b>	<b>3.610</b>

<b>Net book value</b>	<b>1.354</b>			<b>1.462</b>
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**9 INTANGIBLE ASSETS**

The movement of intangible assets for the period ended 30 June 2017 is as follows:

	<b>1 January 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2017</b>
<b>Acquisition Cost</b>				
Rights	3.076	-	-	3.076
Other (Software)	13.953	1.912	-	15.865
	<b>17.029</b>	<b>1.912</b>	<b>-</b>	<b>18.941</b>

	<b>1 January 2017</b>	<b>Charge for the period</b>	<b>Disposals</b>	<b>30 June 2017</b>
<b>Accumulated Amortization</b>				
Rights	3.076	-	-	3.076
Other ( Software)	8.734	1.631	-	10.365
	<b>11.810</b>	<b>1.631</b>	<b>-</b>	<b>13.441</b>

<b>Net book value</b>	<b>5.219</b>			<b>5.500</b>
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**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**9 INTANGIBLE ASSETS (Continued)**

The movement of intangible assets for the period ended 30 June 2016 is as follows:

	<b>1 January 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2016</b>
<b>Acquisition Cost</b>				
Rights	3.076	-	-	3.076
Other (Software)	9.681	1.674	-	11.355
	<b>12.757</b>	<b>1.674</b>	-	<b>14.431</b>
<b>Accumulated Amortization</b>		<b>Charge for the period</b>		<b>30 June 2016</b>
Rights	3.076	-	-	3.076
Other ( Software)	5.930	1.327	-	7.257
	<b>9.006</b>	<b>1.327</b>	-	<b>10.333</b>
<b>Net book value</b>	<b>3.751</b>			<b>4.098</b>

As of 30 June 2017 and 30 June 2016, the Company has not any intangible asset that is generated within the company.

**10 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 2017 is 20% (2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax is calculated as 20% of the income in the year 2017 (2016: 20%)

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

**10 TAX ESSETS 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.

Reconciliation of tax charge

	<b>1 January – 30 June 2017</b>	<b>1 January – 30 June 2016</b>
Reported profit before taxation	17.925	19.255
Calculated taxation on reported profit	(3.585)	(3.851)
Permanent differences:		
Non-deductible expenses	(532)	(18)
Non-taxable income	598	949
Deferred tax assets (*)	-	(2.611)
Other	(37)	9
<b>Tax Charge</b>	<b>(3.556)</b>	<b>(5.522)</b>

(\*) The case, that is brought to Buyuk Mukellefler Vergi Dairesi on the date of 28 May 2015 about the special provision related to the bad debt that is in the process of prosecution and execution should not be considered as a reduction on the basis of tax resulted in the Company's favor on the date of 16 May 2016. The amount that was accrued overly by TL 2.611 corporate tax return is returned as of 13 June 2016. The related amount is accounted under "the operating revenues" section and the amount that created deferred tax assets is cancelled in the current period.

The corporate tax payable as at 30 June 2017 and 31 December 2016 is as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Corporate tax provision	-	16.541
Prepaid taxes	-	(9.241)
Withholding income taxes	(264)	(353)
<b>Corporate Tax Payable / (Tax Assets)</b>	<b>(264)</b>	<b>6.947</b>

The tax charge in the income statement for the periods ended 30 June 2017 and 30 June 2016 is as summarized below:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Current tax charge	-	(5.664)	-	(3.570)
Reversal of prior year tax provision	-	2.074	-	-
Deferred tax benefit/(charge) (*)	(3.556)	(1.952)	-	(138)
	<b>(3.556)</b>	<b>(5.522)</b>	<b>-</b>	<b>(3.708)</b>

(\*)Includes net cancellation of tax provision amounting to TL 259 for corporate tax payment of the year 2016.

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**10 TAX ASSETS AND LIABILITIES (Continued)**

The effective corporate tax rate is 20% as at 30 June 2017 (31 December 2016: 20%). The Company calculates deferred tax assets and liabilities according to the balance sheet liability method on the temporary differences that will be utilized using the rate 20%.

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b><u>Temporary Differences</u></b>		
Factoring receivable provisions	48.164	42.857
Unearned factoring interest income	29.700	30.193
Unused financial losses	23.059	-
Cash collected commissions	2.830	3.508
Reserve for employee benefit	2.029	1.792
Premium pay provision	1.972	1.520
Valuation differences of factoring receivables	1.390	1.226
Unused vacation accrual	1.040	876
Funds borrowed BITT rediscount	857	-
Other provisions	559	576
Valuation differences of derivative financial assets	277	31.051
<b><i>Temporary differences related to deferred tax assets</i></b>	<b>111.877</b>	<b>113.599</b>
Valuation differences of derivative financial assets	17.884	394
Temporary differences on tangible and intangible assets	1.720	1.886
Commission income accruals	467	549
Valuation differences of bonds	138	90
Valuation differences of funds borrowed	57	7
<b><i>Temporary differences related to deferred tax liabilities</i></b>	<b>20.266</b>	<b>2.926</b>
<b><u>Deferred tax assets / (liabilities)</u></b>		
Factoring receivable provisions and adjustments	9.633	8.571
Unearned factoring interest income	5.940	6.039
Unused financial losses	4.612	-
Cash collected commissions	566	702
Reserve for employee benefit	406	358
Premium pay provision	394	304
Valuation differences of factoring receivables	278	245
Unused vacation accrual	208	175
Funds borrowed BITT rediscount	171	-
Other provisions	110	115
Valuation differences of derivative financial assets	55	6.211
<b><i>Deferred tax assets</i></b>	<b>22.373</b>	<b>22.720</b>
Valuation differences of derivative financial assets	(3.577)	(79)
Temporary differences on tangible and intangible assets	(344)	(377)
Commission income accruals	(93)	(110)
Valuation differences of bonds	(28)	(18)
Valuation differences of funds borrowed	(11)	(1)
<b><i>Deferred tax liabilities</i></b>	<b>(4.053)</b>	<b>(585)</b>
<b>Deferred tax assets (net)</b>	<b>18.320</b>	<b>(22.135)</b>

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**10 TAX ASSETS AND LIABILITIES (Continued)**

Movement of deferred tax assets in the period is as follows:

	<b>1 January - 30 June 2017</b>	<b>1 January - 30 June 2016</b>
1 January	22.135	14.365
Deferred tax income / (expense)	(3.556)	(1.952)
2016 Corporate tax return	(259)	-
<b>Balance at the end of the period</b>	<b>18.320</b>	<b>12.413</b>

**11 PREPAID EXPENSES AND OTHER ASSETS**

Details of prepaid expenses as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Guarantee letter commissions	1.472	-	1.566	-
Bond issuance brokerage commissions	686	-	1.035	-
Insurance premiums	315	-	554	-
Other	672	330	87	68
	<b>3.145</b>	<b>330</b>	<b>3.242</b>	<b>68</b>

Details of other assets as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Receivables from BITT accruals	3.634	-	3.142	92
Receivables related with court expenses	1.192	-	1.174	-
Other	231	350	68	780
	<b>5.057</b>	<b>350</b>	<b>4.384</b>	<b>872</b>

**12 FUNDS BORROWED**

Details of funds borrowed as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Funds borrowed	1.463.763	631.617	1.639.361	510.086
	<b>1.463.763</b>	<b>631.617</b>	<b>1.639.361</b>	<b>510.086</b>



**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**12 FUNDS BORROWED (Continued)**

	<b>30 June 2017</b>				<b>31 December 2016</b>			
	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	1.463.763	11,50-16,80	1.463.763	-	1.639.361	9,40-14,18	1.639.361	-
USD	3.207	1,53-1,75	11.245	-	751	1,15-2,04	2.643	-
EURO	120.961	0,25-3,36	482.999	122.045	132.942	0,25-2,42	395.885	97.317
GBP	3.375	1,00	15.328	-	3.297	0,77-2,15	14.241	-
<b>Total</b>			<b>1.973.335</b>	<b>122.045</b>			<b>2.052.130</b>	<b>97.317</b>

These rates represent the interest rate range of outstanding funds borrowed with fixed and floating rates as at 30 June 2017 and 31 December 2016.

TL 1.163.762 of the funds borrowed as of 30 June 2017 is borrowed from the Takasbank Money Market. TL 1.265.000 worth of guarantee has been given for the funds borrowed from the Takasbank Money Market (31 December 2016: TL 1.089.000).

As of 30 June 2017 and 31 December 2016, the remaining funds borrowed are uncollateralized.

**13 MARKETABLE SECURITIES ISSUED**

Details of marketable securities issued as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	TL	FC	TL	FC
<b>Bills</b>				
Nominal	477.100	-	520.791	-
Cost	449.390	-	496.200	-
<b>Carrying Value</b>	<b>462.011</b>	<b>-</b>	<b>503.619</b>	<b>-</b>

The Company issued discounted bills only for qualified investors.

	<b>1 January - 30 June 2017</b>			<b>1 January - 31 December 2016</b>		
	Date of issue	Nominal value	Maturity	Date of issue	Nominal value	Maturity
	23.01.2017	104.299	14.07.2017	28.07.2016	75.000	23.01.2017
	24.02.2017	61.220	22.08.2017	16.11.2016	217.351	12.05.2017
	23.03.2017	43.020	15.09.2017	30.11.2016	110.740	26.05.2017
	03.04.2017	38.560	29.09.2017	14.12.2016	87.500	05.06.2017
	26.05.2017	230.001	20.11.2017	21.12.2016	30.200	23.03.2017
<b>Total</b>		<b>477.100</b>			<b>520.791</b>	

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**14 MISCELLANEOUS PAYABLES AND OTHER LIABILITIES**

Details of miscellaneous payables as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Deferred commissions	2.830	-	3.508	-
Sundry creditors	677	64	619	126
Transitory liability accounts	222	837	725	1.310
<b>Miscellaneous Payables</b>	<b>3.729</b>	<b>901</b>	<b>4.852</b>	<b>1.436</b>
Guarantee payments to customers	-	22	-	130
<b>Other Liabilities</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>130</b>

**15 TAX PAYABLES AND LIABILITIES**

Details of taxes payables and liabilities as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 17</b>		<b>31 December 16</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
BITT payable	1.314	-	1.313	-
Social security premiums payable	383	-	717	-
Income tax payable	353	-	503	-
VAT payable	56	-	29	-
Stamp tax payable	12	-	14	-
	<b>2.118</b>	<b>-</b>	<b>2.576</b>	<b>-</b>

**16 PROVISIONS**

Details of provisions as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Provision for employee benefits	5.041	-	4.188	-
Provision for lawsuits	316	-	316	-
Provision for brokerage commissions	-	338	-	412
Other provisions	243	-	260	-
	<b>5.600</b>	<b>338</b>	<b>4.764</b>	<b>412</b>

**16.1 Provision for Employee Benefits**

Provision for employee benefits as of 30 June 2017 includes retirement pay provision amounting to TL 2.029 (31 December 2016: TL 1.792), unused vacation accrual amounting to TL 1.040 (31 December 2016: TL 876) and personnel bonus accrual amounting to TL 1.972 (31 December 2016: TL 1.520).

***Retirement Pay Provision***

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.

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**16 PROVISIONS (Continued)****16.1 Provision for Employee Benefits (Continued)*****Retirement Pay Provision (Continued)***

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 as of 30 June 2017, this amount is limited to a maximum of TL 4.426,16 (full) (31 December 2016: TL 4.297,21 (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 30 June 2017, 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 7,80% and a discount rate of 11,20%, resulting in a real discount rate of approximately 3,15% (31 December 2016: inflation rate of 7,80%, discount rate of 11,20%, real discount rate of approximately 3,15%).

Movement of retirement pay provision in the period is as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
<b>Net liability / (asset) at the beginning of the period</b>	<b>1.792</b>	<b>1.442</b>
Severance indemnity paid in the period	(180)	(136)
Retirement provision recognized under statement of profit or loss	417	346
<b>Net liability / (asset) at the end of period</b>	<b>2.029</b>	<b>1.652</b>

***Personnel Bonus Accrual***

Movement of the personnel bonus provision in the period is as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
<b>Balance at 1 January</b>	<b>1.520</b>	<b>894</b>
Paid in the period	(917)	(856)
Reversal	(249)	(38)
Accrual for the period	1.618	1.250
<b>Balance at the end of the period</b>	<b>1.972</b>	<b>1.250</b>

***Unused Vacation Accrual***

Movement of the unused vacation accrual during the period is as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>
<b>Balance at 1 January</b>	<b>876</b>	<b>818</b>
Paid in the period	(40)	(27)
Reversal	(105)	(67)
Accrual for the period	309	178
<b>Balance at the end of the period</b>	<b>1.040</b>	<b>902</b>

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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

**16 PROVISIONS (Continued)****16.2 Other Provisions**

As of 30 June 2017, the Company has set aside TL 338 correspondent expenses, TL 316 continuing legal proceedings, TL 169 lawsuits and court costs related to doubtful receivables, TL 60 other expense rediscount and TL 14 long term check provision. (As of 31 December 2016, correspondent expenses amounting to TL 412, provision for legal proceedings amounting to TL 316, other provision amounting to TL 200 and other expense accrual amounting to TL 60). The movement of other provisions within the period is as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
<b>Balance at 1 January</b>	<b>576</b>	<b>412</b>	<b>419</b>	<b>335</b>
Reversal	(200)	(412)	(103)	(335)
Provision provided for the period	183	338	260	412
<b>Balance at the end of the period</b>	<b>559</b>	<b>338</b>	<b>576</b>	<b>412</b>

**17 SHAREHOLDERS' EQUITY****17.1 Paid-in Capital**

As of 30 June 2017, the Company's share capital amounts to TL 79.500 (31 December 2016: TL 79.500). As at 30 June 2017 the Company has 7.950.000.000 (31 December 2016: 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 2016: Kr 1).

**17.2 Capital Reserves**

None. (31 December 2016: None)

**17.3 Other Comprehensive Income or Expense**

As of 30 June 2017, TL (522) 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 2016: TL (522) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss.)

**17.4 Profit Reserves**

As of 30 June 2017, the Company's profit reserves comprise of the legal reserves amounting to TL 7.496 (31 December 2016: TL 6.896) and extraordinary reserves amounting to TL 98.979 (31 December 2016: TL 79.863).

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**17 SHAREHOLDERS’ EQUITY (Continued)****17.5 Profit Distribution****2016 PROFIT DISTRIBUTION TABLE**

Net Profit for the year	19.716
Legal Reserves (-)	600
<b>DISTRIBUTABLE NET PROFIT OF THE PERIOD</b>	<b>19.116</b>
Donations (+)	61
Distributable net profit of the period (with Donations)	19.177
<b>EXTRAORDINARY RESERVES</b>	<b>19.116</b>

**18 OPERATING INCOME**

The details of operating income for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Factoring interest income	119.438	118.493	61.668	58.946
Factoring fee and commission income (net)	12.025	10.605	6.041	5.357
	<b>131.463</b>	<b>129.098</b>	<b>67.709</b>	<b>64.303</b>

**19 FINANCIAL EXPENSES**

The details of finance expenses for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Interest expenses on funds borrowed	81.287	70.903	43.907	37.023
Interest expenses on marketable securities issued	29.793	36.546	15.529	16.356
Fees and commissions paid	6.801	5.155	3.517	2.900
Other interest expenses	1	17	-	-
	<b>117.882</b>	<b>112.621</b>	<b>62.953</b>	<b>56.279</b>

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**20 OPERATING EXPENSES**

The details of operating expenses for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Personnel expenses	12.384	11.679	6.645	5.864
Depreciation and amortization charges	2.028	1.566	1.033	793
Vehicle expenses	1.069	1.047	482	535
Rent expenses	1.022	895	507	440
IT maintenance and contract expenses	928	684	404	343
Consultancy expenses	858	376	304	234
Maintenance and repair expenses	583	494	291	263
Communication expenses	502	382	279	219
Provision for retirement pays	417	346	119	133
Taxes and duties	359	480	74	151
Travel expenses	209	203	113	108
Representation expenses	127	280	59	59
Subscription expenses	120	591	85	48
Case expenses	99	76	28	36
Other	484	587	205	272
	<b>21.189</b>	<b>19.686</b>	<b>10.628</b>	<b>9.498</b>

The details of personnel expenses classified under operating expenses for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Salaries and wages	8.107	7.820	4.235	3.995
Bonuses	1.618	1.250	968	500
Social security premium employer’s share	1.148	1.118	612	589
Personnel food expenses	294	327	141	163
Personnel transportation expenses	291	297	145	139
Insurance expenses	247	248	123	123
Per diem payments	144	137	72	72
Unemployment insurance employer’s share	134	132	71	70
Training expenses	87	90	39	53
Other	314	260	239	160
	<b>12.384</b>	<b>11.679</b>	<b>6.645</b>	<b>5.864</b>

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

**21 OTHER OPERATING INCOME**

The details of other operating income for the periods ended as at 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Foreign exchange gains	178.627	97.223	54.944	54.576
Income on derivative financial transactions	80.064	41.925	42.446	7.017
Interest income on bank deposits	1.464	52	1.463	3
Other	1.222	3.941	576	2.836
	<b>261.377</b>	<b>143.141</b>	<b>99.429</b>	<b>64.432</b>

Foreign exchange gains for the period ended 30 June 2017 includes TL 12.392 foreign exchange differences on foreign currency indexed factoring receivables (30 June 2016: TL 11.421).

**22 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES**

The details of provision for non-performing receivables for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Specific provision expenses	7.817	14.555	5.743	4.911
	<b>7.817</b>	<b>14.555</b>	<b>5.743</b>	<b>4.911</b>

**23 OTHER OPERATING EXPENSES**

The details of other operating expenses for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Foreign exchange losses	226.557	104.908	85.740	46.183
Losses on derivative financial transactions	1.287	1.098	(7.056)	460
Other	183	116	92	73
	<b>228.027</b>	<b>106.122</b>	<b>78.776</b>	<b>46.716</b>

The amount of foreign currency transaction losses which includes the income of exchange difference foreign exchange factoring receivables for period ended 30 June 2017 TL 5.363 (30 June 2016: TL 6.789).

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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**24 EARNINGS PER SHARE**

Calculation of earnings per share for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January – 30 June 2017</b>	<b>1 January – 30 June 2016</b>	<b>1 April – 30 June 2017</b>	<b>1 April– 30 June 2016</b>
Net profit for the period	14.369	13.733	7.314	7.623
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000	7.950.000	7.950.000
<b>Earnings per thousand shares (KR)</b>	<b>180,74</b>	<b>172,74</b>	<b>92,00</b>	<b>95,89</b>

**25 RELATED PARTY TRANSACTIONS**

The details of receivables and payables due from and due to related parties as of 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Bank balances</b>				
Türkiye Garanti Bankası A.Ş.	<b>349</b>	<b>3.243</b>	<b>560</b>	<b>8.465</b>
Demand deposits	349	3.243	560	8.465
Time deposits	-	-	-	-
Garantibank International NV	<b>1</b>	<b>1.356</b>	-	<b>522</b>
Demand deposits	1	1.356	-	522
Time deposits	-	-	-	-
	<b>350</b>	<b>4.599</b>	<b>560</b>	<b>8.987</b>

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as of 30 June 2017 is TL 764.080 (31 December 2016: TL 649.571).

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Factoring receivables</b>				
Ayson Geoteknik ve Deniz İnşaat A.Ş.	10.321	1	4.486	-
	<b>10.321</b>	<b>1</b>	<b>4.486</b>	<b>-</b>

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Funds borrowed</b>				
Türkiye Garanti Bankası AŞ	3	121.952	-	114.052
GarantiBank International NV	20.022	903	-	-
	<b>20.025</b>	<b>122.855</b>	<b>-</b>	<b>114.052</b>



**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**25 RELATED PARTY TRANSACTIONS (Continued)**

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Other Payables</b>				
Garanti Filo Yönetim Hizmetleri A.Ş.	205	-	-	-
Garanti Finansal Kiralama A.Ş.	25	-	21	-
Türkiye Garanti Bankası A.Ş.	13	24	42	2
	<b>243</b>	<b>24</b>	<b>63</b>	<b>2</b>

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Sundry Creditors</b>				
Garanti Filo Yönetim Hizmetleri A.Ş.	147	-	-	-
	<b>147</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company has made purchases amounting to TL 1.905 from Garanti Bilişim Teknolojisi ve Ticaret A.Ş for the period ended 30 June 2017 (31 December 2016: TL 3.229 from Garanti Bilişim Teknolojisi ve Ticaret A.Ş).

The details of receivables and payables due from and due to related parties' off-balance sheet transactions as of 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Derivative Agreements</b>				
Türkiye Garanti Bankası AŞ	<b>213.906</b>	<b>206.164</b>	<b>232.663</b>	<b>231.600</b>
Currency swap purchase transactions	169.868	43.839	232.663	-
Currency swap sale transactions	44.038	162.325	-	231.600
Garantibank International NV	-	<b>9.881</b>	<b>47.371</b>	<b>57.925</b>
Currency swap purchase transactions	-	4.886	47.371	2.597
Currency swap sale transactions	-	4.995	-	55.328
	<b>213.906</b>	<b>216.045</b>	<b>280.034</b>	<b>289.525</b>

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

**25 RELATED PARTY TRANSACTIONS (Continued)**

Income and expenses from related parties for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	<b>1 January - 30 June 2017</b>	<b>1 January - 30 June 2016</b>	<b>1 April - 30 June 2017</b>	<b>1 April - 30 June 2016</b>
<b>Interest income on bank deposits</b>				
Türkiye Garanti Bankası A.Ş.	1	15	-	-
	<b>1</b>	<b>15</b>	<b>-</b>	<b>-</b>
<b>Interest income from factoring receivables</b>				
Startv Medya Hizmetleri A.Ş.	-	1.726	-	1.234
Doğuş Yayın Grubu A.Ş.	294	913	177	228
Garanti Bank International NV	76	26	55	26
Ayson Geoteknik ve Deniz İnşaat A.Ş.	62	-	-	-
	<b>432</b>	<b>2.665</b>	<b>232</b>	<b>1.488</b>
<b>Interest expenses on funds borrowed</b>				
Türkiye Garanti Bankası A.Ş.	1.993	2.344	1.740	775
Garanti Bank International NV	1.276	1.149	670	778
	<b>3.269</b>	<b>3.493</b>	<b>2.410</b>	<b>1.553</b>
<b>Fees and commissions given</b>				
Garanti Yatırım Menkul Kıymetler A.Ş.	1.192	1.397	584	627
Türkiye Garanti Bankası A.Ş.	246	44	112	19
Garanti Bank International NV	68	43	35	20
	<b>1.506</b>	<b>1.484</b>	<b>731</b>	<b>666</b>

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

**25 RELATED PARTY TRANSACTIONS (Continued)**

<i>General Administrative Expenses</i>	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
Türkiye Garanti Bankası AŞ ( <i>Rent expense, IT maintenance and contract expenses</i> )	1.278	854	962	412
Garanti Filo Yönetim Hizmetler AŞ ( <i>Car rental expenses</i> )	608	668	242	347
Antur Turizm AŞ ( <i>Travelling expenses</i> )	76	85	39	27
İstanbul Takas ve Saklama Bankası AŞ ( <i>Transaction commissions</i> )	523	441	246	288
Garanti Finansal Kiralama AŞ ( <i>Office rent expenses, contribution to building costs</i> )	293	349	83	229
Garanti Emeklilik ve Hayat AŞ ( <i>Insurance expenses</i> )	30	33	15	19
	<b>2.808</b>	<b>2.430</b>	<b>1.587</b>	<b>1.322</b>

	<b>1 January- 30 June 2017</b>	<b>1 January- 30 June 2016</b>	<b>1 April- 30 June 2017</b>	<b>1 April- 30 June 2016</b>
<b>Profits from Financial Derivatives</b>				
Türkiye Garanti Bankası A.Ş.	24.817	18.499	4.544	8.801
Garanti Bank International NV	7.490	453	7.393	453
	<b>32.307</b>	<b>18.952</b>	<b>11.937</b>	<b>9.254</b>

<b>Losses from Financial Derivatives</b>				
Türkiye Garanti Bankası A.Ş.	8.027	3.471	2.628	113
Garanti Bank International NV	113	-	113	-
	<b>8.140</b>	<b>3.471</b>	<b>2.741</b>	<b>113</b>

**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 30 June 2017 is TL 5.906 (30 June 2016: TL 5.085).

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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**26 CONTINGENT ASSETS AND LIABILITIES****26.1 Guarantees Taken**

Guarantees received for the Company’s factoring receivables as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Sureties received (*)	-	16.073.241	-	18.474.453
Finance notes	34.683	2.063.841	4.710	1.859.913
Letters of guarantee	88.000	-	78.400	2.394
Mortgage	36.625	-	33.500	-
Chattel mortgage	281	22.017	281	20.404
Transfer of claim arising from letter of guarantees	5.285	861	12.430	4.252
Customer cheques	15	-	14	4.329
Pledge	-	-	-	10.517
	<b>164.889</b>	<b>18.159.960</b>	<b>129.335</b>	<b>20.376.262</b>

(\*) Sureties received consists of the sum of amounts signed by each guarantor for every contract within the context of the factoring contracts.

**26.2 Guarantee Given**

Guarantee given as at 30 June 2017 and 31 December 2016 consist of letter of guarantee given to the institutions below:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Takasbank (refer to note 12)	1.265.000	-	1.089.000	-
Courts	8.190	808	8.324	401
Other	6	-	6	-
	<b>1.273.196</b>	<b>808</b>	<b>1.097.330</b>	<b>401</b>

**26.3 Commitments**

TL equivalent of nominal values of commitment given related to credit linked notes as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Foreign exchange buy-sell commitments	3.264	3.254	294	294
	<b>3.264</b>	<b>3.254</b>	<b>294</b>	<b>294</b>

**GARANTİ FAKTORİNG A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
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**26 CONTINGENT ASSETS AND LIABILITIES (Continued)****26.4 Derivative Agreements**

The details of derivative agreements as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Currency swap buy transactions	579.613	48.724	728.450	2.597
Currency swap sell transactions	44.038	565.642	-	744.423
Forward foreign currency purchases	308	-	69	-
Forward foreign currency sales	-	306	-	69
	<b>623.959</b>	<b>614.672</b>	<b>728.519</b>	<b>747.089</b>

**26.5 Safety Securities**

The details of cheques and notes in collection as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Cheque receivable in collection	726.555	141.869	651.696	102.628
Notes receivable in collection	4.627	29.804	5.471	25.280
	<b>731.182</b>	<b>171.673</b>	<b>657.167</b>	<b>127.908</b>

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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## **27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS**

### **27.1 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.

#### **27.1.1 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 Factoring 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 SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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## **27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (Continued)**

### **27.1 Financial Risk Management Purposes and Policies (Continued)**

#### **27.1.2 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.

#### **27.1.3 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 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.

## **GARANTİ FAKTORİNG A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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## **27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (Continued)**

### **27.1 Financial Risk Management Purposes and Policies (Continued)**

#### **27.1.4 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.



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**27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (Continued)**

**27.1 Financial Risk Management Purposes and Policies (Continued)**

**27.1.5 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 it's 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 principles.

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**

**27.2 Explanations on Risk Management**

**27.2.1 Credit Risk**

30 June 2017	Factoring Receivables		Non-performing receivables		Other Assets		Banks	Financial Assets Held for Trading	Derivative Financial Assets Held for Trading
	Related Party	Others	Related Party	Others	Related Party	Others			
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	<b>10.322</b>	<b>2.677.254</b>	-	<b>30.823</b>	-	<b>5.407</b>	<b>5.006</b>	-	<b>17.884</b>
A. Carrying value of financial assets that are not past due nor impaired	10.322	2.638.913	-	-	-	5.407	5.006	-	17.884
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	38.341	-	-	-	-	-	-	-
-carrying value	-	38.341	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	-	-	30.823	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	91.455	-	-	-	-	-
- Impairment (-)	-	-	-	(63.010)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	2.378	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)****27.2 Explanations on Risk Management (Continued)****27.2.1 Credit Risk (Continued)**

31 December 2016	Factoring Receivables		Non-performing receivables		Other Assets		Banks	Financial Assets Held for Trading	Derivative Financial Assets Held for Trading
	Related Party	Others	Related Party	Others	Related Party	Others			
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	<b>4.486</b>	<b>2.830.303</b>	-	<b>16.435</b>	-	<b>5.302</b>	<b>9.603</b>	-	<b>394</b>
A. Carrying value of financial assets that are not past due nor impaired	4.486	2.780.398	-	-	-	5.302	9.603	-	394
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	6.366	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	43.539	-	-	-	-	-	-	-
-carrying value	-	43.539	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	-	-	16.435	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	69.710	-	-	-	-	-
- Impairment (-)	-	-	-	(55.953)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	2.678	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**

**27.2 Explanations on Risk Management (Continued)**

**27.2.2 Liquidity Risk**

The following table provides an analysis for the Company’s financial liabilities by grouping the contractual maturities as of the balance sheet date. Amounts in the following table are the undiscounted contractual cash flows:

**30 June 2017**

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Non-derivative financial liabilities</b>	<b>2.568.199</b>	<b>2.593.029</b>	<b>1.927.156</b>	<b>665.873</b>	<b>-</b>
Funds borrowed	2.095.380	2.105.121	1.916.348	188.773	-
Bonds issued	462.011	477.100	-	477.100	-
Factoring payables	6.178	6.178	6.178	-	-
Sundry creditors	4.630	4.630	4.630	-	-

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Derivative financial liabilities and foreign exchange buy-sell commitments</b>	<b>18.669</b>	<b>18.669</b>	<b>18.669</b>	<b>-</b>	<b>-</b>
Derivative cash inflows	631.909	631.909	631.909	-	-
Derivative cash outflows	(613.240)	(613.240)	(613.240)	-	-

**31 December 2016**

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Non-derivative financial liabilities</b>	<b>2.668.119</b>	<b>2.689.236</b>	<b>2.149.867</b>	<b>539.369</b>	<b>-</b>
Funds borrowed	2.149.447	2.153.392	2.134.814	18.578	-
Bond issued	503.619	520.791	-	520.791	-
Factoring payables	8.765	8.765	8.765	-	-
Sundry creditors	6.288	6.288	6.288	-	-

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Derivative financial liabilities and foreign exchange buy-sell commitments</b>	<b>(13.376)</b>	<b>(13.376)</b>	<b>(15.129)</b>	<b>1.753</b>	<b>-</b>
Derivative cash inflows	731.410	731.410	315.411	415.999	-
Derivative cash outflows	(744.786)	(744.786)	(330.540)	(414.246)	-

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)****27.2 Explanations on Risk Management (Continued)****27.2.3 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 30 June 2017 and 31 December 2016.

Foreign currency assets and liabilities as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>(TL equivalent )</b>	<b>(TL equivalent )</b>
A. Foreign currency monetary assets	1.175.305	1.273.395
B. Foreign currency monetary liabilities	(638.405)	(519.969)
C. Derivative financial instruments (*)	(520.477)	(742.189)
<b>Net foreign currency position (A+B+C)</b>	<b>16.423</b>	<b>11.237</b>

(\*) Derivative financial instruments include forward asset purchases and sales which are recorded under irrevocable commitments.

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)****27.2 Explanations on Risk Management (Continued)****27.2.3 Market Risk (Continued)***Foreign Currency Risk (Continued)*

The table below summarizes the Company’s foreign currency position in detail as of 30 June 2017 and 31 December 2016. Carrying amounts of the Company’s foreign currency monetary assets and liabilities are presented with their original currencies:

<b>30 June 2017</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Total</b>
<b>Assets</b>				
Banks	438	3.707	465	4.610
Financial assets available for sale	-	2	-	2
Factoring receivables (*)	465.326	677.887	27.130	1.170.343
Other Assets	84	195	71	350
<b>Total Assets</b>	<b>465.848</b>	<b>681.791</b>	<b>27.666</b>	<b>1.175.305</b>
<b>Liabilities</b>				
Funds borrowed	11.244	605.044	15.329	631.617
Factoring payables	944	4.219	364	5.527
Sundry creditors and other liabilities	157	1.089	15	1.261
<b>Total liabilities</b>	<b>12.345</b>	<b>610.352</b>	<b>15.708</b>	<b>638.405</b>
<b>Net foreign currency position</b>	<b>453.503</b>	<b>71.439</b>	<b>11.958</b>	<b>536.900</b>
Derivative financial instruments (**)	(445.507)	(69.975)	(4.995)	(520.477)
<b>Net position</b>	<b>7.996</b>	<b>1.464</b>	<b>6.963</b>	<b>16.423</b>

(\*) Includes the foreign currency indexed factoring receivables amounting to TL 274.996 that are presented in TL column on the balance sheet.

(\*\*) Derivative financial instruments include forward asset purchases and sales which are recorded under irrevocable commitments.

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)****27.2 Explanations on Risk Management (Continued)****27.2.3 Market Risk (Continued)***Foreign Currency Risk (Continued)*

<b>31 December 2016</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Total</b>
<b>Assets</b>				
Banks	3.530	2.888	2.590	9.008
Financial assets available for sale	-	2	-	2
Factoring receivables (*)	686.093	559.218	18.202	1.263.513
Other Assets	734	138	-	872
<b>Total Assets</b>	<b>690.357</b>	<b>562.246</b>	<b>20.792</b>	<b>1.273.395</b>
<b>Liabilities</b>				
Funds borrowed	2.643	493.202	14.241	510.086
Factoring payables	858	6.929	118	7.905
Sundry creditors and other liabilities	476	1.475	27	1.978
<b>Total liabilities</b>	<b>3.977</b>	<b>501.606</b>	<b>14.386</b>	<b>519.969</b>
<b>Net foreign currency position</b>	<b>686.380</b>	<b>60.640</b>	<b>6.406</b>	<b>753.426</b>
Derivative financial instruments (**)	(679.805)	(59.844)	(2.540)	(742.189)
<b>Net position</b>	<b>6.575</b>	<b>796</b>	<b>3.866</b>	<b>11.237</b>

(\*)Includes the foreign currency indexed factoring receivables amounting to TL 324.418 that are presented in TL column on the balance sheet.

(\*\*)Derivative financial instruments include forward asset purchase and sale which are recorded under irrevocable commitments.

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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)****27.2 Explanations on Risk Management (continued)****27.2.3 Market Risk (Continued)***Foreign currency sensitivity risk*

10% decrease in the TL against the relevant foreign currencies as of 30 June 2017 results in an increase in profit before tax for the period amounting to TL 1.642 (30 June 2016: TL 860 increase). This analysis is made with the assumption that the other variables were held constant as of 30 June 2017 and 30 June 2016.

**TL****30 June 2017**

	<b>Profit/(Loss)</b>
USD	800
EURO	146
GBP	696
<b>Total</b>	<b>1.642</b>

**TL****30 June 2016**

	<b>Profit/(Loss)</b>
USD	74
EURO	586
GBP	200
<b>Total</b>	<b>860</b>

*Interest Rate Risk*

Weighted average effective interest rates applied to financial instruments as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>				<b>31 December 2016</b>			
	<b>USD (%)</b>	<b>EURO (%)</b>	<b>GBP (%)</b>	<b>TL (%)</b>	<b>USD (%)</b>	<b>EURO (%)</b>	<b>GBP (%)</b>	<b>TL (%)</b>
<b>Assets</b>								
Factoring receivable	5,68	2,04	2,99	17,15	4,62	1,86	2,82	14,21
<b>Liabilities</b>								
Marketable securities issued	-	-	-	12,73	-	-	-	10,55
Funds borrowed	1,71	1,02	1,00	13,60	1,68	0,88	0,77	11,42



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**27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)****27.2 Explanations on Risk Management (continued)****27.2.3 Market Risk (Continued)***Interest Rate Sensitivity Analysis*

The Company’s financial instruments that have interest rate sensitivity as at 30 June 2017 and 31 December 2016 are as follows:

	<b>Carrying Value</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Fixed Rate</b>		
Factoring receivables	2.130.670	2.280.204
Fund borrowed	1.999.184	2.016.933
Marketable securities issued	462.011	503.619
<b>Floating Rate</b>		
Factoring receivables	556.906	554.585
Funds borrowed	96.196	132.514

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 of 30 June 2017, net income for the period would decrease/increase by TL 4.607 (31 December 2016: TL 4.221) 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 17.

The Company 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.

**28 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 value of funds borrowed and marketable securities approximate their carrying value as they were reprised just before the balance sheet date due to their floating interest rates like Euribor and etc. Management also assumes that the fair values of other financial assets and liabilities at amortized cost including cash and banks, other financial assets and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

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**28 FINANCIAL INSTRUMENTS (Continued)***Fair Value of Financial Instruments Classification*

The table below presents the fair value determination method of the financial instruments at fair value. 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).

<b>30 June 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets held for trading	-	17.884	-	17.884
	-	<b>17.884</b>	-	<b>17.884</b>
Derivative financial liabilities held for trading	-	277	-	277
	-	<b>277</b>	-	<b>277</b>

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets held for trading	-	394	-	394
	-	<b>394</b>	-	<b>394</b>
Derivative financial liabilities held for trading	-	31.051	-	31.051
	-	<b>31.051</b>	-	<b>31.051</b>

**29 EVENTS AFTER THE REPORTING PERIOD**

None.