Garanti Faktoring
Anonim Şirketi

Financial Statements
As at and for the Six-Month
Interim Period Ended
30 June 2018
With Independent Auditors'
Review Report Thereon

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

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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 Anonim Şirketi ("the Company") as at 30 June 2018 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 and the Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by the BRSA (together "the BRSA Accounting and Financial Reporting Legistation"). Our responsibility is to express a conclusion on this interim financial information 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 Anonim Şirketi at 30 June 2018 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 Accounting and Financial Reporting Legistation.

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

Orhan Akova
Partner, SMMM
25 July 2018
Istanbul, Turkey

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2018

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

	ASSETS	Notes	Reviewed 30 June 2018			Audited 31 December 2017		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**CASH, CASH EQUIVALENTS AND CENTRAL BANK**		**-**	**-**	**-**	**1**	**-**	**1**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)**	*3*	**485**	**-**	**485**	**19.327**	**-**	**19.327**
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*	485	-	485	19.327	-	19.327
III.	**BANKS**	*4*	**144**	**56.889**	**57.033**	**6.177**	**13.019**	**19.196**
IV.	**RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	*5*	**-**	**2**	**2**	**-**	**2**	**2**
VI.	**FACTORING RECEIVABLES**	*6*	**1.984.110**	**594.369**	**2.578.479**	**2.242.027**	**1.117.957**	**3.359.984**
6.1	Discount Factoring Receivables		1.143.254	80.003	1.223.257	933.809	122.809	1.056.618
6.1.1	Domestic		1.246.743	24.495	1.271.238	964.630	21.850	986.480
6.1.2	Foreign		-	56.691	56.691	-	101.647	101.647
6.1.3	Unearned Income (-)		(103.489)	(1.183)	(104.672)	(30.821)	(688)	(31.509)
6.2	Other Factoring Receivables		840.856	514.366	1.355.222	1.308.218	995.148	2.303.366
6.2.1	Domestic		840.856	138.710	979.566	1.308.218	297.836	1.606.054
6.2.2	Foreign		-	375.656	375.656	-	697.312	697.312
VII.	**FINANCIAL LOANS**		**-**	**-**	**-**	**-**	**-**	**-**
7.1	Consumer Loans		-	-	-	-	-	-
7.2	Credit Cards		-	-	-	-	-	-
7.3	Installment Commercial Loans		-	-	-	-	-	-
VIII.	**LEASE RECEIVABLES**		**-**	**-**	**-**	**-**	**-**	**-**
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		-	-	-	-	-	-
IX.	**OTHER RECEIVABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**NON-PERFORMING RECEIVABLES**	*7*	**94.207**	**-**	**94.207**	**19.782**	**-**	**19.782**
10.1	Non-Performing Factoring Receivables		193.724	-	193.724	95.335	-	95.335
10.2	Non-Performing Financial Loans		-	-	-	-	-	-
10.3	Non-Performing Leasing Receivables		-	-	-	-	-	-
10.4	Specific Provisions (-)		(99.517)	-	(99.517)	(75.553)	-	(75.553)
XI.	**DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES**		**-**	**-**	**-**	**-**	**-**	**-**
11.1	Fair Value Hedging		-	-	-	-	-	-
11.2	Cash Flow Hedging		-	-	-	-	-	-
11.3	Net Foreign Investment Hedging		-	-	-	-	-	-
XII.	**INVESTMENTS HELD TO MATURITY (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
XIII.	**SUBSIDIARIES (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
XIV.	**ASSOCIATES (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
XV.	**JOINT VENTURES (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
XVI.	**TANGIBLE ASSETS (Net)**	*8*	**2.102**	**-**	**2.102**	**1.939**	**-**	**1.939**
XVII.	**INTANGIBLE ASSETS (Net)**	*9*	**6.607**	**-**	**6.607**	**5.491**	**-**	**5.491**
17.1	Goodwill		-	-	-	-	-	-
17.2	Other		6.607	-	6.607	5.491	-	5.491
XVIII.	**PREPAID EXPENSES**	*11*	**2.996**	**120**	**3.116**	**3.568**	**137**	**3.705**
XIX.	**CURRENT TAX ASSETS**	*10*	**-**	**-**	**-**	**1.289**	**-**	**1.289**
XX.	**DEFERRED TAX ASSETS**	*10*	**39.777**	**-**	**39.777**	**15.585**	**-**	**15.585**
XXI.	**OTHER ASSETS**	*11*	**11.108**	**270**	**11.378**	**5.351**	**229**	**5.580**
	SUB TOTAL		**2.141.536**	**651.650**	**2.793.186**	**2.320.537**	**1.131.344**	**3.451.881**
XXII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**		**11**	**-**	**11**	**-**	**-**	**-**
22.1	Held For Sale		11	-	11	-	-	-
22.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**2.141.547**	**651.650**	**2.793.197**	**2.320.537**	**1.131.344**	**3.451.881**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2018

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

	LIABILITIES	*Notes*	Reviewed 30 June 2018			Audited 31 December 2017		
			TL	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
I.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	***3.2***	**10.535**	**3**	**10.538**	**2.018**	**-**	**2.018**
II.	**FUNDS BORROWED**	***12***	**1.505.842**	**541.722**	**2.047.564**	**1.698.504**	**720.251**	**2.418.755**
III.	**FACTORING PAYABLES**	***6***	**1.170**	**11.747**	**12.917**	**1.435**	**9.268**	**10.703**
IV.	**LEASING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
4.1	Financial lease payables		-	-	-	-	-	-
4.2	Operational lease payables		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Financial Leasing Expenses		-	-	-	-	-	-
V.	**MARKETABLE SECURITIES ISSUED (Net)**	***13***	**482.171**	**-**	**482.171**	**795.583**	**-**	**795.583**
5.1	Bills		482.171	-	482.171	795.583	-	795.583
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**MISCELLANEOUS PAYABLES**	***14***	**1.833**	**1.397**	**3.230**	**2.291**	**485**	**2.776**
VII.	**OTHER LIABILITIES**	***14***	**-**	**538**	**538**	**-**	**25**	**25**
VIII.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**		**-**	**-**	**-**	**-**	**-**	**-**
8.1	Fair Value Hedging		-	-	-	-	-	-
8.2	Cash Flow Hedging		-	-	-	-	-	-
8.3	Net Foreign Investment Hedging		-	-	-	-	-	-
IX.	**TAXES PAYABLE**	***15***	**3.215**	**-**	**3.215**	**3.202**	**-**	**3.202**
X.	**PROVISIONS**	***16***	**6.120**	**438**	**6.558**	**5.351**	**482**	**5.833**
10.1	Reserves for Restructuring		-	-	-	-	-	-
10.2	Reserves For Employee Benefits		5.567	-	5.567	4.885	-	4.885
10.3	Other Provisions		553	438	991	466	482	948
XI.	**DEFERRED RECEIVABLES**		**-**	**-**	**-**	**-**	**-**	**-**
XII.	**TAX LIABILITY**	***10***	**3.787**	**-**	**3.787**	**-**	**-**	**-**
XIII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
XIV.	**SUBORDINATED LOANS**		**-**	**-**	**-**	**-**	**-**	**-**
	SUB TOTAL		**2.014.673**	**555.845**	**2.570.518**	**2.508.384**	**730.511**	**3.238.895**
XV.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS**		**-**	**-**	**-**	**-**	**-**	**-**
15.1	Held for Sale		-	-	-	-	-	-
15.2	Discontinued Operations		-	-	-	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**	***17***	**222.679**	**-**	**222.679**	**212.986**	**-**	**212.986**
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		(592)	-	(592)	(592)	-	(592)
16.4	Other comprehensive income or expense that will be reclassified subsequently to profit or loss		-	-	-	-	-	-
16.5	Profit Reserves		134.078	-	134.078	106.475	-	106.475
16.5.1	Legal Reserves		9.205	-	9.205	7.496	-	7.496
16.5.2	Statutory Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		124.873	-	124.873	98.979	-	98.979
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		9.693	-	9.693	27.603	-	27.603
16.6.1	Prior Years Profit or Loss		-	-	-	-	-	-
16.6.2	Current Year Profit/Loss		9.693	-	9.693	27.603	-	27.603
						-	-	
	TOTAL LIABILITIES AND EQUITY		**2.237.352**	**555.845**	**2.793.197**	**2.721.370**	**730.511**	**3.451.881**

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2018
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	OFF-BALANCE SHEET ITEMS	*Notes*	Reviewed 30 June 2018			Audited 31 December 2017		
			TL	FC	Total	TL	FC	Total
I.	**IRREVOCABLE FACTORING OPERATIONS**		**731.834**	**728.993**	**1.460.827**	**471.263**	**394.410**	**865.673**
II.	**REVOCABLE FACTORING OPERATIONS**		**733.262**	**59.386**	**792.648**	**623.414**	**226.534**	**849.948**
III.	**GUARANTEES RECEIVED**	***26.1***	**826.874**	**27.143.571**	**27.970.445**	**393.692**	**21.608.968**	**22.002.660**
IV.	**GUARANTEES GIVEN**	***26.2***	**1.321.149**	**1.532**	**1.322.681**	**1.321.944**	**39.898**	**1.361.842**
V.	**COMMITMENTS**	***26.3***	**-**	**-**	**-**	**1.050**	**1.045**	**2.095**
5.1	Irrevocable Commitments		-	-	-	1.050	1.045	2.095
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		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	***26.4***	**210.229**	**224.070**	**434.299**	**697.992**	**666.488**	**1.364.480**
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		210.229	224.070	434.299	697.992	666.488	1.364.480
6.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2	Swap Buy/Sell Transactions		210.229	224.070	434.299	697.992	666.488	1.364.480
6.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**	***26.5***	**817.505**	**158.379**	**975.884**	**811.463**	**172.547**	**984.010**
	TOTAL OFF BALANCE SHEET ITEMS		**4.640.853**	**28.315.931**	**32.956.784**	**4.320.818**	**23.109.890**	**27.430.708**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

	INCOME AND EXPENSE ITEMS	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017	Not Reviewed 1 April - 30 June 2018	Not Reviewed 1 April - 30 June 2017
I.	**OPERATING INCOME**	*18*	**204.683**	**131.463**	**104.695**	**67.709**
	FACTORING INCOME		**204.683**	**131.463**	**104.695**	**67.709**
1.1	Factoring Interest Income		198.334	119.438	102.062	61.668
1.1.1	Discount		97.317	48.059	54.904	26.055
1.1.2	Other		101.017	71.379	47.158	35.613
1.2	Factoring Commission Income		6.349	12.025	2.633	6.041
1.2.1	Discount		2.401	9.111	757	4.479
1.2.2	Other		3.948	2.914	1.876	1.562
	INCOME FROM FINANCING LOANS		-	-	-	-
1.3	Financing Loans Interest Income		-	-	-	-
1.4	Financing Loans Fees and Commissions Receivables		-	-	-	-
	LEASE INCOME		-	-	-	-
1.5	Financial Leasing Income		-	-	-	-
1.6	Operational Leasing Income		-	-	-	-
1.7	Leasing Operations Fees and Commissions Income		-	-	-	-
II.	**FINANCIAL EXPENSES (-)**	*19*	**(173.808)**	**(117.882)**	**(86.300)**	**(62.953)**
2.1	Interest Expense on Funds Borrowed		(113.077)	(81.287)	(58.529)	(43.907)
2.2	Interest Expense on Factoring Payables		-	-	-	-
2.3	Finance Lease Expense		-	-	-	-
2.4	Interest Expense on Securities Issued		(51.831)	(29.793)	(23.032)	(15.529)
2.5	Other Interest Expenses		(20)	(1)	-	-
2.6	Other Fees and Commissions		(8.880)	(6.801)	(4.739)	(3.517)
III.	**GROSS PROFIT/LOSS (I+II)**		**30.875**	**13.581**	**18.395**	**4.756**
IV.	**OPERATING EXPENSES (-)**	*20*	**(21.663)**	**(21.189)**	**(11.360)**	**(10.628)**
4.1	Personnel Expenses		(13.297)	(12.384)	(7.021)	(6.645)
4.2	Retirement Pay Provision Expenses		(372)	(417)	(181)	(119)
4.3	Research and Development Expenses		-	-	-	-
4.4	General Administrative Expenses		(7.888)	(8.385)	(4.120)	(3.864)
4.5	Other		(106)	(3)	(38)	-
V.	**OPERATING GROSS PROFIT/LOSS**		**9.212**	**(7.608)**	**7.035**	**(5.872)**
VI.	**OTHER OPERATION INCOME**	*21*	**204.272**	**261.377**	**127.714**	**99.429**
6.1	Interest Income from Deposits		64	1.464	46	1.463
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		20.657	80.064	19.816	42.446
6.5.1	Derivative Financial Transactions		20.657	80.064	19.816	42.446
6.5.2	Other		-	-	-	-
6.6	Foreign Exchange Gains		182.522	178.627	107.560	54.944
6.7	Other		1.029	1.222	292	576
VII.	**SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)**	*22*	**(24.889)**	**(7.817)**	**(15.378)**	**(5.743)**
VIII.	**OTHER OPERATION EXPENSES**	*23*	**(175.563)**	**(228.027)**	**(116.702)**	**(78.776)**
8.1	Impairment on Marketable Securities		-	-	-	-
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		(15.287)	(1.287)	(9.572)	7.056
8.4	Foreign Exchange Losses		(159.873)	(226.557)	(106.841)	(85.740)
8.5	Other		(403)	(183)	(289)	(92)
IX.	**NET OPERATING INCOME (I+…+VI)**		**13.032**	**17.925**	**2.669**	**9.038**
X.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-	-	-
XI.	**NET MONETARY GAIN/LOSS**		-	-	-	-
XII.	**PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (VII+VIII+IX)**		**13.032**	**17.925**	**2.669**	**9.038**
XIII.	**TAX PROVISION FOR CONTINUING OPERATIONS (±)**	*10*	**(3.339)**	**(3.556)**	**(871)**	**(1.724)**
13.1	Current Tax Charge		(27.531)	-	(780)	-
13.2	Deferred Tax Charge (-)		-	(3.556)	-	(1.724)
13.3	Deferred Tax Benefit (+)		24.192	-	(91)	-
XIV.	**NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS**		**9.693**	**14.369**	**1.798**	**7.314**
XV.	**INCOME ON DISCONTINUED OPERATIONS**		-	-	-	-
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		-	-	-	-
XVI.	**EXPENSE ON DISCONTINUED OPERATIONS (-)**		-	-	-	-
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		-	-	-	-
XVII.	**PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX**		-	-	-	-
XVIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-	-	-
18.1	Current Tax Charge		-	-	-	-
18.2	Deferred Tax Charge (+)		-	-	-	-
18.3	Deferred Tax Benefit (-)		-	-	-	-
XIX.	**NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS**		-	-	-	-
XX.	**NET PERIOD PROFIT/LOSS**		**9.693**	**14.369**	**1.798**	**7.314**
	Earnings/Loss Per Share (Kurus (0.01 TL) per thousand shares)	*24*	121,92	180,74	22,62	92,00

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

		Notes	**Reviewed** 1 January - 30 June 2018	**Reviewed** 1 January - 30 June 2017	**Not Reviewed** 1 April - 30 June 2018	**Not Reviewed** 1 April - 30 June 2017
I.	**PROFIT/LOSS**		**9.693**	**14.369**	**1.798**	**7.314**
II.	**OTHER COMPREHENSIVE INCOME**		-	-	-	-
2.1	**ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS**		-	-	-	-
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	**ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS**		-	-	-	-
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		-	-	-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**9.693**	**14.369**	**1.798**	**7.314**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2018
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	CHANGES IN SHAREHOLDERS EQUITY	Notes	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation Increase/Decrease of property and equipment	Accumulated revaluation profit/loss from defined benefit plans	Other (Other comprehnsive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be	Other comprehensive income or expenses that will not be reclassifed 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	Other comprehensive income or expenses that will be reclassifed to profit or loss	Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Profit/(Loss)	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Non Controlling Interest	Total Shareholders' Equity
	PRIOR PERIOD																								
	1 January - 30 June 2017																								
	Reviewed																								
I.	**Balances at the beginning of the period (Previously reported)**	***17***	**79.500**	-	-	-	-	-	**(522)**	-	**(522)**	-	-	-	-	**86.759**	**6.896**	-	**79.863**	-	**19.716**	-	**19.716**	-	**185.453**
II.	Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances**		**79.500**	-	-	-	-	-	**(522)**	-	**(522)**	-	-	-	-	**86.759**	**6.896**	-	**79.863**	-	**19.716**	-	**19.716**	-	**185.453**
IV.	Total Comprehensive Income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**
XII.	**Profit distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	**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
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19.716	(19.716)	-	(19.716)
	Balance at the end of the period (30 June 2017) (III+IV+…...+XI+XII)		**79.500**	-	-	-	-	-	**(522)**	-	**(522)**	-	-	-	-	**106.475**	**7.496**	-	**98.979**	-	**14.369**	-	**14.369**	-	**199.822**
	CURRENT PERIOD																								
	1 January - 30 June 2018																								
	Reviewed																								
I.	**Balances at the beginning of the prior period (31 December 2017)**	***17***	**79.500**	-	-	-	-	-	**(592)**	-	**(592)**	-	-	-	-	**106.475**	**7.496**	-	**98.979**	-	**27.603**	-	**27.603**	-	**212.986**
II.	Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances**		**79.500**	-	-	-	-	-	**(592)**	-	**(592)**	-	-	-	-	**106.475**	**7.496**	-	**98.979**	-	**27.603**	-	**27.603**	-	**212.986**
IV.	Total Comprehensive Income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**9.693**	-	**9.693**	-	**9.693**
XII.	**Profit distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	27.603	1.709	-	25.894	-	(27.603)	-	(27.603)	-	-
12.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	27.603	1.709	-	25.894	-	(27.603)	(27.603)	-	-	27.603
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27.603	(27.603)	-	(27.603)
	Balances at the end of the period (30 June 2018) (III+IV+…...+XI+XII)		**79.500**	-	-	-	-	-	**(592)**	-	**(592)**	-	-	-	-	**134.078**	**9.205**	-	**124.873**	-	**9.693**	-	**9.693**	-	**222.679**

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF CASH FLOWS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2018

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

	STATEMENT OF CASH FLOWS	***Notes***	**Reviewed 1 January - 30 June 2018**	**Reviewed 1 January - 30 June 2017**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	Operating profit before changes in operating assets and liabilities		165.345	(4.973)
1.1.1	Interest/Leasing income received		272.718	118.697
1.1.2	Interest/Leasing expenses		(152.066)	(103.642)
1.1.3	Dividends received		-	-
1.1.4	Fees and commissions received		5.222	11.397
1.1.5	Other income		-	-
1.1.6	Collections from previously written off receivables	*7*	925	760
1.1.7	Payments to personnel and service suppliers		(20.773)	(20.467)
1.1.8	Taxes paid		(22.456)	(264)
1.1.9	Other		81.775	(11.454)
1.2	Changes in operating assets and liabilities		198.716	45.867
1.2.1	Net (increase) decrease in factoring receivables		582.883	117.882
1.2.2	Net (increase) decrease in other assets		(2.642)	(585)
1.2.3	Net increase (decrease) in factoring payables		2.214	(2.587)
1.2.4	Net increase (decrease) in funds borrowed		(383.114)	(60.748)
1.2.5	Net increase (decrease) in due payables		-	-
1.2.6	Net increase (decrease) in other liabilities		(625)	(8.095)
I.	Net cash provided from operating activities		364.061	40.894
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2	Cash obtained from sale of joint ventures, associates and subsidiaries		-	-
2.3	Fixed assets purchases	*8*	(600)	(207)
2.4	Fixed assets sales	*8*	19	-
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*	(2.971)	(1.912)
II.	Net cash provided from investing activities		(3.552)	(2.119)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash obtained from funds borrowed and securities issued		469.666	233.645
3.2	Cash used for repayment of funds borrowed and securities issued		(797.809)	(277.337)
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		-	-
3.6	Other		-	-
III.	Net cash provided from financing activities		(328.143)	(43.692)
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		5.470	321
V.	**Net increase/decrease in cash and cash equivalents**		**37.836**	**(4.596)**
VI.	**Cash and cash equivalents at the beginning of the period**		**19.197**	**9.603**
VII.	**Cash and cash equivalents at the end of the period**	***2.5***	**57.033**	**5.007**

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

(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:

	30 June 2018	Shareholding (%)	31 December 2017	Shareholding (%)
Türkiye Garanti Bankası AŞ	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası AŞ	7.773	9,78	7.773	9,78
Publicly Trading	6.661	8,38	6.661	8,38
Capital	**79.500**	**100,00**	**79.500**	**100,00**

The shareholding of Türkiye Garanti Bankası A.Ş. as of 30 June 2018 is 55,40% and Türkiye Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2017: 55,40% and 26,44%).

The Company has 156 employees as of 30 June 2018 (31 December 2017: 156).

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 16 (sixteen) 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 25 July 2018. The General Assembly has the authority to change the financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presantation

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 Financial Reporting Legistation" 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 accompanying financial statements have been prepared in accordance with TAS including the requirements of TAS 34 Interim Financial Reporting Standard ("TAS 34"). TAS is consist of Turkish Accounting Standards and Turkish Financial Reporting Standards and related interpretations.

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 and Reporting 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 accounting policies based on the preparation of the financial statements for the interim period ended 30 June 2018 have been applied consistently with the previous periods' accounting policies except for the new and amended TFRS standards effective as of 1 January 2018 which are summarized below.

The new standards which are effective as of 1 January 2018

TFRS 15 Revenue from Customer Contracts

TFRS 15 Revenue from Customer Contracts standard has provided a single and comprehensive model and guide for the accounting of the revenue and the standard replaced TAS 18 Revenue. The standard is effective as of 1 January 2018 and there is no significant impact on the Company's financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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.

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

Note 3 – Financial Assets at Fair Value Through Profit and Loss
Note 6 – Factoring Receivables and Payables
Note 7 – Non-performing 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

2.4.1 The new standards, amendments and interpretations which are effective as at 30 June 2018 but not yet adopted are as follows:

TFRS 9 Financial Instruments

TFRS 9, effective as of 1 January 2018, regulates the accounting and measurement of financial assets and financial liabilities. This standard has replaced TAS 39 Financial Instruments: Recognition and Measurement. Amendments to TFRS 9 affect the measurement of financial assets and the measurement of financial liabilities that are measured at fair value through profit or loss and require the presentation of the classification of the fair value of the financial liabilities related to the credit risk in the other comprehensive income table. TFRS 9 substantially preserves the existing provisions of TAS 39 for the classification and measurement of financial liabilities.

Within the scope of "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, companies are entitled to reserve for the expected credit loss allowance under TFRS 9 and the effective date of the regulation is 30 September 2018. The Company is considering the expected credit loss calculation in accordance with TFRS 9.

For the preparation of financial statements with compliance to TFRS 9, the amendments to the Regulation and the format and contents of the financial statements are effective as of 30 September 2018. Therefore, the Company has continued to apply the classification and measurement provisions of TAS 39 and the provisions of the following paragraph for factoring receivables in the accompanying financial statements.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

2.4.2 Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows. The Company 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 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 *Leases*, TFRS Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, TAS Interpretation 15 *Operating Leases – Incentives*, and TAS Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and consequently changes to TAS 40 *Investment Properties*. TFRS 16 *Leases* 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 TFRS 15 *Revenue from Contracts with Customers*. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

TFRS Interpretation 23 – Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 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. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 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 TFRS Interpretation 23.

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 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.

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)

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs **-** 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of these amendments to IAS 19 will have significant impact on its financial statements.

The revised Conceptual Framework

The revised Conceptual Framework was issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

<u>Financial Assets</u>

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.

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 "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.

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.

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.

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

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

(d) Intangible Assets

<u>Intangible Fixed Assets Acquired</u>

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.

<u>Computer Software</u>

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.

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 TAS 19 "Employee Benefits" ("TAS 19").

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

(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 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
USD	4,5607	3,7719
EURO	5,3092	4,5155
GBP	5,9810	5,0803

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.

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.

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:

	30 June 2018	**30 December 2017**
Cash in TL / Foreign Currency	-	1
Banks	57.033	19.196
	57.033	**19.197**

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

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)

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.

3.1 Derivative Financial Assets 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 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Derivative financial assets held for trading	485	-	19.327	-
	485	**-**	**19.327**	**-**

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 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Derivative financial liabilities held for trading	10.535	3	2.018	-
	10.535	**3**	**2.018**	**-**

4 BANKS

Details of banks as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Demand Deposits	144	12.822	6.177	13.019
Time Deposits	-	44.067	-	-
	144	**56.889**	**6.177**	**13.019**

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 57.033 as of 30 June 2018 (31 December 2017: TL 19.196).

(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 2018 and 31 December 2017.

	30 June 2018			31 December 2017		
	Carrying Value		Share Percentage % (*)	Carrying Value		Share Percentage % (*)
Investments in shares	**TL**	**FC**		**TL**	**FC**	
International Factors Group SC	-	2	1,72	-	2	1,72
	-	**2**		**-**	**2**	

6 FACTORING RECEIVABLES AND PAYABLES

Factoring Receivables

Details of factoring receivables as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Domestic and import factoring receivables	2.087.599	163.205	2.272.848	319.686
Export factoring receivables	-	432.347	-	798.959
Unearned interest income	(103.489)	(1.183)	(30.821)	(688)
Factoring receivables, net	**1.984.110**	**594.369**	**2.242.027**	**1.117.957**

Factoring receivables that are past due but not impaired of the Company amount to TL 78.863 (31 December 2017: TL 63.196) and the delays are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Overdue 1 month	8.524	1.098	5.545	27.675
Overdue 1-3 months	1.293	67.948	1.556	4.068
Overdue 3-6 months	-	-	103	-
Overdue 6-12 months (*)	-	-	24.249	-
	9.817	**69.046**	**31.453**	**31.743**

(*) Within the decision of BRSA numbered 7484, dated 8 September 2017, it has been decided to extend the period in the Temporary Article 2 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies until 20 October 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 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Factoring payables	1.170	11.747	1.435	9.268
	1.170	**11.747**	**1.435**	**9.268**

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 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Factoring receivables	193.724	-	95.335	-
Specific provisions	(99.517)	-	(75.553)	-
Non-performing receivables, net	**94.207**	**-**	**19.782**	**-**

Aging of non-performing factoring receivables and specific provision allocated for them as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	Total non - performing factoring receivables	**Provision**	**Total non - performing factoring receivables**	**Provision**
Overdue up to 90 days	1.607	321	1.887	377
Overdue for 91-180 days	97.860	19.551	1.869	374
Overdue for 181-365 days	4.075	2.037	22.586	15.376
Overdue for 1 year and over	90.182	77.608	68.993	59.426
Total	**193.724**	**99.517**	**95.335**	**75.553**

Amount of collaterals received for non-performing factoring receivables capped with the exposure is TL 1.795 (31 December 2017: TL 2.395).

(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:

	1 January- 30 June 2018	1 January- 30 June 2017
Balance as at 1 January	**75.553**	**55.953**
Provision provided for the period (Note 22)(*)	24.889	7.817
Collections during the period (**)	(925)	(760)
Balance at the end of the period	**99.517**	**63.010**

(*) 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 specific 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 2018 is as follows:

	1 January 2018	Additions	Disposals	30 June 2018
Acquisition Cost				
Furniture and fixtures	4.942	600	(122)	5.420
Vehicles	19	-	-	19
Leasehold improvements	1.719	-	-	1.719
	6.680	**600**	**(122)**	**7.158**

Accumulated Depreciation	1 January 2018	Depreciation for the period	Disposals	30 June 2018
Furniture and fixture	3.508	369	(106)	3.771
Vehicles	19	-	-	19
Leasehold improvements	1.214	52	-	1.266
	4.741	**421**	**(106)**	**5.056**
Net book value	**1.939**			**2.102**

As of 30 June 2018 the insurance on tangible assets amounts to TL 1.490 (31 December 2017: TL 1.490) and the insurance premium amounts to TL 3 (31 December 2017: TL 3).

(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 31 December 2017 is as follows:

	1 January 2017	**Additions**	**Disposals**	**31 December 2017**
Acquisition Cost				
Furniture and fixtures	4.798	148	(4)	4.942
Vehicles	19	-	-	19
Leasehold improvements	1.437	282	-	1.719
	6.254	**430**	(4)	**6.680**

Accumulated Depreciation	**1 January 2017**	**Charge for the period**	**Disposals**	**31 December 2017**
Furniture and fixture	2.796	714	(2)	3.508
Vehicles	19	-	-	19
Leasehold improvements	1.130	84	-	1.214
	3.945	**798**	(2)	**4.741**
Net book value	**2.309**			**1.939**

9 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 30 June 2018 is as follows:

	1 January 2018	**Additions**	**Disposals**	**30 June 2018**
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	17.573	2.971	-	20.544
	20.649	**2.971**	**-**	**23.620**

Accumulated Amortization	**1 January 2018**	**Charge for the period**	**Disposals**	**30 June 2018**
Rights	3.076	-	-	3.076
Other (Software)	12.082	1.855	-	13.937
	15.158	**1.855**	**-**	**17.013**
Net book value	**5.491**			**6.607**

(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 31 December 2017 is as follows:

	1 January 2017	**Additions**	**Disposals**	**31 December 2017**
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	13.953	3.620	-	17.573
	17.029	**3.620**	**-**	**20.649**
Accumulated Amortization	**1 January 2017**	**Charge for the period**		**31 December 2017**
Rights	3.076	-	-	3.076
Other (Software)	8.734	3.348	-	12.082
	11.810	**3.348**	**-**	**15.158**
Net book value	**5.219**			**5.491**

As of 30 June 2018 and 31 December 2017, 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 30 June 2018 is 22% (2017: 20%).While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

In Turkey, advance tax returns are filed on a quarterly basis. While the corporate tax rate was at the rate of 20% for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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.

(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 for the period 24 April 2003 - 22 July 2006 is 10% among all companies. Since 22 July 2006, by the Council of Ministers Recision No. 2006/10731 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Reconciliation of tax charge

	1 January – 30 June 2018	**1 January – 30 June 2017**
Reported profit before taxation	13.032	17.925
Calculated taxation on reported profit	(2.867)	(3.585)
Permanent differences:		
Non-deductible expenses	(20)	(532)
Non-taxable income	-	598
Effect of change in tax rate	(512)	-
Other	60	(37)
Tax Charge	**(3.339)**	**(3.556)**

The corporate tax payable as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	**31 December 2018**
Corporate tax provision	30.489	944
Prepaid taxes	(26.693)	(1.884)
Witholding income taxes	(9)	(349)
Corporate Tax Payable / (Tax Assets)	**3.787**	**(1.289)**

The tax charge in the statement of profit or loss for the periods ended 30 June 2018 and 30 June 2017 is as summarized below:

	1 January-30 June 2018	**1 January-30 June 2017**	**1 April-30 June 2018**	**1 April-30 June 2017**
Current tax charge	(30.491)	-	(3.740)	-
Return of corporate tax paid for 2016 (*)	2.884	-	2.884	-
Reversal of prior year tax provision	76	-	76	-
Deferred tax benefit/(charge)	24.192	(3.556)	(91)	(1.724)
	(3.339)	**(3.556)**	**(871)**	**(1.724)**

(*)The lawsuit filed on 23 May 2017 related to the doubtful receivables was concluded on 29 November 2017 in on behalf of the company. The amount of TL 2.884 which is accrued in the tax declarations of corporation in 2016. A refund was received on 9 April 2018. The related amount has been accounted under other operating income. The amount that constituted the deferred tax asset in prior periods canceled in the current period.

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

10 TAX ASSETS AND LIABILITIES (Continued)

The Company calculates deferred tax assets and liabilities considering the effects of temporary differences arising as a result of different assessments between the BRSA Accounting and Financial Reporting Legislation and the Tax Procedure Law in the balance sheet items. The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the subsequent years (31 December 2017: 20%).

	30 June 2018	**31 December 2017**
Temporary Differences		
Unearned factoring interest income	104.672	31.509
Factoring receivable provisions	68.791	59.393
Valuation differences of derivative financial assets	10.538	2.018
Cash collected commissions	416	1.579
Premium pay provision	1.858	1.673
Reserve for employee benefit	2.482	2.195
Valuation differences on interest accruals	1.111	1.433
Unused vacation accrual	1.227	1.017
Other provisions	2.466	1.463
Temporary differences related to deferred tax assets	**193.561**	**102.280**
Valuation differences of derivative financial assets	485	19.327
Prepaid guarantee letter and brokerage commissions	2.459	3.083
Temporary differences on tangible and intangible assets	2.018	2.055
Commission income accruals	1.001	1.141
Valuation differences of funds borrowed and bonds	424	398
Temporary differences related to deferred tax liabilities	**6.387**	**26.004**
Deferred tax assets / (liabilities)		
Unearned factoring interest income	23.028	6.933
Factoring receivable provisions and adjustments	13.800	11.923
Valuation differences of derivative financial liabilities	2.318	444
Cash collected commissions	92	347
Premium pay provision	409	368
Reserve for employee benefit	496	439
Valuation differences on interest accruals	244	315
Unused vacation accrual	270	224
Other provisions	525	313
Deferred tax assets	**41.182**	**21.306**
Valuation differences of derivative financial assets	(107)	(4.252)
Prepaid guarantee letter and brokerage commissions	(541)	(678)
Temporary differences on tangible and intangible assets	(444)	(452)
Commission income accruals	(220)	(251)
Valuation differences of funds borrowed and bonds	(93)	(88)
Deferred tax liabilities	**(1.405)**	**(5.721)**
Deferred tax assets (net)	**39.777**	**15.585**

(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:

	1 January - 30 June 2018	**1 January - 30 June 2017**
1 January	15.585	22.135
Deferred tax income / (expense)	24.192	(3.556)
2016 Corporate tax return	-	(259)
Balance at the end of the period	**39.777**	**18.320**

11 PREPAID EXPENSES AND OTHER ASSETS

Details of prepaid expenses as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		**31 December 2017**	
	TL	**FC**	**TL**	**FC**
Guarantee letter commissions	1.712	-	1.700	-
Bond issuance brokerage commissions	747	-	1.383	-
Expenses for the maintenance of properties	182	-	393	-
Insurance premium	258	-	53	-
Other	97	120	39	137
	2.996	**120**	**3.568**	**137**

Details of other assets as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		**31 December 2017**	
	TL	**FC**	**TL**	**FC**
Receivables from BITT accruals	9.439	-	4.286	-
Receivables related with court expenses	1.150	-	1.013	-
Other	519	270	52	229
	11.108	**270**	**5.351**	**229**

12 FUNDS BORROWED

Details of funds borrowed as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		**31 December 2017**	
	TL	**FC**	**TL**	**FC**
Funds borrowed	1.505.842	541.722	1.698.504	720.251
	1.505.842	**541.722**	**1.698.504**	**720.251**

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

12 FUNDS BORROWED (Continued)

	30 June 2018				31 December 2017			
			TL Equivalent				TL Equivalent	
	Original Amount	Interest Rate (%)	Up to 1 Year	1 Year and over	Original Amount	Interest Rate (%)	Up to 1 Year	1 Year and over
TL	1.505.842	14,80-21,5	1.505.842	-	1.698.504	13,40-17,50	1.698.504	-
USD	29.857	2,36-5,95	136.168	-	46.919	0,25-2,30	176.974	-
EURO	73.085	0,40-3,3	388.021	-	87.676	0,16-3,20	392.197	140.014
GBP	2.931	1,0-1,95	17.533	-	2.178	0,79-1,0	11.066	-
Total			**2.047.564**	**-**			**2.278.741**	**140.014**

These rates represent the interest rate range of outstanding funds borrowed with fixed and floating rates as at 30 June 2018 and 31 December 2017.

TL 1.024.599 (31 December 2017: TL 1.209.354) of the funds borrowed as of 30 June 2018 is borrowed from Takasbank Money Market. TL 1.314.500 worth of guarantee has been given for the funds borrowed from Takasbank Money Market (31 December 2017: TL 1.314.500).

As of 30 June 2018 and 31 December 2017, the remaining funds borrowed are uncollateralized.

13 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Bills				
Nominal	506.769	-	834.913	-
Cost	469.666	-	780.780	-
Carrying Value	**482.171**	**-**	**795.583**	**-**

The Company issued discounted bills only for qualified investors.

1 January - 30 June 2018			1 January – 31 December 2017		
Date of issue	**Nominal value**	**Maturity**	**Date of issue**	**Nominal value**	**Maturity**
14.02.2018	160.000	08.08.2018	22.08.2017	86.401	14.02.2018
18.05.2018	149.999	12.11.2018	29.09.2017	50.000	27.03.2018
05.06.2018	131.770	30.11.2018	31.10.2017	158.340	24.04.2018
19.06.2018	65.000	14.12.2018	15.11.2017	81.860	11.05.2018
			20.11.2017	225.521	18.05.2018
			13.12.2017	91.060	05.06.2018
			27.12.2017	141.731	19.06.2018
Total	**506.769**			**834.913**	

(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 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Deferred commissions	416	-	1.579	-
Sundry creditors	768	28	396	36
Transitory liability accounts	649	1.369	316	449
Miscellaneous Payables	**1.833**	**1.397**	**2.291**	**485**
Guarantee payments to customers	-	538	-	25
Other Liabilities	**-**	**538**	**-**	**25**

15 TAX PAYABLES AND LIABILITIES

Details of taxes payables and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 18		31 December 17	
	TL	**FC**	**TL**	**FC**
BITT payable	1.967	-	1.760	-
Social security premiums payable	828	-	787	-
Income tax payable	386	-	572	-
VAT payable	20	-	66	-
Stamp tax payable	14	-	17	-
	3.215	**-**	**3.202**	**-**

16 PROVISIONS

Details of provisions as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Provision for employee benefits	5.567	-	4.885	-
Provision for lawsuits	406	-	406	-
Provision for brokerage commisions	-	438	-	482
Other provisions	147	-	60	-
	6.120	**438**	**5.351**	**482**

16.1 Provision for Employee Benefits

Provision for employee benefits as of 30 June 2018 includes retirement pay provision amounting to TL 2.482 (31 December 2017: TL 2.195), unused vacation accrual amounting to TL 1.227 (31 December 2017: TL 1.017) and personnel bonus accrual amounting to TL 1.858 (31 December 2017: TL 1.673).

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.

(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 2018, this amount is limited to a maximum of TL 4.732,48 (full) (31 December 2017: 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 2018, 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 8,40% and a discount rate of 11,70%, resulting in a real discount rate of approximately 3,04% (30 June 2017: 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:

	1 January- 30 June 2018	**1 January- 30 June 2017**
Net liability / (asset) at the beginning of the period	**2.195**	**1.792**
Severance indemnity paid in the period	(85)	(180)
Retirement provision recognized under statement of profit or loss	372	417
Net liability / (asset) at the end of period	**2.482**	**2.029**

Personnel Bonus Accrual

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

	1 January- 30 June 2018	**1 January- 30 June 2017**
Balance at 1 January	**1.673**	**1.520**
Paid in the period	(1.173)	(917)
Reversal	(77)	(249)
Accrual for the period	1.435	1.618
Balance at the end of the period	**1.858**	**1.972**

Unused Vacation Accrual

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

	1 January- 30 June 2018	**1 January- 30 June 2017**
Balance at 1 January	**1.017**	**876**
Paid in the period	(18)	(40)
Reversal	-	(105)
Accrual for the period	228	309
Balance at the end of the period	**1.227**	**1.040**

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

16 PROVISIONS (Continued)

16.2 Other Provisions

As of 30 June 2018, the Company has set aside TL 438 correspondent expenses, TL 406 continuing legal proceedings, TL 87 insurance premium commission provision and TL 60 other expense (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.). The movement of other provisions within the period is as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Balance at 1 January	**466**	**482**	**576**	**412**
Reversal	-	(482)	(200)	(412)
Provision provided for the period	87	438	183	338
Balance at the end of the period	**553**	**438**	**559**	**338**

17 SHAREHOLDERS' EQUITY

17.1 Paid-in Capital

As of 30 June 2018, the Company's share capital amounts to TL 79.500 (31 December 2017: TL 79.500). As at 30 June 2018 the Company has 7.950.000.000 (31 December 2017: 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 2017: Kr 1).

17.2 Capital Reserves

None. (31 December 2017: None)

17.3 Other Comprehensive Income or Expense

As of 30 June 2018, TL (592) 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 2017: TL (592) 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 2018, the Company's profit reserves comprise of the legal reserves amounting to TL 9.205 (31 December 2017: TL 7.496) and extraordinary reserves amounting to TL 124.873 (31 December 2017: TL 98.979).

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

17 SHAREHOLDERS' EQUITY (Continued)

17.5 Profit Distribution

2017 PROFIT DISTRIBUTION TABLE

Net Profit for the year	27.603
Legal Reserves (-)	1.709
DISTRIBUTABLE NET PROFIT OF THE PERIOD	25.894
Donations (+)	68
Distributable net profit of the period (with Donations)	25.962
EXTRAORDINARY RESERVES	25.894

18 OPERATING INCOME

The details of operating income for the periods ended 30 June 2018 and 30 June 2017 are as follows:

	1 January- 30 June 2018	**1 January- 30 June 2017**	**1 April- 30 June 2018**	**1 April- 30 June 2017**
Factoring interest income	198.334	119.438	102.062	61.668
Factoring fee and commission income (net)	6.349	12.025	2.633	6.041
	204.683	**131.463**	**104.695**	**67.709**

19 FINANCE EXPENSES

The details of finance expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

	1 January- 30 June 2018	**1 January- 30 June 2017**	**1 April- 30 June 2018**	**1 April- 30 June 2017**
Interest expenses on funds borrowed	113.077	81.287	58.529	43.907
Interest expenses on marketable securities issued	51.831	29.793	23.032	15.529
Fees and commissions paid	8.880	6.801	4.739	3.517
Other interest expenses	20	1	-	-
	173.808	**117.882**	**86.300**	**62.953**

(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 2018 and 30 June 2017 are as follows:

	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Personnel expenses	13.297	12.384	7.021	6.645
Depreciation and amortization charges	2.276	2.028	1.188	1.033
Vehicle expenses	1.267	1.069	672	482
Rent expenses	1.084	1.022	548	507
IT maintenance and contract expenses	594	928	312	404
Maintenance and repair expenses	882	858	440	304
Consultancy expenses	336	583	230	291
Communication expenses	451	502	225	279
Subscription expenses	131	120	113	85
Representation expenses	128	127	55	59
Provision for retirement pays (Note 16)	372	417	181	119
Case expenses	127	99	54	28
Taxes and duties	215	359	61	74
Travel expenses	160	209	83	113
Other	343	484	177	205
	21.663	**21.189**	**11.360**	**10.628**

The details of personnel expenses classified under operating expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Salaries and wages	8.810	8.107	4.616	4.235
Bonuses	1.435	1.618	725	968
Social security premium employer's share	1.249	1.148	671	612
Personnel transportation expenses	325	291	163	145
Personnel food expenses	291	294	142	141
Insurance expenses	275	247	255	123
Per diem payments	149	144	77	72
Unemployment insurance employer's share	146	134	79	71
Training expenses	62	87	37	39
Other	555	314	256	239
	13.297	**12.384**	**7.021**	**6.645**

(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 2018 and 30 June 2017 are as follows:

	1 January-30 June 2018	**1 January-30 June 2017**	**1 April-30 June 2018**	**1 April-30 June 2017**
Foreign exchange gains	182.522	178.627	107.560	54.944
Income on derivative financial transactions	20.657	80.064	19.816	42.446
Interest income on bank deposits	64	1.464	46	1.463
Other	1.029	1.222	292	576
	204.272	**261.377**	**127.714**	**99.429**

Foreign exchange gains for the period ended 30 June 2018 includes TL 45.462 foreign exchange differences on foreign currency indexed factoring receivables (30 June 2017: TL 12.392).

22 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

The details of provision for non-performing receivables for the periods ended 30 June 2018 and 30 June 2017 are as follows (Note 7):

	1 January-30 June 2018	**1 January-30 June 2017**	**1 April-30 June 2018**	**1 April-30 June 2017**
Specific provision expenses	24.889	7.817	15.378	5.743
	24.889	**7.817**	**15.378**	**5.743**

23 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

	1 January-30 June 2018	**1 January-30 June 2017**	**1 April-30 June 2018**	**1 April-30 June 2017**
Foreign exchange losses	159.873	226.557	106.841	85.740
Losses on derivative financial transactions	15.287	1.287	9.572	(7.056)
Other	403	183	289	92
	175.563	**228.027**	**116.702**	**78.776**

Foreign exchange losses for the interim period ended on 30 June 2018 are to be settled, there is no foreign currency exchange rate difference related to indexed factoring receivables (30 June 2017: TL 5.363).

24 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended 30 June 2018 and 30 June 2017 are as follows:

	1 January – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2018	1 April– 30 June 2017
Net profit for the period	9.693	14.369	1.798	7.314
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000	7.950.000	7.950.000
Earnings per thousand shares (KR)	**121,92**	**180,74**	**22,62**	**92,00**

25 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	77	50.484	6.094	7.556
Demand deposits	77	6.418	6.094	7.556
Time deposits	-	44.066	-	-
Garantibank International NV	1	6.390	2	5.435
Demand deposits	1	6.390	2	5.435
	78	**56.874**	**6.096**	**12.991**

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as of 30 June 2018 is TL 824.228 (31 December 2017: TL 835.300).

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası AŞ	339.538	250.190	155.860	140.014
GarantiBank International NV	-	-	40.384	-
	339.538	**250.190**	**196.244**	**140.014**

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

25 RELATED PARTY TRANSACTIONS (Continued)

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Other Payables				
Türkiye Garanti Bankası A.Ş.	20	-	-	-
Garanti Bilişim Teknolojisi ve Ticaret A.Ş.	4	-	-	-
	24	-	-	-

The Company has made purchases amounting to TL 3.437 from Garanti Bilişim Teknolojisi ve Ticaret A.Ş for the period ended 30 June 2018 (31 December 2017: TL 3.606 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 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Derivative Agreements				
Türkiye Garanti Bankası AŞ	**-**	**7.436**	**321.286**	**308.157**
Currency swap purchase transactions	-	3.716	321.286	-
Currency swap sale transactions	-	3.720	-	308.157
	-	**7.436**	**321.286**	**308.157**

(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 2018 and 30 June 2017 are as follows:

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Interest income from factoring receivables				
Doğuş Yayın Grubu A.Ş.	-	294	-	177
Garanti Bank International NV	87	76	32	55
Ayson Geoteknik ve Deniz İnşaat A.Ş.	-	62	-	-
	87	**432**	**32**	**232**
Interest income on bank deposits				
Türkiye Garanti Bankası A.Ş.	61	1	60	-
Garanti Bank International NV	1	-	1	-
	62	**1**	**61**	**-**
Interest expenses on funds borrowed				
Türkiye Garanti Bankası A.Ş.	19.453	1.993	12.822	1.740
Garanti Bank International NV	650	1.276	-	670
	20.103	**3.269**	**12.822**	**2.410**
Fees and commissions given				
Garanti Yatırım Menkul Kıymetler A.Ş.	1.564	1.192	704	584
Türkiye Garanti Bankası A.Ş.	273	246	141	112
Garanti Bank International NV	114	68	61	35
	1.951	**1.506**	**906**	**731**

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

25 RELATED PARTY TRANSACTIONS (Continued)

General Administrative Expenses (*)	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Türkiye Garanti Bankası AŞ	739	1.278	381	962
Garanti Filo Yönetim Hizmetler AŞ	790	608	421	242
İstanbul Takas ve Saklama Bankası AŞ	492	523	220	246
Garanti Finansal Kiralama AŞ	142	293	142	83
Antur Turizm AŞ	59	76	41	39
Garanti Emeklilik ve Hayat AŞ	38	30	21	15
	2.260	**2.808**	**1.226**	**1.587**

(*) *The balance consists of rent expense, IT maintanence and contract expenses, car rental, travelling expenses, transaction commissions and insurance expenses.*

	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Profits from Financial Derivatives				
Türkiye Garanti Bankası A.Ş.	6.123	24.817	940	4.544
Garanti Bank International NV	-	7.490	-	7.393
	6.123	**32.307**	**940**	**11.937**
Losses from Financial Derivatives				
Türkiye Garanti Bankası A.Ş.	9.136	8.027	9.000	2.628
Garanti Bank International NV	-	113	-	113
	9.136	**8.140**	**9.000**	**2.741**

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 2018 is TL 6.647 (30 June 2017: TL 5.906).

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

26 CONTINGENT ASSETS AND LIABILITIES

26.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Sureties received (*)	-	23.477.081	-	18.108.908
Finance notes	36.730	3.222.285	34.233	2.477.359
Pledge	-	273.933	-	966.822
Insurance quarantees	690.750	140.428	241.473	31.044
Letters of guarantee	50.000	-	65.000	-
Mortgage	39.513	-	39.625	-
Chattel mortgage	281	29.201	281	24.835
Transfer of claim arising from letter of guarantees	9.600	643	13.080	-
Customer cheques	-	-	-	-
	826.874	**27.143.571**	**393.692**	**21.608.968**

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

26.2 Guarantees Given

Guarantees given as at 30 June 2018 and 31 December 2017 consist of letters of guarantee given to the institutions below:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Takasbank (Note 12)	1.314.500	-	1.314.500	-
Warranties given to correspondents	-	1.062	-	39.508
Courts	6.637	470	7.433	390
Other	12	-	11	-
	1.321.149	**1.532**	**1.321.944**	**39.898**

26.3 Commitments

TL equivalent of nominal values of commitment given related to credit linked notes as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Foreign exchange buy-sell commitments	-	-	1.050	1.045
	-	**-**	**1.050**	**1.045**

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

26 CONTINGENT ASSETS AND LIABILITIES (continued)

26.4 Derivative Agreements

The details of derivative agreements as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		**31 December 2017**	
	TL	**FC**	**TL**	**FC**
Currency swap buy transactions	210.229	3.716	697.992	-
Currency swap sell transactions	-	220.354	-	666.488
	210.229	**224.070**	**697.992**	**666.488**

26.5 Safety Securities

The details of cheques and notes in collection as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		**31 December 2017**	
	TL	**FC**	**TL**	**FC**
Cheques receivable in collection	813.827	132.497	806.283	153.674
Notes receivable in collection	3.678	25.882	5.180	18.873
	817.505	**158.379**	**811.463**	**172.547**

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.

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.

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.

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.

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

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

27.2 Explanations on Risk Management

27.2.1 Credit Risk

30 June 2018	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**				
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Banks**	**Financial Assets Held for Trading**	**Derivative Financial Assets Held for Trading**
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	**-**	**2.578.479**	**-**	**94.207**	**-**	**11.378**	**57.033**	**-**	**485**
A. Carrying value of financial assets that are not past due nor impaired	-	2.499.616	-	-	-	11.378	57.033	-	485
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	-	78.863	-	-	-	-	-	-	-
-carrying value	-	78.863	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	-	-	94.207	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	193.724	-	-	-	-	-
- Impairment (-)	-	-	-	(99.517)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	1.795	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-

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

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 2017	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**				
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Banks**	**Financial Assets Held for Trading**	**Derivative Financial Assets Held for Trading**
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	**-**	**3.359.984**	**-**	**19.782**	**-**	**5.580**	**19.196**	**-**	**19.327**
A. Carrying value of financial assets that are not past due nor impaired	-	3.296.788	-	-	-	5.580	19.196	-	19.327
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	-	63.196	-	-	-	-	-	-	-
-carrying value	-	63.196	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	-	-	19.782	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	95.335	-	-	-	-	-
- Impairment (-)	-	-	-	(75.553)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	2.395	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-

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

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 2018

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**2.545.882**	**2.650.196**	**1.698.282**	**746.243**	**205.671**
Funds borrowed	2.047.564	2.127.280	1.522.135	399.474	205.671
Bonds issued	482.171	506.769	160.000	346.769	-
Factoring payables	12.917	12.917	12.917	-	-
Sundry creditors	3.230	3.230	3.230	-	-

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	**(6.408)**	**(6.404)**	**(6.404)**	**-**	**-**
Derivative cash inflows	213.945	210.229	210.229	-	-
Derivative cash outflows	(220.353)	(216.633)	(216.633)	-	-

31 December 2017

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**3.227.817**	**3.284.632**	**2.345.775**	**938.857**	**-**
Funds borrowed	2.418.755	2.436.240	2.195.895	240.345	-
Bonds issued	795.583	834.913	136.401	698.512	-
Factoring payables	10.703	10.703	10.703	-	-
Sundry creditors	2.776	2.776	2.776	-	-

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	**31.509**	**37.155**	**12.912**	**24.243**	**-**
Derivative cash inflows	699.042	704.688	454.131	250.557	-
Derivative cash outflows	(667.533)	(667.533)	(441.219)	(226.314)	-

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

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 2018 and 31 December 2017.

Foreign currency assets and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 (TL equivalent)	**31 December 2017 (TL equivalent)**
A. Foreign currency monetary assets	784.877	1.413.923
B. Foreign currency monetary liabilities	(555.842)	(730.511)
C. Derivative financial instruments	(216.637)	(667.533)
Net foreign currency position (A+B+C)	**12.398**	**15.879**

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

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 2018 and 31 December 2017. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

30 June 2018	**USD**	**EURO**	**GBP**	**Total**
Assets				
Banks	2.272	49.304	5.313	56.889
Financial assets available for sale	-	2	-	2
Factoring receivables (*)	358.417	346.241	23.058	727.716
Other assets	65	205	-	270
Total assets (**)	**360.754**	**395.752**	**28.371**	**784.877**
Liabilities				
Funds borrowed	136.167	388.021	17.533	541.722
Factoring payables	2.762	4.832	4.153	11.747
Sundry creditors and other liabilities	254	1.892	228	2.373
Total liabilities (**)	**139.183**	**394.745**	**21.914**	**555.842**
Net foreign currency position	**221.571**	**1.007**	**6.457**	**229.035**
Derivative financial instruments	(220.353)	3.716	-	(216.637)
Net position	**1.218**	**4.723**	**6.457**	**12.398**

(*) Includes the foreign currency indexed factoring receivables amounting to TL 133.347 that are presented in TL column on the balance sheet.

(**) The amounts that are followed in the prepaid expenses item and the accruals of the derivative financial assets and liabilities are not included in the table.

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

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)

31 December 2017	**USD**	**EURO**	**GBP**	**Total**
Assets				
Cash and cash equivalents	-	-	-	-
Trading asssets	-	-	-	-
Banks	2.520	8.146	2.353	13.019
Financial assets available for sale	-	2	-	2
Factoring receivables (*)	814.440	568.696	17.537	1.400.673
Other assets	69	160	-	229
Total assets (***)	**817.029**	**577.004**	**19.890**	**1.413.923**
Liabilities				
Funds borrowed	176.974	532.211	11.067	720.251
Factoring payables	2.845	5.035	1.388	9.268
Sundry creditors and other liabilities	230	706	55	992
Total liabilities (***)	**180.049**	**537.952**	**12.510**	**730.511**
Net foreign currency position	**636.980**	**39.052**	**7.380**	**683.412**
Derivative financial instruments (**)	(632.461)	(35.072)	-	(667.533)
Net position	**4.519**	**3.980**	**7.380**	**15.879**

(*) Includes the foreign currency indexed factoring receivables amounting to TL 282.716 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.

(***) The amounts that are followed in the prepaid expenses item and the accruals of the derivative financial assets and liabilities are not included in the table.

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

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 2018 results in an increase in profit before tax for the period amounting to TL 1.240 (30 June 2017: TL 1.588 increase). This analysis is made with the assumption that the other variables were held constant as of 30 June 2018 and 31 December 2017.

TL **30 June 2018**	**Profit/(Loss)**
USD	122
EURO	472
GBP	646
Total	**1.240**

TL **31 December 2017**	**Profit/(Loss)**
USD	452
EURO	398
GBP	738
Total	**1.588**

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018				**31 December 2017**			
	USD (%)	**EURO (%)**	**GBP (%)**	**TL (%)**	**USD (%)**	**EURO (%)**	**GBP (%)**	**TL (%)**
Assets								
Time deposits	-	0,10	-	-	-	-	-	-
Factoring receivable	7,34	2,76	2,51	19,66	5,01	2,50	2,39	18,21
Liabilities								
Marketable securities issued	-	-	-	16,28	-	-	-	14,35
Funds borrowed	5,70	1,74	1,07	17,65	1,60	1,26	0,79	14,61

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

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 2018 and 31 December 2017 are as follows:

	Carrying Value	
Fixed Rate	**30 June 2018**	**31 December 2017**
Factoring receivables	1.907.238	2.701.096
Time deposits	44.067	-
Fund borrowed	1.972.951	2.257.572
Marketable securities issued	482.171	795.583
Floating Rate		
Factoring receivables	671.241	658.888
Funds borrowed	74.613	161.183

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 2018, net income for the period would increase/decrease by TL 5.966 (31 December 2017: TL 4.977) as a result of higher/lower interest income 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.

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

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).

30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets held for trading	-	485	-	485
	-	**485**	**-**	**485**
Derivative financial liabilities held for trading	-	10.538	-	10.538
	-	**10.538**	**-**	**10.538**

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets held for trading	-	19.327	-	19.327
	-	**19.327**	**-**	**19.327**
Derivative financial liabilities held for trading	-	2.018	-	2.018
	-	**2.018**	**-**	**2.018**

29 EVENTS AFTER THE REPORTING PERIOD

Fitch has downgraded Turkey's National Long-Term Credit Rating from BB+ to BB on 24 July 2018, also downgraded 24 Turkish banks alongside Garanti Faktoring A.Ş.

Below are all the changes made regarding the ratings:

Long-Term Issuer Default Rating was downgraded from ''BBB-'' to ''BB'' and the Short-Term Issuer Default Rating was downgraded to B from F3.

Outlooks have been updated as ''Negative'' from ''Stable''.

Long-Term Local Currency Issuer Default Rating has been revised as ''BB+'', from ''BBB-''.

Short-Term Local Currency Issuer Default Rating has been downgraded to ''B'' from ''F3''

Support Rating has been downgraded from 2 to 3.