GARANTİ FAKTORİNG A.Ş.

Financial Statements
As at and for the Period Ended
30 June 2021
With Independent Auditors' Review Report

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

KPMG Bağımsız Denetim ve
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Convenience Translation of the Review Report Originally Prepared and Issued in Turkish

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

Introduction

We have reviewed the accompanying statement of financial position of Garanti Faktoring Anonim Şirketi ("the Company") as at 30 June 2021 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity

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 2021 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 Anonim Şirketi

Alper Güvenç, SMMM
Partner

28 July 2021
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2021
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	ASSETS	Notes	Reviewed 30 June 2021			Audited 31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**CASH, CASH EQUIVALENTS AND CENTRAL BANK**	**3**	**4,736**	**45,845**	**50,581**	**2,258**	**10,147**	**12,405**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)**	**4**	**39,072**	**10**	**39,082**	**39,661**	**9**	**39,670**
III.	**DERIVATIVE FINANCIAL ASSETS**	**5.1**	**9**	**-**	**9**	**1,921**	**-**	**1,921**
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)**		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AT AMORTISED COST (Net)**	**6**	**2,770,047**	**1,018,381**	**3,788,428**	**2,081,449**	**707,398**	**2,788,847**
5.1	**Factoring Receivables**	**6.1**	**2,765,779**	**1,019,027**	**3,784,806**	**2,086,089**	**708,240**	**2,794,329**
5.1.1	Discounted Factoring Receivables (Net)		1,378,374	250,529	1,628,903	1,010,724	163,041	1,173,765
5.1.2	Other Factoring Receivables		1,387,405	768,498	2,155,903	1,075,365	545,199	1,620,564
5.2	**Savings Finance Receivables**		-	-	-	-	-	-
5.2.2	Saving Funds		-	-	-	-	-	-
5.2.3	Equity		-	-	-	-	-	-
5.3	**Financing Loans**		-	-	-	-	-	-
5.3.1	Consumer Loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
5.4	**Leasing (Net)**		-	-	-	-	-	-
5.4.1	Receivables From Finance Lease		-	-	-	-	-	-
5.4.2	Receivables From Operating Lease		-	-	-	-	-	-
5.4.3	Unearned Income (-)		-	-	-	-	-	-
5.5	**Other Financial Assets At Amortised Cost**		-	-	-	-	-	-
5.6	**Non Performing Receivables**	**6.2**	**81,567**	**15,751**	**97,318**	**118,959**	**13,281**	**132,240**
5.7	**Allowances for Expected Credit Loss/Specific Provisions (-)**	**6.3**	**(77,299)**	**(16,397)**	**(93,696)**	**(123,599)**	**(14,123)**	**(137,722)**
VI.	**SHAREHOLDING (Partnership) INVESTMENTS**		-	-	-	-	-	-
6.1	Investments In Associates (Net)		-	-		-	-	-
6.2	Investments In Subsidiaries (Net)		-	-		-	-	-
6.3	Investments In Joint Ventures (Net)		-	-		-	-	-
VII.	**TANGIBLE ASSETS (NET)**	**7**	**8,175**	**-**	**8,175**	**5,054**	**-**	**5,054**
VIII.	**INTANGIBLE ASSETS (NET)**	**8**	**11,097**	**-**	**11,097**	**11,244**	**-**	**11,244**
IX.	**REAL ESTATES FOR INVESTMENT (NET)**		-	-	-	-	-	-
X.	**CURRENT PERIOD TAX ASSETS**	**9**	**45**	**-**	**45**	**3,420**	**-**	**3,420**
XI.	**DEFERRED TAX ASSETS**	**9**	**33,767**	**-**	**33,767**	**43,661**	**-**	**43,661**
XII.	**OTHER ASSETS**	**10**	**11,751**	**525**	**12,276**	**5,788**	**542**	**6,330**
	SUBTOTAL		**2,878,699**	**1,064,761**	**3,943,460**	**2,194,456**	**718,096**	**2,912,552**
XIII.	**ASSETS HELD FOR SALE AND DISCONTINIUED OPERATIONS (Net)**		**11**		**11**	**11**	**-**	**11**
13.1	Assets Held For Sale		11		11	11	-	11
13.2	Assets Held For Discontiniued Operations		-		-	-	-	-
	TOTAL ASSETS		**2,878,710**	**1,064,761**	**3,943,471**	**2,194,467**	**718,096**	**2,912,563**

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2021

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

			Reviewed			Audited		
	LIABILITIES	**Notes**	**30 June 2021**			**31 December 2020**		
			TL	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
I.	**FUNDS BORROWED**	**11**	**1,937,730**	**977,232**	**2,914,962**	**1,449,664**	**638,026**	**2,087,690**
II.	**FACTORING PAYABLES**	**6.1**	**565**	**17,645**	**18,210**	**639**	**2,647**	**3,286**
III.	**PAYABLES FROM SAVINGS FUND**		-	-	-	-	-	-
IV.	**LEASE OBLIGATIONS**	**12**	**7,779**	-	-	-	-	-
V.	**SECURITIES ISSUED (NET)**	**13**	**701,342**	-	**701,342**	**582,026**	-	**582,026**
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**5.2**	**219**	-	**219**	**252**	-	**252**
VIII.	**PROVISIONS**	**14**	**11,337**	**1,153**	**12,490**	**12,425**	**737**	**13,162**
8.1	Restructuring Reserves		-	-	-	-	-	-
8.2	Provisions For Employee Benefits	14.1	10,241	-	10,241	10,758	-	10,758
8.3	General Provisions		-	-	-	-	-	-
8.4	Other Provisions	14.2	1,096	1,153	2,249	1,667	737	2,404
VIIII.	**CURRENT PERIOD TAX LIABILITIES**		-	-	-	-	-	-
X.	**DEFERRED TAX LIABILITIES**		-	-	-	-	-	-
XI.	**SUBORDINATED LOANS-DEBT**		-	-	-	-	-	-
XII.	**OTHER LIABILITIES**	**15**	**6,593**	**3,291**	**9,884**	**5,565**	**2,120**	**7,685**
	SUBTOTAL		**2,665,565**	**999,321**	**3,664,886**	**2,054,287**	**644,686**	**2,698,973**
XIII.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINIUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Discontiniued Operations		-	-	-	-	-	-
XIIII.	**SHAREHOLDERS' EQUITY**		**278,585**	-	**278,585**	**213,590**	-	**213,590**
14.1	Paid-in Capital	**16**	79,500	-	79,500	79,500	-	79,500
14.2	Capital Reserves		-	-	-	-	-	-
14.2.1	Share Premiums		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		(1,170)	-	(1,170)	(1,170)	-	(1,170)
14.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		-	-	-	-	-	-
14.5	Profit Reserves		135,260	-	135,260	85,110	-	85,110
14.5.1	Legal Reserves		13,354	-	13,354	10,757	-	10,757
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		121,906	-	121,906	74,353	-	74,353
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		64,995	-	64,995	50,150	-	50,150
14.6.1	Prior Periods Profit / Loss		-	-	-	-	-	-
14.6.2	Current Period Profit / Loss		64,995	-	64,995	50,150	-	50,150
				-				
	TOTAL LIABILITIES AND EQUITY		**2,944,150**	**999,321**	**3,943,471**	**2,267,877**	**644,686**	**2,912,563**

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2021

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

	OFF-BALANCE SHEET ITEMS	Notes	Reviewed 30 June 2021			Audited 31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**IRREVOCABLE FACTORING OPERATIONS**		**938,216**	**847,647**	**1,785,863**	**976,463**	**586,068**	**1,562,531**
II.	**REVOCABLE FACTORING OPERATIONS**		**1.484.468**	**77,751**	**1,562,219**	**1,369,693**	**82,358**	**1,452,051**
III.	**SAVINGS FINANCE CONTRACTS TRANSACTIONS**		-	-	-	-	-	-
IV.	**GUARANTEES TAKEN**	**25.1**	**57,260**	**40,964,838**	**41,022,098**	**78,474**	**33,121,183**	**33,199,657**
V.	**GUARANTEES GIVEN**	**25.2**	**623,528**	**56**	**623,584**	**674,485**	**16,429**	**690,914**
VI.	**COMMITMENTS**	**25.3**	**40,580**	-	**40,580**	**39,787**	-	**39,787**
6.1	Irrevocable Commitments		40,580	-	40,580	39,787	-	39,787
6.2	Revocable Commitments		-	-	-	-	-	-
6.2.1	Lease Commitments		-	-	-	-	-	-
6.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**25.4**	**35,013**	**34,821**	**69,834**	**48,801**	**46,245**	**95,046**
7.1	Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
7.1.1	Fair Value Hedges		-	-	-	-	-	-
7.1.2	Cash Flow Hedges		-	-	-	-	-	-
7.1.3	Net Investment Hedges		-	-	-	-	-	-
7.2	Derivative Financial Instruments Held For Trading		35,013	34,821	69,834	48,801	46,245	95,046
7.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Buy/Sell Transactions		35,013	34,821	69,834	48,801	46,245	95,046
7.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
7.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	**ITEMS HELD IN CUSTODY**	**25.5**	**1,704,160**	**274,457**	**1,978,617**	**1,336,686**	**228,349**	**1,565,035**
	TOTAL OFF BALANCE SHEET ITEMS		**4,883,225**	**42,199,570**	**47,082,795**	**4,524,389**	**34,080,632**	**38,605,021**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2021
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	INCOME STATEMENT	Notes	Reviewed 1 January-30 June 2021	Reviewed 1 January-30 June 2020	Reviewed 1 April-30 June 2021
I.	**OPERATING INCOME**	**17**	**285,253**	**131,441**	**154,103**
	FACTORING INCOME		**285,253**	**131,441**	**154,103**
1.1	Interest Income on Factoring Receivables		276,560	127,360	149,794
1.1.1	Discounted		150,307	84,229	84,241
1.1.2	Other		126,253	43,131	65,553
1.2	Fees and Commissions Income from Factoring Operations		8,693	4,081	4,309
1.2.1	Discounted		3,517	749	1,408
1.2.2	Other		5,176	3,332	2,901
	FINANCING LOANS INCOME		-	-	-
1.3	Interest income From Financing Credits		-	-	-
1.4	Fees and Commissions From Financing Credits		-	-	-
	FINANCE LEASE INCOME		-	-	-
1.5	Finance Lease Income		-	-	-
1.6	Operating Lease Income		-	-	-
1.7	Fees and Commissions Received from the Leasing Transactions		-	-	-
	SAVINGS FINANCE INCOME		-	-	-
1.8	Dividends from Savings Finance Receivables		-	-	-
1.9	Fees and Commissions Taken From Savings Finance Operations		-	-	-
II.	**FINANCIAL EXPENSES (-)**	**18**	**(187,239)**	**(80,598)**	**(102,815)**
2.1	Dividends to Savings Fund		-	-	-
2.2	Interest Expense From Funds Borrowed		(146,288)	(75,287)	**(74,070)**
2.3	Interest Expense From Factoring Payables		-	-	-
2.4	Interest Expense of Finance Lease Expenses		(480)	(232)	(366)
2.5	Interest Expense From Securities Issued		(40,013)	(4,373)	(28,066)
2.6	Other Interest Expenses		(13)	(706)	(9)
2.7	Fees and Commissions Paid		(445)	-	(304)
III.	**GROSS PROFIT / LOSS (I+II)**		**98,014**	**50,843**	**51,288**
IV.	**OPERATING EXPENSES (-)**	**19**	**(31,785)**	**(23,572)**	**(14,299)**
4.1	Personnel Expenses		(16,607)	(14,636)	(9,004)
4.2	Employee Severance Indemnity Expense		(758)	(451)	(262)
4.3	Research and Development Expenses		-	-	-
4.4	General Administrative Expenses		(14,389)	(8,297)	(5,014)
4.5	Other		(31)	(188)	(19)
V.	**GROSS OPERATING PROFIT / LOSS (III+IV)**		**66,229**	**27,271**	**36,989**
VI.	**OTHER OPERATING INCOME**	**20**	**42,651**	**67,629**	**12,892**
6.1	Interest Income From Bank Deposits		905	446	541
6.2	Interest Income From Securities Portfolio		2,742	-	1,717
6.3	Dividend Income		-	-	-
6.4	Trading Account Income		527	-	84
6.5	Income From Derivative Financial Instruments		853	2,172	10
6.6	Foreign Exchange Gains		19,777	56,235	7,242
6.7	Other		17,847	8,766	3,298
VII.	**PROVISION EXPENSES**		**(19,949)**	**(48,243)**	**(7,260)**
7.1	Spesific Provisions		-	-	-
7.2	Allowances for Expected Credit Loss	**21**	(19,169)	(47,879)	(6,637)
7.3	General Provisions		-	-	-
7.4	Other		(780)	(364)	(623)
VIII.	**OTHER OPERATING EXPENSES (-)**	**22**	**(14,042)**	**(24,536)**	**(5,039)**
8.1	Impairment Losses From Securities Portfolio		-	-	-
8.2	Impairment Losses From Non-Current Assets		-	-	-
8.3	Trading Account Loss		-	-	-
8.4	Loss From Derivative Financial Instruments		(219)	(227)	(219)
8.5	Foreign Exchange Loss		(13,656)	(24,309)	(4,653)
8.6	Other		(167)	-	(167)
IX.	**NET OPERATING PROFIT / LOSS**		**74,889**	**22,121**	**37,582**
X.	**INCOME RESULTED FROM MERGER**		-	-	-
XI.	**PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD**		-	-	-
XII.	**GAIN/LOSS ON NET MONETARY POSITION**		-	-	-
XIII.	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)**		**74,889**	**22,121**	**37,582**
XIV.	**INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)**	**9**	**(9,894)**	**(4,650)**	**(1,541)**
14.1	Current Tax Charge		-	378	-
14.2	Deferred Tax Charge		(9,894)	(5,028)	**(1,541)**
14.3	Deferred Tax Benefit		-	-	-
XV.	**NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)**		**64,995**	**17,471**	**36,041**
XVI.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-	-
16.1	Income from Assets Held for Sale		-	-	-
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-	-
16.3	Other Income from Discontinued Operations		-	-	-
XVII.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-	-
17.1	Expense on Assets Held for Sale		-	-	-
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-	-
17.3	Other Expenses from Discontinued Operations		-	-	-
XVIII.	**PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)**		-	-	-
XIX.	**INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)**		-	-	-
19.1	Current Tax Charge		-	-	-
19.2	Deferred Tax Charge (+)		-	-	-
19.3	Deferred Tax Benefit (-)		-	-	-
XX.	**NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)**		-	-	-
XXI.	**NET PROFIT FOR THE PERIOD (XII+XVII)**		**64,995**	**17,471**	**36,041**
	Earnings Per Share	**23**	0.817547	0.219761	0.453346

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2021

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

		Notes	Reviewed 1 January-30 June 2021	Reviewed 1 January-30 June 2020	Not Reviewed 1 April- 30 June 2021
I.	**PERIOD INCOME/LOSS**		**64,995**	**17,471**	**36,041**
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	Accumulated revaluation profit/loss from defined benefit 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		-	-	-
2.2	**ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS**		-	-	-
2.2.1	Translation differences for transactions in foreign currencies		-	-	-
2.2.2	Translation and classification profit / loss of financial assets at fair value through other comprehesive income		-	-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-	-
2.2.4	Gains/(losses) from net investment hedges		-	-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**64,995**	**17,471**	**36,041**

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2021

(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	Other comprehensive income or expenses that will not be reclassified to profit or loss	Foreign exchange conversion differences	Revaluation and/or reclassification differences of available-for-sale financial assets	Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on	Other comprehensive income or expenses that will be reclassifed to profit or loss	Profit Reserves	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Total Shareholders' Equity
	CURRENT PERIOD																		
	1 January - 30 June 2021																		
	Reviewed																		
I.	**Balances at Beginning of Period**	**16**	**79,500**	-	-	-	-	-	**(1,170)**	-	-	-	-	-	-	**85,110**	-	**50,150**	**213,590**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		**79,500**	-	-	-	-	-	**(1,170)**	-	-	-	-	-		**85,110**	-	**50,150**	**213,590**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**64,995**	**64,995**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-		**50,150**	-	**(50,150)**	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	50,150	-	(50,150)	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (30 June 2021) (III+IV+…...+XI+XII)		**79,500**	-	-	-	-	-	**(1,170)**	-	-	-	-	-	-	**135,260**	-	**64,995**	**278,585**
	PREVIOUS PERIOD																		
	1 January - 30 June 2020																		
	Reviewed																		
I.	**Balances at Beginning of Period**	**16**	**79,500**	-	-	-	-	-	**(626)**	-	-	-	-	-	-	**76,702**	-	**8,408**	**163,984**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		**79,500**	-	-	-	-	-	**(626)**	-	-	-	-	-	-	**76,702**	-	**8,408**	**163,984**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	-		-	-	-	-	-	-		**17,471**	**17,471**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	**8,408**	-	**(8,408)**	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	8,408	-	(8,408)	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (30 June 2020) (III+IV+…...+XI+XII)		**79,500**	-	-	-	-	-	**(626)**	-	-	-	-	-	-	**85,110**	-	**17,471**	**181,455**

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

STATEMENT OF CASH FLOWS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2021

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

	STATEMENT OF CASH FLOWS	Notes	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	Operating profit before changes in operating assets and liabilities		67,417	22,028
1.1.1	Interest/Leasing income received		253,249	115,703
1.1.2	Interest/Leasing expenses		(174,546)	(83,257)
1.1.3	Dividends received		-	-
1.1.4	Fees and commissions received		6,770	5,409
1.1.5	Other earnings		-	-
1.1.6	Receiving from non-performing receivables recognized as a loss	**6.3**	1,621	3,085
1.1.7	Cash payments to staff and service suppliers		(28,661)	(23,462)
1.1.8	Taxes paid		(45)	(67)
1.1.9	Other		9,029	4,617
1.2	Changes in operating assets and liabilities		(162,410)	(208,076)
1.2.1	Net (increase) decrease in factoring receivables		(994,056)	(332,547)
1.2.2	Net (increase) decrease in financial loans		-	-
1.2.3	Net (increase) decrease in receivables from leasing transactions		-	-
1.2.4	Net (increase) decrease in savings finance receivables		-	-
1.2.5	Net (increase) decrease in other assets		426	10,177
1.2.6	Net increase (decrease) in factoring payables		14,924	2,885
1.2.7	Net increase (decrease) in savings fund		-	-
1.2.8	Net increase (decrease) in payables from leasing transactions		4,902	1,359
1.2.9	Net increase (decrease) in funds borrowed		-	-
1.2.10	Net increase (decrease) in due payables		815,024	133,176
1.2.11	Net increase (decrease) in other liabilitie		-	-
			(3,630)	(23,126)
I.	Net cash provided from operating activities			
			(94,993)	(186,048)
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		1	(40)
2.4	Fixed assets sales		18	20
2.5	Cash obtained from funds borrowed and securities issued		-	-
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	**8**	(3,347)	(3,721)
II.	Net cash provided from investing activities		(3,328)	(3,741)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash obtained from funds borrowed and securities issued		1,049,014	193,636
3.2	Cash used for repayment of funds borrowed and securities issued		(916,953)	-
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance lease:		(1,995)	(1,412)
3.6	Other		-	-
III.	Net cash provided from financing activitie		130,066	192,224
IV.	Effect of change in foreign exchange rate on cash and cash equivalent		4,490	3,260
V.	**Net increase/decrease in cash and cash equivalents**		**36,325**	**5,695**
VI.	**Cash and cash equivalents at the beginning of the period**		**12,405**	**11,842**
VII.	**Cash and cash equivalents at the end of the period**	**2.5**	**48,640**	**17,537**

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

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

		Shareholding		Shareholding
	30 June 2021	**(%)**	**31 December 2020**	**(%)**
Türkiye Garanti Bankası A.Ş.	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası A.Ş.	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	**79.500**	**100,00**	**79.500**	**100,00**

The shareholding of T. Garanti Bankası A.Ş. as at 30 June 2021 is 55,40% and T. Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2020: 55,40% and 26,44%).

The Company has 119 employees as at 30 June 2021 (31 December 2020: 121).

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

Çamçeşme, Tersane Caddesi No: 15 Pendik / İstanbul

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

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 28 July 2021. The General Assembly has the authority to change the financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance

The Company prepares its financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the 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") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") for the matters not legislated by the aforementioned regulations

Changes regarding classification and measurement of financials assets

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

2.1.2 Functional Currency

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

2.1.3 Preparation of Financial Statements in Hyperinflationary Periods

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

2.1.4 Offsetting

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

2.2 Changes in Accounting Policies

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

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 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.

In order to comply with the profit or loss statement of the Company dated 31 March 2021, a reclassification process was made for TL 32,981 between main operating expenses and other operating income in the profit or loss statement dated 31 March 2020. Based on the classification of these transactions, it had no effect on the financial position statement and cash flow statement for the relevant period.

The main notes for the items including estimates are as follows:

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

2.4 New and Revised Turkish Accounting Standards

The new standards, amendments and interpretations which are effective as at 30 June 2021 but not yet adopted are as follows

Standards issued but not yet effective and not early adopted

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

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

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

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

The amendments made in TAS 1 address the following issues:

a. In the classification of obligations, it should be clearly stated that the right of the enterprise to defer liability should exist at the end of the reporting period.

b. Stipulating that the expectations and objectives of the business management regarding the use of the right to defer the liability will not affect the long-term classification of the liability.

c. Explaining how the borrowing conditions of the company will affect the said classification.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

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

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

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

Annual Improvements -2018-2020 Period

Improvements in TFRS

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

TFRS 1- First Implementation of International Financial Reporting Standards

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

TFRS 9 Financial Instruments

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

Amendments are effective on 1 January 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

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

The following standards, interpretations of and amendments to existing TFRS standards are issued by the IASB but these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as TFRS 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 TAS.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Disclosure of Accounting Policies (Amendments to IAS 1 and TFRS Practice Statement 2)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to TFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

IASB also amended TFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material previously:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The amendments are effective from 1 January 2023 but companies can apply it earlier.

The Company does not expect that application of these amendments to Amendments to IAS 1 and TFRS Practice Statement 2) will have significant impact on its financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying TFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The Company does not expect that application of these amendments to Amendments to IAS 1 and TFRS Practice Statement 2) will have significant impact on its financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes.

The amendments to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Company does not expect that application of these amendments to Amendments to IAS 12 will have significant impact on its financial statements.

2.5 *Summary of Significant Accounting Policies*

(a) Revenue

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

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

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

(b) Financial Instruments

Classification and measurement

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 *Summary of Significant Accounting Policies (continued)*

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

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

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

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

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

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

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

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

Factoring Receivables and Other Receivables

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

Disclosures on impairment of financial assets

As at 1 January 2019, loss allowance for expected credit losses is set aside for factoring receivables measured at amortized cost based on TFRS 9 and the regulation published in the Official Gazette no. 30409 dated 2 May 2018 and effective from 31 December 2019 in connection with "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies".

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 *Summary of Significant Accounting Policies (continued)*

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

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

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

Calculation of expected credit losses

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

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Calculation of expected credit losses (continued)

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

- 12-month PD: as the estimated probability of default occurring within the next 12 months.

- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

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

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

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

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

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

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

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

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

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

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its financial subsidiaries subject to consolidation is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.

2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Calculation of expected credit losses (continued)

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

Forward-looking macroeconomic information

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

Significant increase in credit risk

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

Qualitative assessment:

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

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

Quantitative assessment:

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

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

Low credit risk

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

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

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

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

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (continued)

Explanations on write down policy

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

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

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

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

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

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

i. Being monitored as a receivable as a loss for at least 2 years,

ii. The fact that no collection has been made in the last 6 months or the Company has gone bankrupt in the last 6 months, and there is no new collection capacity due to the assets at the bankruptcy estate,

iii. Lack of a guarantee in kind,

In line with the relevant accounting policy, as of 30 June 2021 and 31 December 2020, factoring receivables that are uncollectible as follows:

	30 June 2021		**31 December 2020**	
	TL	**FC**	**TL**	**FC**
Write down of the factoring receivables	46.289	-	32.981	240.527
	46.289	**-**	**32.981**	**240.527**

The rate of follow-up declined from 4,29% before write down to 2,95% after write down (31 December 2020: The rate of follow-up declined from 12.14% before write down to 4.52% after write down.)

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(b) Financial Instruments (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

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

Financial Liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Financial Liabilities at Fair Value Through Profit or Loss

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

(c) TFRS 16 Leases

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

Definition of Leasing

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

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(c) TFRS 16 Leases (continued)

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

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

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

As a lessee

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

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

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

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

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

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

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

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(c) TFRS 16 Leases (continued)

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

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

(d) Tangible Assets and Amortization

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

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

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

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

(e) Intangible Assets

<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.

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 *Summary of Significant Accounting Policies (continued)*

(e) Intangible Assets (continued)

Computer Software

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

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

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

(f) Impairment of Assets

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

(g) Capital Increase

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

(h) Retirement Pay Provision

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

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

2 *BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)*

2.5 Summary of Significant Accounting Policies (continued)

(i) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

(j) Borrowing Costs

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

(k) Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Company as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	**31 December 2020**
USD	8,7052	7,3405
EUR	10,3645	9,0079
GBP	12,0343	9,9438

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

(l) Earnings per Share

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(m) Events after the reporting period

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

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

(n) Segment Reporting

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

(o) Income Tax

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

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

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

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

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(o) Income Tax (continued)

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

(p) Statement of Cash Flows

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

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

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

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

Cash and Cash Equivalents:

	30 June 2021	30 June 2020
Case / Effective	1	-
Cash and Cash Equivalents	50.682	54.956
Blocked Deposits	(2043)	37.419
	48.640	**17.537**

(r) Covid-19 pandemic effects

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

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Cash and cash equivalents	2.710	45.930	1.622	10.224
Time deposits(*)	2.043	-	657	-
Expected credit losses	(17)	(85)	(21)	(77)
	4.736	**45.845**	**2.258**	**10.147**

(*) TL 2.043 is held as collateral for Takasbank Monetary Market transactions.

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

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

As of 30 June 2021 and 31 December 2020, financial assets measured at fair value through profit or loss consist of government bonds issued as collateral for trading in the Takasbank Money Market and equity securities not listed on exchange.

	30 June 2021			31 December 2020		
	Carrying Value		% Share Rate	Carrying Value		% Share Rate
	TL	FC		TL	FC	
Pledged / Blocked	39.072	-	-	39.661	-	-
Factors Chain International (FCI)	-	10	1,72	-	9	1,72
	39.072	**10**	**1.72**	**39.661-**	**9**	**1,72**

5.1 DERIVATIVE FINANCIAL ASSETS

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

The details of derivative financial assets consisting of currency swap agreements. As at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Derivative financial assets	9	-	1.921	-
	9	**-**	**1.921**	**-**

5.2 DERIVATIVE FINANCIAL LIABILITIES

The details of derivative financial liabilities consisting of currency swap agreements. As at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Derivative financial liabilities	219	-	252	-
	219	**-**	**252**	**-**

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

6 FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)

6.1 Factoring Receivables and Payables

Factoring Receivables

Details of factoring receivables as at 30 June 2021 and 31 December 2020 are as follows:

Financial assets at amortised cost (net)	**30 June 2021 TL**	**30 June 2021 FC**	**31 December 2020 TL**	**31 December 2020 FC**
Discounted Factoring Receivables (Net)	1.378.374	250.529	1.010.724	163.041
Other Factoring Receivables	1.387.405	768.498	1.075.365	545.199
Non Performing Receivables	81.567	15.751	118.959	13.281
Expected Credit Losses (-)	(77.299)	(16.397)	(123.599)	(14.123)
Stage 1	*(9.920)*	*(646)*	*(9.676)*	*(842)*
Stage 2	*(129)*	-	*(7.642)*	-
Stage 3	*(67.250)*	*(15.751)*	*(106.281)*	*(13.281)*
Factoring receivables	**2.770.047**	**1.018.381**	**2.081.449**	**707.398**

Based on the BRSA's Decision dated 17 June 2021 and numbered 9624, and in the Board Decision dated 19 March 2020 and numbered 8950, in subparagraph (a) of the first paragraph of Article 6 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing and Savings Financing Companies and the application of the 90-day delay period specified in the sixth paragraph of the same article, 180 days, also for companies that allocate expected credit losses within the scope of TFRS 9, and for companies to set aside provisions according to their own risk models for the receivables that are not transferred to the "Receivables to be Settled" account despite the 90-day delay. It has been decided to extend the applications until September 30, 2021.

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

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

6.1 Factoring Receivables and Payables (continued)

Factoring Receivables (continued)

Stage 1 overdue receivables of the company are TL 1.081 (31 December 2020: TL 23) and the delay periods are as allows:

	30 June 2021		31 December 2020	
Stage 1	***TL***	***FC***	***TL***	***FC***
Overdue 1 month	1.081	-	23	-
	1.081	**-**	**23**	**-**

Stage 2 overdue receivables of the company are TL 2.740 (31 December 2020 : TL 1.169) and the delay periods are as follows:

	30 June 2021		31 December 2020	
Stage 2	***TL***	***FC***	***TL***	***FC***
Overdue 1 month	1.606	-	347	-
Overdue 1-3 months	1.102	-	604	-
Overdue 3-6 months	32	-	218	-
	2.740	**-**	**1.169**	**-**

In addition, there is a factoring receivable of TL 6,000, which is not overdue, followed up in the second stage (31 December 2020: TL 21,103).

Factoring Payables

Details of short term factoring payables as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Factoring payables	565	17.645	639	2.647
	565	**17.645**	**639**	**2.647**

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

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

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

6.2 Non-Performing Receivables

Details of the Company's non-performing factoring receivables as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Non-performing Factoring Receivables	81.567	15.751	118.959	13.281
	81.567	**15.751**	**118.959**	**13.281**

6.3 Expected Credit Losses

Details of the Company's expected credit losses for factoring receivables as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Expected credit losses	(77.299)	(16.397)	(123.599)	(14.123)
	(77.299)	**(16.397)**	**(123.599)**	**(14.123)**

The movements of expected credit losses for factoring receivables for 30 June 2021 and 2020 are as follows:

	1 January- 30 June 2021	1 January- 30 June 2020
Opening balance 1 January	**137.722**	**325.407**
TFRS 9 opening adjustment		
Expected credit loss of the period;		
Stage 1	7.100	5.493
Stage 2	135	1.167
Stage 3	11.549	40.181
Collections/reversals of the period;		
Stage 1	(7.052)	(4.626)
Stage 2	(7.648)	(118)
Stage 3	(1.621)	(3.085)
Deducted receivables provision cancellations;		
Stage 3	(46.489)	(32.981)
	93.696	**331.438**

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

7 TANGIBLE ASSETS

Movements in tangible fixed assets for the period ended 30 June 2021 are as follows:

	1 January 2021	Additions	Disposals	30 June 2021
Acquisition Cost				
Furniture and fixtures	4.585	-	(174)	4.411
Vehicles	19	-	-	19
Leasehold improvements	1.968	-	-	1.968
Right-of-use				
Leased buildings	4.536	549	(324)	4.761
Right-of-use				
Vehicles	3.571	4.972	(3.775)	4.768
	14.679	**5.521**	**(4.273)**	**15.927**

Accumulated Depreciation	1 January 2020	Depreciation for the period	Disposals	31 December 2020
Furniture and fixtures	4.310	91	(173)	4.228
Vehicles	19	-	-	19
Leasehold improvements	1.487	50	-	1.537
Leased buildings	1.050	623	-	1.673
Vehicles	2.759	731	(3.195)	295
	9.625	**1.495**	**(3.368)**	**7.752**
Net book value	**5.054**			**8.175**

(*) As of 30 June 2021, the insurance amount on tangible assets are TL 339 (31 December 2020: TL 339) and the insurance premium amount is TL 1 (31 December 2020: TL 1).

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

7 TANGIBLE ASSETS (continued)

Movements in tangible assets for the period ended 30 June 2020 are as follows:

	1 January 2020	Additions	Disposals	30 June 2020
Acquisition Cost				
Furniture and fixtures	5.427	-	(852)	4.575
Vehicles	19	-	-	19
Leasehold improvements	1.757	40	-	1.797
Right-of-use				
Leased buildings	2.327	1.596	(900)	3.023
Right-of-use	-	-	-	-
Vehicles	3.633	-	-	3.633
	13.163	**1.636**	**(1.752)**	**13.047**

Accumulated Depreciation	1 January 2020	Depreciation for the period	Disposals	30 June 2020
Furniture and fixtures	4.712	248	(804)	4.156
Vehicles	19	-	-	19
Leasehold improvements	1.395	42	-	1.437
Leased buildings	383	371	(120)	634
Vehicles	1400	703	-	2.103
	7.909	**1.364**	**(924)**	**8.349**
Net book value	**5.254**			**4.698**

8 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 30 June 2021 is as follows:

	1 January 2021	Additions	Disposals	30 June 2021
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	38.696	3.347	-	42.043
	41.772	**3.347**	-	**45.119**

Accumulated Amortization	1 January 2021	Charge for the period	Disposals	30 June 2021
Rights	3.076	-	-	3.076
Other (Software)	27.452	3.494	-	30.946
	30.528	**3.494**	-	**34.022**
Net book value	**11.244**			**11.097**

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

8 INTANGIBLE ASSETS (continued)

The movement of intangible assets for the period ended 30 June 2020 is as follows:

	1 January 2020	Additions	Disposals	30 June 2020
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	30.688	3.721	-	34.409
	33.764	**3.721**	-	**37.485**

Accumulated Amortization	**1 January 2020**	**Charge for the period**	**Disposals**	**30 June 2020**
Rights	3.076	-	-	3.076
Other (Software)	21.264	2.937	-	24.201
	24.340	**2.937**	-	**27.277**
Net book value	**9.424**			**10.208**

As at 30 June 2021 and 31 December 2020, the Company has not any intangible asset that is generated within the company.

9 TAX ASSETS AND LIABILITIES

Corporate Tax

The Company is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the period.

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).

Published in the Official Gazette numbered 31462, dated 22 April 2021, No. 7316 of the law on collection procedure of public receivables with Article 11 of the law on Amending Certain Laws Corporate Tax law No. 5520, Article 13 of the Corporate Income Tax rate is added to the temporary corporate earnings taxation period from the year 2021, 25% for the period from corporate taxation for the year 2022 earnings and 23% will be applied. This change will be valid in the taxation of corporate earnings for the periods starting from January 1, 2021, starting with the declarations that must be submitted as of July 1, 2021.

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.)

9 TAX ASSETS AND LIABILITIES (continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Income tax withholding 24 April 2003 - 22 July 2006 is 10% among all companies. This rate since 22 July 2006, by the Council of Ministers No. 2006/10731 of 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

	1 January- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2021	1 April- 30 June 2020
Current tax expense	-	-	-	-
Corporate tax refund paid in 2018	-	378	-	378
Cancellation of corporate tax provision for previous years	-	-	-	-
Deferred tax income/(expense)	(9.894)	(5.028)	(1.541)	(3.600)
Tax income/(expense)	**(9.894)**	**(4.650)**	**(1.541)**	**(3.222)**

Based on the 26th article of the Income Tax Law and the Law on Making Amendments to Some Laws, which entered into force by publishing in the Official Gazette dated 19 July 2019 and numbered 30836, the special provisions set aside from 1 January 2019 have been taken into account in the calculation of corporate tax provision.

Corporate tax payable as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
Temporary tax paid in current period	-	(3.329)
Withholding income tax	(45)	(91)
Current Period Tax Receivable/ (Payable)	**(45)**	**(3.420)**

As of 30 June 2021, no provisional tax has arisen. There is TL 45 income tax withheld (As of 31 December 2020, no provisional tax has been incurred. There is TL 91 income tax withheld).

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

9 TAX ASSETS AND LIABILITIES (continued)

The tax rate used in the calculation of deferred tax assets and liabilities is 25% (31 December 2020: 20%).

	30 June 2021	31 December 2020
Temporary Differences		
Unearned factoring interest income (**)	73.235	49.089
Unused tax loss(*)	34.109	95.306
Expected credit losses Stage 3 (**)	13.773	48.065
Expected credit losses Stage 1 and stage 2	10.797	18.258
Reserve for employee benefits (***)	4.731	4.208
Personnel premium provision (**)	3.409	4.868
Unused vacation accrual (***)	2.101	1.682
Valuation differences of TFRS 16	1.834	3.309
Provisions for lawsuit (***)	1.502	1.667
Valuation differences of BITT accruals	1.438	1.167
Valuation differences on interest accruals	820	1.105
Deferred income accruals	637	1.557
Valuation differences of derivative financial assets	219	252
Temporary differences related to deferred tax assets	**148.605**	**250.533**
Temporary differences on tangible and intangible assets (**)	3.243	3.754
Commissions rediscounts of factoring receivables	2.416	1.718
Valuation difference of TFRS 16	1.868	3.550
Valuation differences of bonds and funds borrowed	1.148	351
Prepaid guarantee letter and brokerage commissions	940	575
Valuation differences of derivative financial assets	9	1.921
Other	85	361
Temporary differences related to deferred tax liabilities	**9.709**	**12.230**

(*) *As at 30 June 2021, there is a tax loss of amounting to TL 34.109 and the expiration date is 30 June 2025.*

(**) *As of 30 June 2021, deferred tax rates are considered as 20%, 23% and 25%.*

(***) *As of 30 June 2021, the deferred tax rate is considered as 20%.*

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

9 TAX ASSETS AND LIABILITIES (continued)

	30 June 2021	31 December 2020
Deferred tax assets / (liabilities)		
Unearned factoring interest income	18.282	9.818
Unused financial losses	8.527	19.062
Expected credit losses Stage 3	2.846	9.613
Expected credit losses Stage 1 and 2	2.699	3.652
Provision for severance pay	946	842
Personnel premium provision	736	974
Valuation difference of TFRS 16	459	662
Unused vacation accrual	420	336
Valuation differences of BITT accruals	360	233
Provisions for lawsuit	342	333
Valuation differences on interest accruals	205	221
Pre-received commissions	159	311
Valuation differences of derivative financial assets	55	50
Deferred tax assets	**36.036**	**46.107**
Temporary differences on tangible and intangible assets	(653)	(751)
Commissions rediscounts of factoring receivables	(604)	(344)
Valuation difference of TFRS 16	(467)	(710)
Valuation differences of bonds and funds borrowed	(287)	(70)
Prepaid guarantee letter and brokerage commissions	(235)	(115)
Valuation differences of derivative financial assets	(2)	(384)
Other	(21)	(72)
Deferred tax liabilities	**(2.269)**	**(2.446)**
Deferred tax assets (net)	**33.767**	**43.661**

Movements of deferred tax assets are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
1 January	43.661	58.424
Deferred tax income / loss	(9.894)	(5.028)
Balance at the end of the period	**33.767**	**53.396**

The Company calculates deferred income tax assets and liabilities by taking into account the effects of temporary differences arising as a result of different evaluations between BRSA Accounting and Financial Reporting Legislation and Tax Procedure Law.

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

10 OTHER ASSETS

Details of other assets as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Receivables from BITT accruals	6.785	238	5.001	181
Previous year's provisional tax receivables	2.830	-	-	-
Prepaid expenses	1.925	116	595	63
Other	211	171	192	298
	11.751	**525**	**5.788**	**542**

11 FUNDS BORROWED

Details of funds borrowed as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Funds borrowed	1.937.730	977.232	1.449.664	638.026
	1.937.730	**977.232**	**1.449.664**	**638.026**

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 30 June 2021 and 31 December 2020.

	30 June 2021				31 December 2020			
			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	1.937.730	18,25-20,48	1.937.730	-	1.449.664	9,05-19,06	1.477.464	-
USD	72,043	0,20-3.94	627.146	-	50.087	0.50-4,46	367.660	-
EURO	23.772	0,20-2,63	246.390	-	27.620	0,30-3,68	248.802	-
GBP	8.617	1,00-2,25	103.696	-	2.168	0,30-3,89	21.564	-
Total			**2.914.962**	**-**			**2.087.690**	

(*) TL 582.287 of the funds borrowed as at 30 June 2021 is borrowed from Takasbank Money Market (31 December 2020: TL 490.037). TL 618.500 worth of guarantee has been given for the funds borrowed from Takasbank Money Market (31 December 2020: TL 668.550).

As at 30 June 2021 and 31 December 2020, the remaining funds borrowed are uncollateralized.

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

12 LEASE OBLIGATIONS

Details of lease obligations as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Nominal	10.894	-	4.351	1.180
Cost	(3.115)	-	(635)	(24)
Carrying Value	**7.779**	**-**	**3.716**	**1.156**

13 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Bonds				
Nominal	716.999	-	584.939	-
Cost	675.577	-	563.477	-
Carrying Value	**701.342**	**-**	**582.926**	**-**

The Company issued discounted bonds only for qualified investors.

1 January – 30 June 2021			1 January – 31 December 2020		
Date of issue	**Nominal value**	**Maturity**	**Date of issue**	**Nominal value**	**Maturity**
02.03.2021	122.000	01.07.2021	29.07.2020	144.887	22.01.2021
20.04.2021	399.999	01.09.2021	01.10.2020	168.054	05.01.2021
11.05.2021	195.000	02.08.2021	16.10.2020	199.997	14.01.2021
			03.11.2021	72.000	01.02.2021
Total	**716.999**			**584.939**	

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

14 PROVISIONS

Details of provisions as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Provision for employee benefits	10.241	-	10.758	-
Provision for brokerage commissions	-	1.153	-	737
Provision for lawsuits	663	-	1.168	-
Other provisions	433	-	499	-
	11.337	**1.153**	**12.425**	**737**

14.1 Provision for Employee Benefits

Provision for employee benefits as at 30 June 2021 includes retirement pay provision amounting to TL 4.731 (31 December 2020: TL 4.208), unused vacation accrual amounting to TL 2.101 (31 December 2020: TL 1.682) and personnel bonus accrual amounting to TL 3.409 (31 December 2020: TL 4.868).

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month's salary and this amount for the period 01 July – 31 December 2021 is TL 8.284,51 (full), (31 December 2020: TL 7.117,7 (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 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9,70% and a discount rate of 13% (31 December 2020: inflation rate of 9,70%, discount rate of 13%).

Movement of retirement pay provision as at 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	**1 January-30 June 2020**
Net liability at the beginning of the period	**4.208**	**2.920**
Severance indemnity paid in the period	(235)	(83)
Recognized under income statement	758	451
Net liability at the end of period	**4.731**	**3.288**

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

14 PROVISIONS (continued)

14.1 Provision for Employee Benefits (continued)

Personnel Bonus Accrual

Movement of the personnel bonus provision as at 30 June 2021 and 30 June 2020 are as follows:

	1 January- 30 June 2021	1 January- 30 June 2020
Balance at 1 January	**4.868**	**3.853**
Paid in the period	(3.162)	(2.281)
Reversal	(97)	(228)
Accrual for the period	1.800	1.800
Balance at the end of the period	**3.409**	**3.144**

Unused Vacation Accrual

The movement of unused vacation provisions as at 30 June 2021 and 30 June 2020 are as follows:

	1 January- 30 June 2021	1 January- 30 June 2020
Balance at 1 January	**1.682**	**1.361**
Paid in the period	(213)	(89)
Reversal	-	(102)
Accrual for the period	632	282
Balance at the end of the period	**2.101**	**1.452**

14.2 Other Provisions

As at 30 June 2021, the Company has set aside TL 1.153 correspondent allowance provision, TL 663 continuing legal proceedings, TL 433 continuing legal proceedings. (31 December 2020: TL 737 is other wages to be paid to staff 1.167 TL is correspondent allowance provision. TL 500 continuing legal proceedings.)

The movement of other provision for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	30 June 2021		30 June 2020	
	TL	FC	TL	FC
Balance at 1 January	**1.667**	**737**	**1.578**	**535**
Paid in the period	(1.344)	(737)	(549)	(535)
Accrual for the period	773	1.153	270	422
Balance at the end of the period	**1.096**	**1.153**	**1.299**	**422**

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

15 OTHER LIABILITIES

Details of other liabilities as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		**31 December 2020**	
	TL	**FC**	**TL**	**FC**
Taxes payable	4.119	-	3.290	-
Transitory liability accounts	15	955	28	351
Transfer payable	-	2.275	-	1.765
Deferred commissions	631	-	1.557	-
Other payables	1.828	61	690	4
Other liabilities	**6.593**	**3.291**	**5.565**	**2.120**

16 SHAREHOLDERS’ EQUITY

16.1 Paid-in Capital

As at 30 June 2021, the Company’s share capital amounts to TL 79.500 (31 December 2020: TL 79.500). As at 30 June 2021, the Company has 7.950.000.000 (31 December 2020: 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 2020: Kr 1).

16.2 Capital Reserves

None (31 December 2020: None).

16.3 Other Comprehensive Income or Expense

As at 30 June 2021, TL (1.170) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss (31 December 2020: TL (1.170) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss).

16.4 Accumulated Other Comprehensive Income or Expense

None (31 December 2020: None).

16.5 Profit Reserves

As at 30 June 2021, the Company’s profit reserves comprise of the legal reserves amounting to TL 13.354 (31 December 2020: TL 10.757) and extraordinary reserves amounting to TL 121.906 (31 December 2020: TL 74.353).

16.6 Profit Distribution

Profit distribution table	**31 December 2020**
Net Profit for the year	50.150
Legal Reserves (-)	2.597
DISTRIBUTABLE NET PROFIT OF THE PERIOD	47.553
EXTRAORDINARY RESERVES	47.553

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

17 OPERATING INCOME

The details of operating income for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	**1 January-30 June 2020**	**1 April-30 June 2021**	**1 April-30 June 2020**
Factoring interest income	276.560	127.360	149.794	64.500
Factoring fee and commission income	8.693	4.081	4.309	2.323
	285.253	**131.441**	**154.103**	**66.823**

18 FINANCE EXPENSES

The details of finance expenses for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	**1 January-30 June 2020**	**1 April-30 June 2021**	**1 April-30 June 2020**
Interest expenses on funds borrowed	146.288	75.287	74.070	36.209
Interest expenses on marketable securities issued	40.013	4.373	28.066	4.373
Leasing expenses	480	232	366	149
Fees and commissions given (net)	445	-	304	-
Other interest expense	13	706	9	76
	187.239	**80.598**	**102.815**	**40.807**

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

19 OPERATING EXPENSES

The details of operating expenses for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	**1 January-30 June 2020**	**1 April-30 June 2021**	**1 April-30 June 2020**
Personnel expenses	16.607	14.636	9.004	7.855
Depreciation and amortization charges	4.989	4.301	2.501	2.363
Disallowable expenses	4.305	-	-	-
IT maintenance and contract expenses	2.735	1.212	1.232	566
Provision for retirement pays	758	451	262	182
Consultancy expenses	673	456	441	388
Vehicle expenses	456	267	291	88
Communication expenses	325	469	171	276
Taxes and duties	211	163	28	46
Legal case expenses	202	345	104	268
Maintenance and repair expenses	162	422	65	97
Subscription expenses	127	159	89	124
Other	235	691	111	157
	31.785	**23.572**	**14.299**	**12.410**

The details of personnel expenses classified under operating expenses for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	**1 January-30 June 2020**	**1 April-30 June 2021**	**1 April-30 June 2020**
Salaries and wages	11.226	10.095	6.092	5.472
Bonuses	1.800	1.800	900	901
Social security premium employer's share	1.725	1.431	1010	892
Insurance expenses	555	294	273	145
Personnel food expenses	328	340	159	163
Unemployment insurance employer's share	199	169	117	104
Attendance fees	173	166	88	85
Personnel transportation expenses	61	164	35	20
Training expenses	39	21	18	2
Other	501	156	312	71
	16.607	**14.636**	**9.004**	**7.855**

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

20 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	1 January-30 June 2020	1 April-30 June 2021	1 April-30 June 2020
Foreign exchange profits	19.777	56.235	7.242	29.867
Expected losses provision reversals	16.321	8.582	2.764	2.423
Interests received from securities	2.742	-	1.717	-
Lawsuit provisions cancellations	945	-	945	-
Interests received from banks	905	446	541	436
Profits on derivative financial transactions	853	2.172	10	2.093
Other	1.108	194	618	(394)
	42.651	**67.629**	**12.892**	**34.425**

21 PROVISIONS

The details of expected credit loss for the periods ended as at 30 June 2021 and 30 June 2020 are as follows:

	1 January-30 June 2021	1 January-30 June 2020	1 April-30 June 2021	1 April-30 June 2020
Stage 1 (*)	7.115	5.903	2.220	1.907
Stage 2	135	1.167	100	624
Stage 3 (**)	11.919	40.809	4.317	13.167
	19.169	**47.879**	**6.637**	**15.698**

(*) The expected loss provision for assets classified under Cash, Cash Equivalents and Central Bank is included (TL 15).
(**) Includes TL 370 default interest provision for receivables in the third stage.

22 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January – 30 June 2021	1 January - 30 June 2020	1 April – 30 June 2021	1 April – 30 June 2020
Foreign exchange losses	13.656	24.309	4.653	19.404
Losses on derivative financial transactions	219	227	219	(1.593)
Securities on impairment expense	167	-	167	-
	14.042	**24.536**	**5.039**	**17.811**

23 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January – 30 June 2021	1 January – 30 June 2020	1 April- 30 June 2021	1 April- 30 June 2020
Net profit for the period	64.995	17.471	36.041	11.133
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000.000	7.950.000.000	7.950.000.000	7.950.000.000
Earnings per thousand shares (KR)	**0,817547**	**0,219761**	**0,453346**	**0,140038**

24 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	2.277	7.868	1.552	3.786
Demand deposits	2.277	7.868	1.552	3.786
Garantibank International NV	1	31.286	1	6.244
Demand deposits	1	31.286	1	6.244
	2.278	**39.154**	**1.553**	**10.030**

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as at 30 June 2021 is TL 1.747.914 (31 December 2020: TL 1.353.879).

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası AŞ	1.181.874	522.646	596.110	413.332
Garantibank International NV	-	137.079	-	21.509
	1.181.874	**659.725**	**596.110**	**434.841**

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

24 RELATED PARTY TRANSACTIONS (continued)

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Miscellaneous Payables:				
Türkiye Garanti Bankası A.Ş.	703	-	57	-
Garanti Emeklilik ve Hayat A.Ş.	81	-	-	-
	784	-	**57**	-

Income and expenses from related parties for the periods ended 30 June 2021 and 30 June 2020 are as follows:

	1 January – 30 June 2021	1 January – 30 June 2020	1 April- 30 June 2021	1 April- 30 June 2021
Interest income from factoring receivables				
Garanti Bank International NV	-	1.643	-	1.643
	-	**1.643**	**-**	**1.643**

	1 January – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2021	1 April- 30 June 2020
Interest income on bank deposits				
Türkiye Garanti Bankası A.Ş.	225	10	154	1
	225	**10**	**154**	**1**

	1 January – 30 June 2021	1 January – 30 June 2020	1 April- 30 June 2021	1 April- 30 June 2020
Interest expenses on funds borrowed				
Türkiye Garanti Bankası A.Ş.	68.213	40.244	33.126	17.077
Garanti Bank International NV	251	27	191	24
	68.464	**40.271**	**33.317**	**17.101**

	1 January - 30 June 2021	1 January – 30 June 2020	1 April-30 June 2021	1 April- 30 June 2020
Fees and commissions given				
Garanti Yatırım Menkul Kıymetler A.Ş.	759	137	493	137
Türkiye Garanti Bankası A.Ş.	77	116	39	58
Garanti Bank International NV	48	10	29	-
	884	**263**	**561**	**195**

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

24 RELATED PARTY TRANSACTIONS (continued)

General Administrative Expenses (*)	1 January – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2021	1 April – 30 June 2020
Türkiye Garanti Bankası AŞ	3.268	1.315	1.484	802
Garanti Filo Yönetim Hizmetler AŞ	962	719	607	64
Garanti Emeklilik ve Hayat AŞ	64	-	32	-
Garanti Finansal Kiralama AŞ	62	129	50	-
	4.356	**2.163**	**2.173**	**866**

(*) *General Administrative Expenses comprises of rent expense, IT maintenance and contract expenses, transaction commissions, car rental expenses, travelling expenses and insurance expenses.*

The details of off-balance sheet transactions from related parties for the periods ended 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Derivative Contracts				
Türkiye Garanti Bankası A.Ş.	-	**35.000**	-	-
Currency swap buy transactions	-	17.590	-	-
Currency swap sell transactions	-	17.410	-	-
	-	**35.000**	**-**	**-**

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Commitments:				
Türkiye Garanti Bankası A.Ş.	**40.580**	**-**	**39.787**	**-**
Securities sale transactions	40.580		39.787	
	40.580	-	**39.787**	-

	1 January- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2021	1 April- 30 June 2020
Profits from Financial Derivatives				
Türkiye Garanti Bankası A.Ş.	99	501	99	426
	99	**501**	**99**	**426**
Losses from Financial Derivatives				
Türkiye Garanti Bankası A.Ş.	18	-	18	-
	18	**-**	**18**	**-**

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

24 RELATED PARTY TRANSACTIONS (continued)

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 2021 is TL 1.974 (30 June 2020: TL 1.977).

25 CONTINGENT ASSETS AND LIABILITIES

25.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Sureties received (*)	-	32.829.085	-	27.702.762
Finance notes	3.800	7.693.734	2.200	5.155.029
Correspondent guarantees	-	290.355	-	162.0272
Insurance coverage	22.304	94.659	45.118	48.372
Mortgage	30.500	-	30.500	3.450
Pledge of mortgage	281	57.005	281	49.543
Guarantee cheques	375	-	375	-
	57.260	**40.964.838**	**78.474**	**33.121.183**

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

25.2 Guarantees Given

Guarantees given as at 30 June 2021 and 31 December 2020 consist of letters of guarantee given to the institutions below:

	30 June 2021		31 December 2020	
	TL	FC	TL	FC
Takasbank (Note 11)	618.500	-	668.500	-
Courts	5.024	56	5.981	47
Other	4	-	4	-
Guarantees given to the reporter	-	-	-	16.382
	623.528	**56**	**674.485**	**16.429**

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

25 CONTINGENT ASSETS AND LIABILITIES (continued)

25.3 Commitments

As of 30 June 2021 and 31 December 2020, the details of the securities sale agreements are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Securities Sale Commitments	40.580	-	39.787	-
	40.580	**-**	**39.787**	**-**

25.4 Derivative Financial Instruments

The details of derivative agreements as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2020		31 December 2020	
	TL	**FC**	**TL**	**FC**
Currency swap buy transactions	35.013	-	48.801	-
Currency swap sell transactions	-	34.821	-	46.425
	35.013	**34.821**	**48.801**	**46.425**

25.5 Safety Securities

The details of cheques and notes in collection as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Cheques in collection	1.689.230	241.645	1.325.705	200.630
Notes in collection	14.930	32.812	10.981	27.719
	1.704.160	**274.457**	**1.336.686**	**228.349**

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management Purposes and Policies

The Company's risk management strategy aims to measure the risks in the framework of the Company's activities by considering the risk-return balance for the optimum allocation of the capital and growth.

In this context, for the purposes of establishing a companywide risk culture, the basic principles of risk management implementation are defined by analyzing risks according to the volume, nature and complexity of the Company's activities; ensuring compliance with international and local regulations; controlling risks for protection of financial strength for limiting any potential adverse effects of market conditions on capital and income; creating risk transparency and risk awareness.

26.1.1 Credit Risk

The Company is exposed to credit risk through its factoring transactions. The allocation and monitoring of credit risk management activities can be summarized as follows.

Under the credit allocation;

Credit committee of Garanti Faktoring A.Ş. assesses loan applications from customers on a weekly basis. Apart from this, authorized sub - committees can also grant loans by using their defined limits. Within the scope of the assessment, quality of receivables, borrower's credibility and the content of the trade are given particular importance. With the credit limit allocation, "limit validity time" application is applied, maximum limit is granted only for one year, but with the decision of the management the time limit can be reduced to shorter periods for control purposes.

During the assessment of credit allocations, determination of the credit risk and its management is carried out basically in two ways:

1. Criteria based limit allocation; a limit allocation is made to the appropriate buyer / seller side borrower company that complies with the criteria which are determined by the Credit Committee. These criteria would be revised if necessary, depending on the market conditions, sectoral developments and the results obtained from the current allocation process. If these criteria are no longer valid for a customer after the loan allocation, any other loan disbursements are stopped, and the risk liquidation process starts.

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

Credit monitoring phase;

In order to monitor the allocated credits an early warning system has been developed. Periodically, customer credibility assessments are performed. In this context, overdraft checks, overdue factoring receivables and invoices are monitored on a daily basis and, if deemed necessary, additional intelligence investigations about customers are made.

For the due dated checks, investigation department performs monthly risk controls and also assess concentration level by selecting certain customers from the total risk exposure. Then loan department reviews the work performed and re-assesses the loan limits for those selected customers.

In order to follow the customers with significant exposures, the top 20 borrowers with the highest risks, or the exposure to the related parties are reported to the Asset-Liability Committee on a weekly basis.

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.2 Market Risk

The Company takes necessary precautions to safeguard itself according to the changing market conditions. The market risk is managed by taking the hedging positions and undertaking derivative transactions within the limits approved by the Board of Directors. The major cost element of the Company is the interest expenses from borrowings and it may be affected by the fluctuations in the market.

In this context, under the monitoring of the senior management, debt maturities are managed with respect to the interest expectations in the market. In addition, to manage the cash flow and liquidity risk, the maturity of factoring receivables, bank loans and deposit accounts is monitored. Daily status reports are prepared and end of day open treasury operations are reported to senior management.

Foreign exchange risk is monitored by the end of day open position limits under the Treasury Transaction Limits and end of day open positions are reported to the Company's management.

26.1.3 Liquidity Risk

Liquidity Risk is managed by the Treasury and Asset Liability Committee within the framework of the risk management policies, in order to take the necessary measures timely and accurately to avoid the liquidity shortage due to the market conditions and the balance sheet structure.

Daily liquidity management is carried out by the Treasury Department. Treasury, while performing this task, considers early warning signals for possible liquidity shortages. Medium and long-term liquidity management is carried out by the Treasury in accordance with the Asset Liability Committee decisions.

The company policy for the liquidity management is designed to have the sufficient liquidity in order to, maintain funding, utilizing any investment opportunities, fulfilment of any credit demand and any possible liquidity shortage. The Company's funding is based on bank loans and bond issues. While constituting the asset structure to ensure efficient management of liquidity, following points are taken into consideration:

- Ease of liquidity,
- Ease of liquidity of collaterals received

The necessary diversification of assets and liabilities is provided in order to fulfil the payment obligations considering the related currencies. The Company monitors cash flows from assets and liabilities and predicts future liquidity needs in TL and FX liquidity management.

Early warning systems are established and monitored by taking into consideration of both the Company's own financial indicators as well as the Turkish capital market, macroeconomic data and global market indicators. The weight of the funding sources like borrowings and bonds in the liabilities, the counterparty transaction volume concentration and the maturity structure is monitored.

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.4 Operational Risk

All operational risks are managed under the supervision of the Board of Directors and the Audit Committee in accordance with the framework that covers; risk identification, risk assessment, risk monitoring and risk control/mitigation. Each unit of the Company is responsible from their own operational risk monitoring, controlling and mitigating their operational risk by taking the necessary actions. The ultimate responsibility is on the relevant senior management.

In order to create an effective "internal control system", the Company makes necessary organizational arrangements, establishes the appropriate communication and information systems and constitutes monitoring function.

Internal Audit Department is responsible from the audit of departments at headquarters and branches and investigation of any fraudulent activities performed by the staff or third parties. It is also responsible from creating a sound internal control environment and its coordination, and also carrying out of the Company's operations within the legislation and regulations and in accordance with the Company management strategy and policy. In order to ensure compliance with national and international regulations, studies are carried out by the compliance officer in the scope of the strategy for the combat against the crime revenue and financing of terrorism.

The performance of the internal control system of the Company and the effectiveness of controlling operational risks is monitored regularly by the Internal Audit Department. In this context, system controls that constitute the internal control system, business cycle controls performed by the staff, organizational structure, segregation of duties, and basically general control environment are assessed.

This assessment can be performed centrally at the headquarters by utilizing computer-aided infrastructure or can be carried out traditionally by the "on site review". In addition, those responsible from the emergency and contingency plans and their backups are designated.

For the purposes of legal risk management, available controls that are designed for monitoring of the compliance of the Company's transactions with laws, internal policies and rules are monitored.

To strengthen the control environment in the operational areas, systemic or procedural limitations are applied. These limits that are set to limit the operational risks, are designed in accordance with the significance of the transactions for the Company, risk involved and probable amount of the loss and the qualifications of the staff. Limits are assessed and updated periodically depending on the needs. Operational risk limits are managed by determination of inconsistencies and approvals surrounding authorized signatures, authority over payments and transfers, accounting, purchase and sale and expense processes and loan disbursement process.

Operational risks are reported to the Audit Committee by the Internal Audit Department. In addition, the related business lines and units report their own operational risks to their respective senior management.

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.5 *Reputation Risk*

The Board of Directors and the whole staff of the Company is responsible from the protection of the reputation of the Company. Human Resources and Internal Audit Department determines the principles of the ethical rules and code of conduct of the Company and monitor the compliance of the employees to those rules.

The Company tries to avoid any kind of operation that would create a reputational risk in the eyes of regulators, its customers and other market participants and perform its maximum effort to be beneficial to the society, nature and humanity. The Company performs its all transactions and operations within the framework of compliance with the legislation, corporate governance principles, social, ethical and environmental principles.

In order to regulate the behavioural affairs of its employees and their business relationships, “Ethical Principles Procedure” and “Fraud and Unethical Behaviour Prevention Policy” documents are available as prepared by the Human Resources Department and Internal Audit Department. The Company is committed to the principles of corporate governance and shows maximum effort in the implementation of these principles. Annual report and website is regularly updated, within the framework of corporate governance principle.

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

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

26.1.6 Credit Risk

30 June 2021	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**				
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Cash and Cash Equivalents**	**Derivative Financial Assets Held for Trading**	**Financial assets at fair value through profit or loss**
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	**-**	**3.774.111**	**-**	**14.317**	**-**	**-**	**50.581**	**9**	**39.082**
A. Carrying value of financial assets that are not past due nor impaired	-	3.780.985	-	-	-	-	50.683	9	39.082
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	-	3.821	-	-	-	-	-	-	-
-carrying value	-	3.821	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	(10.695)	-	14.317	-	-	(102)	-	-
- Past due (gross carrying value)	-	-	-	97.318	-	-	-	-	-
- Impairment (-)	-	(10.695)	-	(83.001)	-	-	(102)	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
- 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.)

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

26.1.6 Credit Risk (continued)

31 December 2020	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**				
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Banks**	**Derivative Financial Assets Held for Trading**	**Financial assets at fair value through profit or loss**
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	**-**	**2.776.169**	**-**	**12.678**	**-**	**-**	**12.405**	**1.921**	**39.670**
A. Carrying value of financial assets that are not past due nor impaired	-	2.793.137	-	-	-	-	12.503	1.921	39.670
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	-	1.192	-	-	-	-	-	-	-
-carrying value	-	1.192	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	(18.160)	-	12.678	-	-	(98)	-	-
- Past due (gross carrying value)	-	-	-	132.240	-	-	-	-	-
- Impairment (-)	-	(18.160)	-	(119.562)	-	-	(98)	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee witl collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risl	-	-	-	-	-	-	-	-	-

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

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

26.2 Explanations on Risk Management (continued)

26.2.2 Liquidity Risk

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

30 June 2021

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**3.642.293**	**3.714.079**	**2.830.038**	**880.600**	**3.441**
Funds borrowed	2.914.962	2.967.976	2.094.221	873.755	-
Securities issued	701.342	716.999	716.999	-	-
Factoring payable	18.210	18.210	18.210	-	-
Payable leasing transactions	7.779	10.894	608	6.845	3.441

Contractual Maturities	Carrying Amount	Total Expected Cash Inflows / (Outflows)	Less than 3 months	3-12 months	1-5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	**192**	**192**	**192**	**-**	**-**
Derivative cash inflows	35.013	35.013	35.013	-	-
Derivative cash outflows	(34.821)	(34.821)	(34.821)	-	-

31 December 2020

Contractual Maturities	Carrying Amount	Total Expected Cash Inflows / (Outflows)	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**2.677.874**	**2.772.446**	**2.249.586**	**469.738**	**3.122**
Funds borrowed	2.087.690	2.128.690	1.160.392	468.298	-
Securities issued	582.026	584.939	584.939	-	-
Factoring payables	3.286	3.286	3.286	-	-
Leasing	4.872	5.531	969	1.440	3.122

Contractual Maturities	Carrying Amount	Total Expected Cash Inflows / (Outflows)	Less than 3 months	3-12 months	1-5 years
Derivative financial liabilities	**2.556**	**2.556**	**2.556**	**-**	**-**
Derivative cash inflows	48.801	48.801	48.801	-	-
Derivative cash outflows	(46.245)	(46.245)	(46.245)	-	-

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk

Foreign currency risk

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 30 June 2021 and 31 December 2020.

Foreign currency assets and liabilities as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 (TL equivalent)	**31 December 2020 (TL equivalent)**
A. Foreign currency monetary assets	1.064.646	718.033
B. Foreign currency monetary liabilities	(999.321)	(644.686)
C. Derivative financial instruments	(34.821)	(46.245)
Net foreign currency position (A+B+C)	**30.504**	**27.102**

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Currency Risk (continued)

The table below summarizes the Company's foreign currency position in detail as at 30 June 2021 and 31 December 2020. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

30 June 2021	**USD**	**EURO**	**GBP**	**Total**
Assets				
Cash and cash equivalents	21.913	11.637	12.295	45.845
Financial assets at fair value through profit or loss	-	10	-	10
Factoring receivables (Net)	659.916	259.561	98.904	1.018.381
Other Assets (*)	196	173	41	410
Total assets	**682.025**	**271.381**	**111.240**	**1.064.646**
Liabilities				
Funds borrowed	627.146	246.390	103.696	977.232
Factoring payables	12.954	3.510	1.181	17.645
Sundry creditors and other liabilities	1.659	2.599	186	4.444
Total liabilities	**641.759**	**252.499**	**105.063**	**999.321**
Net foreign currency position	**40.266**	**18.882**	**6.177**	**65.325**
Derivative Financial Assets	(34.821)	-		(34.821)
Net position	**5.445**	**18.882**	**6.177**	**30.504**

(*) Prepaid expense amounting to TL 115 that is presented in other assets is excluded from the table.

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

31 December 2020	**USD**	**EURO**	**GBP**	**Total**
Assets				
Cash and cash equivalents	2.603	3.546	3.998	10.147
Financial assets at fair value through profit or loss	-	9	-	9
Factoring receivables (Net)	422.676	258.661	26.061	707.398
Other assets (*)	151	327	1	479
Total Assets	**425.430**	**262.543**	**30.060**	**718.033**
Liabilities				
Funds borrowed	367.660	248.802	21.564	638.026
Factoring payables	1.209	1.118	320	2.647
Sundry creditors and other liabilities	515	2.802	696	4.013
Total liabilities	**369.384**	**252.722**	**22.580**	**644.686**
Net foreign currency position	**56.046**	**9.821**	**7.480**	**73.347**
Derivatives financial assets	(46.425)	-	-	(46.245)
Net position	**9.801**	**9.821**	**7.480**	**27.102**

(*) Prepaid expense amounting to TL 63 that is presented in other assets is excluded from the table.

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies for the periods ended 30 June 2021 and 2020 results in an increase in profit before tax for the period amounting to TL 3.051 (30 June 2020: TL 1.426 increase). This analysis is made with the assumption that the other variables were held constant for the periods ended 30 June 2021 and 30 June 2020.

TL **30 June 2021**	**Profit/(Loss)**
USD	545
EURO	1.888
GBP	618
Total	**3.051**

TL **30 June 2020**	**Profit/(Loss)**
USD	1.491
EURO	717
GBP	563
Total	**2.771**

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021				**31 December 2020**			
	USD (%)	**EURO (%)**	**GBP (%)**	**TL (%)**	**USD (%)**	**EURO (%)**	**GBP (%)**	**TL (%)**
Assets								
Time Deposits	-	-	-	19,03	-	-	-	17,97
Factoring receivables	4,82	3,16	3,08	23,95	6,18	3,07	5,45	22,32
Financial assets at fair value through profit or loss	-	-	-	4,86	-	-	-	5,35
Marketable securities issued	-	-	-	19,46	-	-	-	12,98
Funds borrowed	2,86	1,02	1,29	19,06	3,91	1,16	1,77	15,98

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Interest rate risk sensitivity analysis

The Company's financial instruments that have interest rate sensitivity as at 30 June 2021 and 31 December 2020 are as follows:

	Carrying Value	
Fixed Rate	**30 June 2021**	**31 December 2020**
Factoring receivables	3.784.806	2.794.329
Financial assets at fair value through profit or loss	39.082	39.670
Time deposit	2.043	657
Funds borrowed	2.394.521	1.755.528
Marketable securities issued	701.342	582.026
Floating Rate		
Funds borrowed	520.441	332.162

If interest rates of the floating rate instruments denominated in USD and EURO were 100 basis points higher/lower at the date of reissue and all other variables were constant as at 30 June 2021, net income for the period would decrease/increase by TL 5.204 (30 June 2020: TL 3.120) as a result of higher/lower interest expense from floating interest rate financial instruments.

Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the profit through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings disclosed in Note 16.

It is shown by the management reviews the cost of capital and the risks associated with each class of capital. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and presents to the Board of Directors for approval.

The overall strategy of the Company did not differ materially from the prior period.

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

27 FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company calculated fair values of financial instruments using available market information and appropriate valuation methodologies. However, as the judgment is necessary to interpret market data to determine the estimated fair value, the calculated fair values may not be fully reflective of the value that could be realized in the current circumstances. Management assumes that the fair values of financial assets and liabilities at amortized cost including cash and banks, factoring receivables and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

Fair Value of Financial Instruments Classification

The table below presents the fair value determination method of the financial instruments at fair value as at 30 June 2021. 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 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (Net)	39.082	-	-	39.082
Derivative financial assets held for trading	-	9	-	9
	39.082	**9**	**-**	**39.091**
Derivative financial liabilities	-	219	-	219
	-	**219**	**-**	**219**

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (Net)	39.670	-	-	39.670
Derivative financial assets held for trading	-	1.921	-	1.921
	39.670	**1.921**	**-**	**41.591**
Derivative financial liabilities	-	252	-	252
	-	**252**	**-**	**252**

28 EVENTS AFTER THE REPORTING PERIOD

None.