

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

**FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2013**

*(Translated into English from the Original Turkish Report)*

**INDEPENDENT AUDITOR'S REPORT  
ON FINANCIAL STATEMENTS**  
(Convenience Translation of the Independent Auditor's  
Report Originally Prepared and Issued in Turkish)

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

1. We have audited the accompanying balance sheet of Garanti Faktoring Hizmetleri A.Ş. ("the Company") as at 31 December 2013 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

2. The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the communique on "The Application of Uniform Chart of Accounts and its Guide Book in Connection to the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" and the regulation on "The Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette no. 28861 dated 24 December 2013 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués and circulars announced by the Banking Regulation and Supervision Board in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and selecting and applying appropriate accounting policies.

*Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "The Licensing and Activities of Audit Firms in Banking" published in the Official Gazette no. 26333 dated 1 November 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Independent Auditor's Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Garanti Faktoring Hizmetleri A.Ş. as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with the regulations, communiqués and circulars announced by the Banking Regulation and Supervision Board in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç  
Partner

İstanbul, 29 January 2014

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**  
**BALANCE SHEET AS OF 31 DECEMBER 2013**

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

ASSETS	Notes	Audited 31 December 2013			Audited 31 December 2012		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH AND CASH EQUIVALENTS	3	1	1	2	1	-	1
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	4	359	7	366	226	2.035	2.261
2.1 Financial Assets Held for Trading	4,1	-	-	-	-	1.984	1.984
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading	4,2	359	7	366	226	51	277
III. BANKS	5	1.166	44.003	45.169	102.977	5.348	108.325
IV. AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	-	2	2	-	2	2
VI. FACTORING RECEIVABLES	7	1.560.180	426.369	1.986.549	1.539.173	288.537	1.827.710
6.1 Discount Factoring Receivables		523.164	18.320	541.484	477.302	6.690	483.992
6.1.1 Domestic		535.782	9.370	545.152	488.479	4.074	492.553
6.1.2 Foreign		-	9.089	9.089	-	2.689	2.689
6.1.3 Unearned Income (-)		(12.618)	(139)	(12.757)	(11.177)	(73)	(11.250)
6.2 Other Factoring Receivables		1.037.016	408.049	1.445.065	1.061.871	281.847	1.343.718
6.2.1 Domestic		1.037.016	295.392	1.332.408	1.061.871	246.677	1.308.548
6.2.2 Foreign		-	112.657	112.657	-	35.170	35.170
VII. FINANCIAL LOANS		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Installment Commercial Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES		-	-	-	-	-	-
8.1 Lease Receivables		-	-	-	-	-	-
8.1.1 Financial lease receivables		-	-	-	-	-	-
8.1.2 Operational lease receivables		-	-	-	-	-	-
8.1.3 Unearned income (-)		-	-	-	-	-	-
8.2 Leased Construction in Progress		-	-	-	-	-	-
8.3 Advances Given for Leasing Operations		-	-	-	-	-	-
IX. OTHER RECEIVABLES		-	-	-	-	-	-
X. NON-PERFORMING RECEIVABLES	8	8.241	-	8.241	6.774	-	6.774
10.1 Non-Performing Factoring Receivables		38.870	-	38.870	26.583	-	26.583
10.2 Non-Performing Financial Loans		-	-	-	-	-	-
10.3 Non-Performing Leasing Receivables		-	-	-	-	-	-
10.4 Specific Provisions (-)		(30.629)	-	(30.629)	(19.809)	-	(19.809)
XI. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES		-	-	-	-	-	-
11.1 Fair Value Hedging		-	-	-	-	-	-
11.2 Cash Flow Hedging		-	-	-	-	-	-
11.3 Net Foreign Investment Hedging		-	-	-	-	-	-
XII. INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII. SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. ASSOCIATES (Net)		-	-	-	-	-	-
XV. JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. TANGIBLE ASSETS (Net)	9	688	-	688	872	-	872
XVII. INTANGIBLE ASSETS (Net)	10	2.414	-	2.414	1.542	-	1.542
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		2.414	-	2.414	1.542	-	1.542
XVIII. PREPAID EXPENSES		939	-	939	-	-	-
IXX. TAX ASSETS		-	-	-	-	-	-
XX. DEFERRED TAX ASSETS	11	13.899	-	13.899	6.544	-	6.544
XXI. OTHER ASSETS		1.384	-	1.384	585	164	749
XXII. SUB TOTAL		1.589.271	470.382	2.059.653	1.659.141	296.086	1.955.227
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1 Held For Sale		-	-	-	-	-	-
22.2 Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>1.589.271</b>	<b>470.382</b>	<b>2.059.653</b>	<b>1.659.141</b>	<b>296.086</b>	<b>1.955.227</b>

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

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**  
**BALANCE SHEET AS OF 31 DECEMBER 2013**

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

LIABILITIES	Notes	Audited 31 December 2013			Audited 31 December 2012		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4,3	24.592	1	24.593	2	38	40
II. FUNDS BORROWED	13	1.404.882	209.355	1.614.237	1.418.443	419.015	1.837.458
III. FACTORING PAYABLES	7	835	2.107	2.942	404	2.493	2.897
IV. LEASING PAYABLES		-	-	-	-	-	-
4.1 Financial lease payables		-	-	-	-	-	-
4.2 Operational lease payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Leasing Expenses		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)	14	284.854	-	284.854	-	-	-
5.1 Bills		284.854	-	284.854	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. OTHER LIABILITIES	15	3.283	862	4.145	3.895	398	4.293
VII. OTHER FOREIGN LIABILITIES	15	-	88	88	-	113	113
VIII. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES		-	-	-	-	-	-
8.1 Fair Value Hedging		-	-	-	-	-	-
8.2 Cash Flow Hedging		-	-	-	-	-	-
8.3 Net Foreign Investment Hedging		-	-	-	-	-	-
IX. TAXES PAYABLE	16	1.533	-	1.533	1.388	-	1.388
X. PROVISIONS	17	2.860	-	2.860	2.080	-	2.080
10.1 Reserves for Restructuring		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		2.174	-	2.174	1.715	-	1.715
10.3 Other Provisions		686	-	686	365	-	365
XI. DEFERRED RECEIVABLES		-	-	-	-	-	-
XII. TAX LIABILITY	11	4.335	-	4.335	1.947	-	1.947
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUB TOTAL		1.727.174	212.413	1.939.587	1.428.159	422.057	1.850.216
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held for Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	17	120.066	-	120.066	105.011	-	105.011
16.1 Paid-in Capital		79.500	-	79.500	21.000	-	21.000
16.2 Capital Reserves		-	-	-	24.844	-	24.844
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	24.844	-	24.844
16.3 Other comprehensive income or expense that will not be reclassified subsequently to profit or loss		(247)	-	(247)	-	-	-
16.4 Other comprehensive income or expense that will be reclassified subsequently to profit or loss		-	-	-	-	-	-
16.5 Profit Reserves		25.511	-	25.511	38.707	-	38.707
16.5.1 Legal Reserves		4.198	-	4.198	3.286	-	3.286
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21.313	-	21.313	35.421	-	35.421
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		15.302	-	15.302	20.460	-	20.460
16.6.1 Retained Earnings / (Accumulated Losses)		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		15.302	-	15.302	20.460	-	20.460
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.847.240</b>	<b>212.413</b>	<b>2.059.653</b>	<b>1.533.170</b>	<b>422.057</b>	<b>1.955.227</b>

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

**STATEMENT OF OFF - BALANCE SHEET ITEMS AS OF 31 DECEMBER 2013**

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2013			Audited 31 December 2012		
		TL	FC	Total	TL	FC	Total
<b>I. IRREVOCABLE FACTORING OPERATIONS</b>		<b>124.444</b>	<b>167.489</b>	<b>291.933</b>	<b>151.261</b>	<b>11.572</b>	<b>162.833</b>
<b>II. REVOCABLE FACTORING OPERATIONS</b>		<b>372.312</b>	<b>21.008</b>	<b>393.320</b>	<b>651.774</b>	<b>62.483</b>	<b>714.257</b>
<b>III. GUARANTEES TAKEN</b>	27.1	<b>37.075</b>	<b>1.533.460</b>	<b>1.570.535</b>	<b>33.910</b>	<b>1.130.524</b>	<b>1.164.434</b>
<b>IV. GUARANTEES GIVEN</b>	27.2	<b>2.758</b>	-	<b>2.758</b>	<b>1.148</b>	-	<b>1.148</b>
<b>V. COMMITMENTS</b>	27.3	<b>2.826</b>	<b>2.830</b>	<b>5.656</b>	<b>3.415</b>	<b>5.567</b>	<b>8.982</b>
5.1 Irrevocable Commitments		2.826	2.830	5.656	3.415	5.567	8.982
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL INSTRUMENTS</b>	27.4	<b>552.902</b>	<b>573.155</b>	<b>1.126.057</b>	<b>90.845</b>	<b>240.086</b>	<b>330.931</b>
6.1 Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Investment Hedges		-	-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading		552.902	573.155	1.126.057	90.845	240.086	330.931
6.2.1 Forward Buy-Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Buy-Sell Transactions		552.902	573.155	1.126.057	90.845	240.086	330.931
6.2.3 Options Buy-Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy-Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
<b>VII. ITEMS HELD IN CUSTODY</b>	27.5	<b>505.323</b>	<b>110.371</b>	<b>615.694</b>	<b>452.149</b>	<b>76.864</b>	<b>529.013</b>
<b>TOTAL OFF BALANCE SHEET ITEMS</b>		<b>1.597.640</b>	<b>2.408.313</b>	<b>4.005.953</b>	<b>1.384.502</b>	<b>1.527.096</b>	<b>2.911.598</b>

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

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**  
**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013**

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

INCOME STATEMENT	Notes	Audited	
		1 January - 31 December 2013	1 January - 31 December 2012
<b>I. OPERATING INCOME</b>	<b>19</b>	<b>134.792</b>	<b>144.598</b>
<b>FACTORING INCOME</b>		<b>134.792</b>	<b>144.598</b>
1.1 Factoring Interest Income		112.351	122.769
1.1.1 Discount		55.882	63.413
1.1.2 Other		56.469	59.356
1.2 Factoring Commission Income		22.441	21.829
1.2.1 Discount		14.034	14.412
1.2.2 Other		8.407	7.417
<b>RECEIVABLES FROM FINANCIAL LOANS</b>			
1.3 Financial Loans Interest Income		-	-
1.4 Financial Loans Fees and Commissions Receivables		-	-
<b>OPERATING RECEIVABLES</b>			
1.5 Financial Leasing Receivables		-	-
1.6 Operational Leasing Receivables		-	-
1.7 Leasing Operations Fees and Commissions Receivables		-	-
<b>II. FINANCIAL EXPENSES (-)</b>	<b>20</b>	<b>(85.839)</b>	<b>(85.467)</b>
2.1 Interest Expense on Funds Borrowed		(84.047)	(84.378)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Finance Lease Expense		-	-
2.4 Interest Expense on Securities Issued		(1.311)	-
2.5 Other Interest Expenses		(4)	(1)
2.6 Other Fees and Commissions		(417)	(1.018)
<b>III. GROSS PROFIT/LOSS (I-II)</b>		<b>48.953</b>	<b>59.131</b>
<b>IV. OPERATING EXPENSES (-)</b>	<b>21</b>	<b>(37.267)</b>	<b>(34.551)</b>
4.1 Personnel Expenses		(21.466)	(20.233)
4.2 Retirement Pay Provision Expenses		(442)	(176)
4.3 Research and Development Expenses		-	-
4.4 General Administrative Expenses		(15.149)	(13.859)
4.5 Other		(210)	(283)
<b>V. OPERATING GROSS PROFIT/LOSS</b>		<b>11.686</b>	<b>24.580</b>
<b>VI. OTHER OPERATION INCOME</b>	<b>22</b>	<b>159.899</b>	<b>75.152</b>
6.1 Interest income from Deposits		4.293	4.450
6.2 Interest income from Reverse Repurchase Agreements		-	-
6.3 Interest income from Marketable Securities		-	228
6.3.1 Interest Income from Financial Assets Held for Trading		-	72
6.3.2 Interest Income from Financial Assets at Fair Value Through Profit and Loss		-	-
6.3.3 Interest Income from Financial Assets Available For Sale		-	156
6.3.4 Interest Income from Financial Assets Held to Maturity		-	-
6.4 Dividend Income		-	-
6.5 Interest Received from Money Market Placements		9.818	27.009
6.5.1 Derivative Financial Transactions		9.818	27.002
6.5.2 Other		-	7
6.6 Foreign Exchange Gains		136.271	42.866
6.7 Other		487	589
<b>VII. SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)</b>	<b>23</b>	<b>(11.862)</b>	<b>(6.713)</b>
<b>VIII. OTHER OPERATION EXPENSES</b>	<b>24</b>	<b>(132.360)</b>	<b>(67.437)</b>
8.1 Impairment on Marketable Securities (-)		-	-
8.1.1 Financial Assets at Fair Value Through Profit and Loss		-	-
8.1.2 Financial Assets Available For Sale		-	-
8.1.3 Financial Assets Held to Maturity		-	-
8.2 Expense from Impairment on Tangible and Intangible Assets		-	-
8.2.1 Impairment on Tangible Assets		-	-
8.2.2 Impairment on Assets Held for Sale and Discontinued Operations		-	-
8.2.3 Impairment on Goodwill		-	-
8.2.4 Impairment on Intangible Assets		-	-
8.2.5 Impairment on Subsidiaries, Associates and Joint Ventures		-	-
8.3 Losses from Derivative Financial Transactions		(25.769)	(25.116)
8.4 Foreign Exchange Losses		(106.138)	(42.172)
8.5 Other		(453)	(149)
<b>IX. NET OPERATING INCOME (I+...-VII)</b>		<b>19.163</b>	<b>25.582</b>
<b>X. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>			
<b>XI. NET MONETARY GAIN/LOSS</b>			
<b>XII. PROFIT LOSS ON CONTINUING OPERATIONS BEFORE TAX (VI+VIII-IX)</b>		<b>19.163</b>	<b>25.582</b>
<b>XIII. TAX PROVISION FOR CONTINUING OPERATIONS (+)</b>	<b>21</b>	<b>(3.861)</b>	<b>(5.122)</b>
13.1 Current Tax Charge		(11.154)	(7.338)
13.2 Deferred Tax Charge (-)		-	-
13.3 Deferred Tax Benefit (+)		7.293	2.216
<b>XIV. NET PERIOD PROFIT LOSS FROM CONTINUING OPERATIONS</b>		<b>15.302</b>	<b>20.460</b>
<b>XV. INCOME ON DISCONTINUED OPERATIONS</b>			
15.1 Income on Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Joint Ventures		-	-
15.3 Other Income on Discontinued Operations		-	-
<b>XVI. EXPENSE ON DISCONTINUED OPERATIONS (-)</b>			
16.1 Expenses on Assets Held for Sale		-	-
16.2 Losses on Sale of Associates, Subsidiaries and Joint Ventures		-	-
16.3 Other Expenses on Discontinued Operations		-	-
<b>XVII. PROFIT LOSS ON DISCONTINUED OPERATIONS BEFORE TAX</b>			
<b>XVIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (+)</b>			
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (+)		-	-
18.3 Deferred Tax Benefit (-)		-	-
<b>XIX. NET PERIOD PROFIT LOSS FROM DISCONTINUED OPERATIONS</b>			
<b>XX. NET PERIOD PROFIT LOSS</b>		<b>15.302</b>	<b>20.460</b>
Earnings/Loss Per Share (X/XX) (2.01 TL) per thousand shares)	<b>25</b>	<b>192.48</b>	<b>257.36</b>

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

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts expressed in thousands of Turkish Lira ("Thousands of TL") unless otherwise indicated.)

Notes	Paid-in Capital	Capital Reserves	Share Premium	Contribution Profit	Other Capital Reserve	Other comprehensive income or expenses that will not be reclassified to profit or loss		Other comprehensive income or expenses that will be reclassified to profit or loss		Legal Reserve	Statutory Reserve	Extraordinary Reserve	Other Profit Reserve	Current Year Profit/(Loss)	Retained Earnings / (Accumulated Loss)	Current Year Profit/(Loss)	Shareholders' Equity
						1	2	3	4								
<b>PERIOD ENDED</b>																	
<b>1 January - 31 December 2012</b>																	
Audited																	
I.	Balances at the beginning of the period (Previously reported)	21,000	-	-	-	2,122	-	-	-	-	-	25,281	-	-	-	24,534	84,522
II.	Corrections made as per TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances	21,000	-	-	-	2,122	-	-	-	-	-	25,281	-	-	-	24,534	84,522
IV.	Total Comprehensive Income	-	-	-	-	-	29	-	-	-	-	-	-	-	-	-	29
V.	Special increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issuance adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Decrease/increase due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Current period net profit/loss	-	-	-	-	22,722	-	-	-	-	-	10,140	-	-	-	20,460	20,460
XII.	Profit distribution	-	-	-	-	22,722	-	-	-	-	-	10,140	-	-	-	(34,534)	-
12.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfers to reserves	-	-	-	-	22,722	-	-	-	-	-	10,140	-	-	-	(34,534)	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (31 December 2012) (III-IV+...-XI-XII)	21,000	-	-	-	24,844	-	-	-	-	3,286	35,421	-	-	-	20,460	105,011
<b>CURRENT PERIOD</b>																	
<b>1 January - 31 December 2013</b>																	
Audited																	
I.	Balances at the beginning of the period (31 December 2012)	21,000	-	-	-	24,844	-	-	-	3,286	35,421	-	-	-	-	20,460	105,011
II.	Corrections made as per TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances	21,000	-	-	-	24,844	-	-	-	3,286	35,421	-	-	-	-	20,460	105,011
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	(21)	-	-	-	-	-	-	-	(21)
V.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issuance adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Current period net profit/loss	-	-	-	-	-	-	-	-	912	-	19,248	-	-	-	15,362	15,362
XII.	Profit distribution	-	-	-	-	-	-	-	-	912	-	19,248	-	-	-	(20,460)	-
12.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfers to reserves	-	-	-	-	-	-	-	-	912	19,248	-	-	-	(20,460)	(20,460)	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (31 December 2013) (III-IV+...-XI-XII)	21,000	-	-	-	24,844	-	-	-	4,198	21,312	35,421	-	-	-	15,362	120,662



**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

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

STATEMENT OF CASH FLOWS	Notes	Audited	Audited
		1 January - 31 December 2013	1 January - 30 June 2012
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1 Operating profit before changes in operating assets and liabilities		41.208	35.371
1.1.1 Interest/leasing income received	19	113.999	121.802
1.1.2 Leasing expenses		1.447	1.292
1.1.3 Dividends received		-	-
1.1.4 Fees and commissions received	19	21.864	21.586
1.1.5 Other income		-	-
1.1.6 Collections from previously written off receivables	8	-	191
1.1.7 Payments to personnel and service suppliers		(36.017)	(33.098)
1.1.8 Taxes paid	11	(6.859)	(5.412)
1.1.9 Other		(53.226)	(70.990)
1.2 Changes in operating assets and liabilities		(391.823)	59.750
1.2.1 Net (increase) decrease in factoring receivables		(172.439)	(590.505)
1.2.2 Net (increase) decrease in other assets		(1.189)	421
1.2.3 Net increase (decrease) in factoring payables		45	(139)
1.2.4 Net increase (decrease) in funds borrowed		(215.505)	649.632
1.2.5 Net increase (decrease) in due payables		-	-
1.2.6 Net increase (decrease) in other liabilities		(2.735)	341
I Net cash provided from operating activities		(350.615)	95.121
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2 Cash obtained from sale of joint ventures, associates and subsidiaries		-	-
2.3 Fixed assets purchases	9,10	(2.136)	(1.336)
2.4 Fixed assets sales		-	-
2.5 Cash paid for purchase of financial assets available for sale		-	(3.500)
2.6 Cash obtained from sale of financial assets available for sale		-	7.282
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		2.276	3.422
II Net cash provided from investing activities		140	5.868
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash obtained from funds borrowed and securities issued		283.513	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III Net cash provided from financing activities		283.513	-
IV Effect of change in foreign exchange rate on cash and cash equivalents		4.275	(226)
V Net increase/decrease in cash and cash equivalents		(62.687)	100.763
VI Cash and cash equivalents at the beginning of the period		107.855	7.092
VII Cash and cash equivalents at the end of the period		45.168	107.855

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

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

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

	Notes	Audited	
		1 January - 31 December 2013	1 January - 31 December 2012
I. PERIOD INCOME/LOSS		15.302	20.460
II. OTHER COMPREHENSIVE INCOME		(247)	29
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(247)	-
2.1.1 Gains/(losses) on revaluation of tangible assets		-	-
2.1.2 Gains/(losses) on revaluation of intangible assets		-	-
2.1.3 Gains/(losses) on remeasurement of defined benefit pension plans		(309)	-
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		62	-
2.1.5.1 Tax income/charge		-	-
2.1.5.2 Deferred tax income/charge		62	-
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	29
2.2.1 Translation differences for transactions in foreign currencies		-	-
2.2.2 Income/expenses on revaluation or reclassification of available for sale financial assets		-	34
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		-	(5)
2.2.6.1 Tax income/charge		-	-
2.2.6.2 Deferred tax income/charge		-	(5)
III. TOTAL COMPREHENSIVE INCOME (I+II)		15.055	20.489

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

<b>GARANTİ FAKTORİNG HİZMETLERİ A.Ş.</b>			
<b>STATEMENT OF PROFIT DISTRIBUTION</b>			
Thousand TL			
	Notes	Audited 1 January - 31 December 2013	Audited 1 January - 31 December 2012
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>			
1.1	CURRENT PERIOD PROFIT	19.163	25.582
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	3.861	5.122
1.2.1	Corporate tax (income tax)	11.154	7.338
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	(7.293)	(2.216)
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>15.302</b>	<b>20.460</b>
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(912)
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>15.302</b>	<b>19.548</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of participating shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	(19.548)
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of participating shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE (per YTL'000 face value each)</b>			
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(\* Decision regarding to the 2013 profit distribution will be held at General Assembly meeting.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Aktif Finans Faktoring Hizmetleri A.Ş. was incorporated on 4 September 1990 in Turkey to provide factoring services to industrial and commercial firms. The commercial title of Aktif Finans Faktoring Hizmetleri A.Ş. was changed to Garanti Faktoring Hizmetleri A.Ş. ("the Company") with the approval of the General Assembly held on 27 March 2002. The Company offered its shares to public in 1993 with the authorization of the Capital Markets Board ("CMB"). The Company operates in accordance with the Capital Markets Law and the Communiqué on the "The Establishment and Main Activities of Finance Leasing, Factoring and Financing Companies" issued by the Banking Regulation and Supervision Agency ("BRSA").

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

	31 December 2013	Shareholding (%)	31 December 2012	Shareholding (%)
Türkiye Garanti Bankası AŞ	65.066	81,84	17.187	81,84
Türkiye İhracat Kredi Bankası AŞ	7.773	9,78	2.053	9,78
Publicly Trading	6.661	8,38	1.760	8,38
<b>Capital</b>	<b>79.500</b>	<b>100,00</b>	<b>21.000</b>	<b>100,00</b>

(\*) The company applied to Capital Markets Board on 21 May 2013 to increase issued capital of the Company from TL 21.000 to TL 79.500 by adding positive differences of capital inflation adjustment, special funds arising from the sales gain of participation and extraordinary reserves, by the decision of the Board of Directors dated May 3, 2013 with the 2013/035, with the consent of the Company's articles of association 6 Article. Permission was granted on 15 August 2013 with the decision of Capital Markets Board, no 28/949. Non-cash capital increase by 278,57% started on 22 August 2013 and ended on 26 August 2013.

The shareholding of Türkiye Garanti Bankası A.Ş. as of 31 December 2013 is 55,40% and Türkiye Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Istanbul Stock Exchange. There is no change since 31 December 2012.

The Company has 195 employees as of 31 December 2013 (31 December 2012: 179)

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

Eski Büyükdere Caddesi

Ayazağa Köy Yolu No:23 Kat:2 34396 Maslak / İstanbul

The Company provides factoring services with 21 branches substantially in one geographical segment (Turkey).

Dividends Payable:

At the General Assembly Meeting of the company held on 29 March 2013, it has been decided unanimously to appropriate the profit after tax in the financial statements prepared based on the International Financial Reporting Standards in accordance with the Capital Markets Board Regulation Serial:XI No:29 to legal and extraordinary reserves, in line with the profit distribution principles stated in the Company's articles of association.

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 29 January 2014. The General Assembly has the authority to change the financial statements.

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

## **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation**

#### **2.1.1 Accounting Standards Applied**

The Company maintains its books of account in accordance with the Turkish Accounting Standards applying the Communiqué on “The Application of Uniform Charts of Accounts and its Guide Book In Connection to the Establishment and Main Activities of Finance Leasing, Factoring and Financing Companies and The Format of the Financial Statements for Public Presentation” published in the Official Gazette No: 28861 on 24 December 2013.

The Company applies the requirements of the Communiqué on the “The Application of Uniform Chart of Accounts and its Guide Book in Connection to the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette No: 28861 on 24 December 2013, as per the “Law on Financial Leasing, Factoring and Financing Companies” published in the Official Gazette No: 28496 on 13 December 2012.

As per the Decree Law no. 660 published in the Official Gazette and become effective on 2 November 2011, the Additional Clause 1 of the Law no. 2499 was abolished and the Public Oversight, Accounting and Auditing Standards Authority was established. The financial statements are prepared based on the TAS/IFRS and the related statements and guidances announced by the Public Oversight, Accounting and Auditing Standards Authority.

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

#### **2.1.2 Functional Currency**

Financial statements of the Company are presented in TL, which is the Company’s functional currency.

#### **2.1.3 Preparation of Financial Statements in Hyperinflationary Periods**

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

#### **2.1.4 Offsetting**

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

### **2.2 Changes in Accounting Policies**

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. The Company has applied the accounting policies in line with the prior financial year.

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

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

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

## **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)**

### **2.3 Changes in Accounting Estimates and Errors (Cont'd)**

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

Note 4 – Financial Assets at fair value through profit and loss

Note 7 – Factoring receivables

Note 9 – Tangible Assets

Note 10 – Intangible Assets

Note 11 – Tax Assets and Liabilities

Note 17 – Provisions

### **2.4 Adoption of New and Revised International Financial Reporting Standards**

#### **(a) New and Revised IFRSs affecting the reported financial performance and / or financial position**

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

#### ***Amendments to IAS 1 Presentation of Items of Other Comprehensive Income***

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

#### ***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* are extended by IFRS 13 to cover all assets and liabilities within its scope.

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

## **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)**

### **2.4 Adoption of New and Revised International Financial Reporting Standards (Cont'd)**

#### ***Amendments to IAS 1 Presentation of Financial Statements***

**(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)**

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

#### ***IAS 19 Employee Benefits***

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

#### ***Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures***

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

#### ***Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012***

- Amendments to IAS 16 *Property, Plant and Equipment*;
- Amendments to IAS 32 *Financial Instruments: Presentation*;
- Amendments to IAS 34 *Interim Financial Reporting*.

#### **Amendments to IAS 16**

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the Company's financial statements.

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

## **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont’d)**

### **2.4 Adoption of New and Revised International Financial Reporting Standards (Cont’d)**

#### **(b) New and Revised IFRSs applied with no material effect on the financial statements**

##### Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The amendments to IAS 32 did not have a significant effect on the Company’s financial statements.

##### Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the Company’s financial statements.

#### **(c) New and Revised IFRSs affecting presentation and disclosure**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i> <sup>2</sup>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015.

### **2.5 Summary of Significant Accounting Policies**

#### **(a) Revenue**

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

A proportion of factoring invoice total obtained constitutes commission income.

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

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



## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

## **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)**

### **2.5 Summary of Significant Accounting Policies (Cont'd)**

#### **(b) *Financial Instruments***

##### Financial Assets

All financial assets are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value and recognized or derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

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

##### Effective interest method

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

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

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

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

Credit linked notes are classified as financial assets held for trading and measured at fair value, with changes in fair value recognised in profit or loss. They are measured at amortized cost when their fair value cannot be reliably measured. Amortized cost is calculated using effective interest rate method.

##### Held to maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

##### Available- for- sale financial assets

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

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont’d)

##### 2.5 Summary of Significant Accounting Policies (Cont’d)

###### (b) *Financial Instruments (Cont’d)*

###### Financial Assets (Cont’d)

###### Available-for-sale financial assets (Cont’d)

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the prevailing rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

###### 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. Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

Specific and general provisions are allocated on factoring receivables in accordance with the regulation on “The Application of Uniform Chart of Accounts and its Guide Book in Connection to the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 with no 28861.

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

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

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

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.5 Summary of Significant Accounting Policies (Cont'd)

#### (b) *Financial Instruments (Cont'd)*

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. The carrying value of these assets approximates their fair value.

#### Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are designated as held for trading and resulting gain or loss is recognized in profit or loss immediately as the derivatives do not meet the criteria for hedge accounting despite they provide economic hedge.

#### Financial Liabilities

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

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

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

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

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

#### Other financial liabilities

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

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of financial liability, or, where appropriate, a shorter period.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont’d)

### 2.5 Summary of Significant Accounting Policies (Cont’d)

#### (c) *Tangible Assets and Amortization*

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

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

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

#### (d) *Intangible Assets*

##### Intangible Fixed Assets Acquired

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

##### Computer Software

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

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

#### (e) *Impairment of Assets*

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

#### (f) *Capital Increase*

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

#### (g) *Retirement Pay Provision*

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”). The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

##### 2.5 Summary of Significant Accounting Policies (Cont'd)

###### (h) *Provisions, Contingent Liabilities and Contingent Assets*

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

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

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

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

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

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

###### (j) *Effects of Changes in Exchange Rates:*

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

The foreign currency exchange rates used by the Company as of 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
USD	2,1343	1,7826
EURO	2,9365	2,3517
GBP	3,5114	2,8708

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

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

#### **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)**

##### **2.5 Summary of Significant Accounting Policies (Cont'd)**

###### **(k) Earnings per Share:**

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

###### **(l) Subsequent Events:**

Events after 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 balance sheet date occurred subsequent to an announcement on the Company's profit or following any financial information disclosed to public.

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

###### **(m) Finance Lease:**

Lease- The Company as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged to the profit or loss in accordance with the Company's general policy on borrowing costs as detailed above.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

###### **(n) Segmental Information:**

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

###### **(o) Taxation on Income:**

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.

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

#### **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)**

##### **2.5 Summary of Significant Accounting Policies (Cont'd)**

###### **(o) Taxation on Income (Cont'd):**

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

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

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

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

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

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

##### 2.5 Summary of Significant Accounting Policies (Cont'd)

###### (p) Statement of Cash Flows

In 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 (direct investments 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.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash and Cash equivalents	2	1
Banks	45.166	107.854
-	<u>45.168</u>	<u>107.855</u>

#### 3 CASH AND CASH EQUIVALENTS

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Cash and Cash equivalents	1	1	1	-
	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>

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

##### 4.1 Financial Assets Held for Trading

Details of the Company's credit linked notes that are classified as financial assets held for trading as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Turkish Corporate Bonds	-	-	-	1.984
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.984</u>

	<u>31 December 2013</u>			
	<u>Carrying Amount</u>	<u>Nominal</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>
<u>Turkish Corporate Bonds</u>				
USD	-	-	-	-
	<u>-</u>	<u>-</u>		



## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net) (Cont'd)

##### 4.1 Financial Assets Held for Trading (Cont'd)

	31 December 2012			
	<u>Carrying Amount</u>	<u>Nominal</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>
<i>Turkish Corporate Bonds</i>				
USD	1.984	1.981	2,32	04.01.2013
	<b>1.984</b>	<b>1.981</b>		

##### 4.2 Derivative Financial Assets Held for Trading

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

Details of derivative financial assets held for trading that arise from currency swap buy-sell agreements as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Derivative Financial Assets				
Held for Trading	359	7	226	51
	<b>359</b>	<b>7</b>	<b>226</b>	<b>51</b>

##### 4.3 Derivative Financial Liabilities Held for Trading

Details of derivative financial liabilities held for trading that arise from currency swap buy-sell agreements as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Derivative financial liabilities				
held for trading	24.592	1	2	38
	<b>24.592</b>	<b>1</b>	<b>2</b>	<b>38</b>

#### 5 BANKS

Details of banks as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Demand deposits	1.166	1.314	2.506	2.996
Time deposits	-	42.689	100.471	2.352
	<b>1.166</b>	<b>44.003</b>	<b>102.977</b>	<b>5.348</b>

There is no restriction on bank deposits as at 31 December 2013 and 31 December 2012.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 5 BANKS (Cont'd)

The bank balances, excluding income accruals, with original maturities shorter than 3 months which form the basis of cash flows statement is TL 45.166 as of 31 December 2013 (31 December 2012: TL 107.854 ).

#### 6 FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are composed of unquoted equity share investments and public debt securities held as collateral as of 31 December 2013 and 31 December 2012. These investments are stated at their acquisition cost in the accompanying financial statements as the fair values of these investments cannot be reliably measured.

	31 December 2013		31 December 2012	
	Carrying Value	Share Percentage %	Carrying Value	Share Percentage %
<i><u>Investments in shares</u></i>	TL	FC	TL	FC
International Factors Group SC	-	2	-	2
	-	2	-	2

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

#### 7 FACTORING RECEIVABLES AND PAYABLES

##### *Factoring Receivables*

Details of factoring receivables as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Domestic and import factoring receivables	1.572.798	304.762	1.550.350	250.751
Export factoring receivables	-	121.746	-	37.859
Unearned interest income	(12.618)	(139)	(11.177)	(73)
<b>Factoring receivables, net</b>	<b>1.560.180</b>	<b>426.369</b>	<b>1.539.173</b>	<b>288.537</b>

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**7 FACTORING RECEIVABLES AND PAYABLES (Cont'd)***Factoring Receivables (Cont'd)*

The amount of past due but not impaired receivables of the Company is TL 9.304 Thousand (31 December 2012: 9.610 Thousand):

	<u>31 December 2013</u>	<u>31 December 2012</u>
Overdue for 1 month	9.060	8.993
Overdue for 1-3 months	244	617
	<b>9.304</b>	<b>9.610</b>

*Factoring Payables*

Details of short term factoring payables as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Factoring payables	835	2.107	404	2.493
	<b>835</b>	<b>2.107</b>	<b>404</b>	<b>2.493</b>

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

**8 NON-PERFORMING RECEIVABLES**

Details of the Company's non-performing factoring receivables and the provisions allocated for them as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Non-performing factoring receivables	38.870	-	26.583	-
Specific provisions	(30.629)	-	(19.809)	-
<b>Non-performing receivables, net</b>	<b>8.241</b>	<b>-</b>	<b>6.774</b>	<b>-</b>

Aging of non-performing factoring receivables and specific provision allocated for them as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Total non - performing factoring receivables</u>	<u>Provision</u>	<u>Total non - performing factoring receivables</u>	<u>Provision</u>
Overdue up to 90 days	2.390	567	1.063	213
Overdue for 91-180 days	2.957	591	3.175	635
Overdue for 181-365 days	5.753	2.876	4.447	2.238
Overdue for 1 year and over	27.770	26.595	17.898	16.723
<b>Total</b>	<b>38.870</b>	<b>30.629</b>	<b>26.583</b>	<b>19.809</b>

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 8 NON-PERFORMING RECEIVABLES (cont'd)

Amount of collaterals received for non-performing factoring receivables capped with the exposure is TL 1.175 thousand (31 December 2012: TL 1.175 thousand).

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Balance as at 1 January	19.809	13.287
Provision provided for the period (*)	11.062	6.713
Collections during the period (**)	(242)	(191)
<b>Balance at the end of the year</b>	<b>30.629</b>	<b>19.809</b>

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

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

#### 9 TANGIBLE ASSETS

The movement of tangible assets for the period ended as at 31 December 2013 is as follows:

	<u>1 January 2013</u>	<u>Additions</u>	<u>Transfers(*)</u>	<u>Disposals</u>	<u>31 December 2013</u>
<b>Acquisition Cost</b>					
Furniture and fixtures	2.656	121	-	-	2.777
Vehicles	19	-	-	-	19
Leasehold improvements	1.119	28	-	-	1.147
	<b>3.794</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>3.943</b>
<b>Accumulated Depreciation</b>		<b>Charge for the period</b>	<b>Transfers</b>	<b>Disposals</b>	<b>31 December 2013</b>
Furniture and fixture	1.926	301	-	-	2.227
Vehicles	13	4	-	-	17
Leasehold improvements	983	28	-	-	1.011
	<b>2.922</b>	<b>333</b>	<b>-</b>	<b>-</b>	<b>3.255</b>
<b>Net book value</b>	<b>872</b>				<b>688</b>

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**9 TANGIBLE ASSETS (cont'd)**

The movement of tangible assets for the period ended as at 31 December 2012 is as follows:

	<u>1 January 2012</u>	<u>Additions</u>	<u>Transfers (*)</u>	<u>Disposals</u>	<u>31 December 2012</u>
<b>Acquisition Cost</b>					
Furniture and fixtures	3.618	148	(1.110)	-	2.656
Vehicles	19	-	-	-	19
Leasehold improvements	1.108	12	(1)	-	1.119
	<b>4.745</b>	<b>160</b>	<b>(1.111)</b>	<b>-</b>	<b>3.794</b>
<b>Accumulated Depreciation</b>	<u>1 January 2012</u>	<u>Charge for the period</u>	<u>Transfers</u>	<u>Disposals</u>	<u>31 December 2012</u>
Furniture and fixture	2.650	360	(1.084)	-	1.926
Vehicles	8	4	1	-	13
Leasehold improvements	943	32	8	-	983
	<b>3.601</b>	<b>396</b>	<b>(1.075)</b>	<b>-</b>	<b>2.922</b>
<b>Net book value</b>	<b>1.144</b>				<b>872</b>

(\*) Transfers refer to the reclassifications and corrections made by the Company, after revisiting its tangible assets and the relevant accounting records during the period. As the net effect of these corrections on income / expenses accounts is TL 269 thousand loss and therefore is not material on the overall financial statements, it is presented in the current period income statement.

As of 31 December 2013 the insurance on tangible assets amounts to TL 1.437 thousand (31 December 2012: TL 1.390 thousand) and the insurance premium amounts to TL 4 thousand (31 December 2012: TL 3 thousand).

	<u>Useful lives</u>
Vehicles	5
Furniture and fixture	3-15
Leasehold improvements	3-10

**10 INTANGIBLE ASSETS**

The movement of intangible assets for the period ended as of 31 December 2013 is as follows:

	<u>1 January 2013</u>	<u>Additions</u>	<u>Transfers (*)</u>	<u>Disposals</u>	<u>31 December 2013</u>
<b>Acquisition Cost</b>					
Rights	3.076	-	-	-	3.076
Other (Software)	2.471	1.987	-	-	4.458
	<b>5.547</b>	<b>1.987</b>	<b>-</b>	<b>-</b>	<b>7.534</b>
<b>Accumulated Amortization</b>	<u>1 January 2013</u>	<u>Charge for the period</u>	<u>Transfers</u>	<u>Disposals</u>	<u>31 December 2013</u>
Rights	2.793	219	-	-	3.012
Other ( Software)	1.212	896	-	-	2.108
	<b>4.005</b>	<b>1.115</b>	<b>-</b>	<b>-</b>	<b>5.120</b>
<b>Net book value</b>	<b>1.542</b>				<b>2.414</b>

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 10 INTANGIBLE ASSETS (cont'd)

The movement of intangible assets for the period ended as of 31 December 2013 is as follows:

	1 January 2012	Additions	Transfers (*)	Disposals	31 December 2012
<b>Acquisition Cost</b>					
Rights	3.072	-	4	-	3.076
Other (Software)	1.287	1.176	8	-	2.471
	<b>4.359</b>	<b>1.176</b>	<b>12</b>	<b>-</b>	<b>5.547</b>
<b>Accumulated Amortization</b>					
	1 January 2012	Charge for the period	Transfers	Disposals	31 December 2012
Rights	1.673	412	709	-	2.793
Other ( Software)	1.276	400	(464)	-	1.212
	<b>2.949</b>	<b>812</b>	<b>245</b>	<b>-</b>	<b>4.005</b>
<b>Net book value</b>	<b>1.410</b>				<b>1.542</b>

(\*) Please refer to Note 9

The Company does not have internally generated intangible asset as at 31 December 2013 and 31 December 2012.

	<u>Useful lives</u>
Rights	3-5
Other	3-5

#### 11 TAX ASSETS AND LIABILITIES

##### Corporate Tax

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting exempt income and other non-taxable income (carried forward losses if available and investment incentives if preferred).

The effective tax rate in 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax is calculated as 20% of the income in the year 2013 (2012: 20%)

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4. month of the tax year for the tax responsables who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 11 TAX ASSETS AND LIABILITIES (Cont'd)

##### 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.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Reconciliation of tax charge	<u>31 December 2013</u>	<u>31 December 2012</u>
Reported profit before taxation	19.163	25.582
Calculated taxation on reported profit	(3.833)	(5.116)
Permanent differences:		
Non-deductible expenses	(30)	(59)
Other non-taxable income	2	57
Reversal of overaccrual of prior year tax provision	-	(4)
<b>Tax Charge</b>	<b>(3.861)</b>	<b>(5.122)</b>

The corporate tax payable as at 31 December 2013 and 31 December 2012 is as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Corporate tax provision	11.194	7.359
Advance taxes	(6.767)	(5.399)
Withholding income taxes	(92)	(13)
<b>Corporate Tax Payable</b>	<b>4.335</b>	<b>1.947</b>

The tax charge in the income statement for the period ended as at 31 December 2013 and 31 December 2012 is as summarized below:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Current tax charge	(11.194)	(7.359)
Reversal of overaccrual of prior year tax provision	40	21
Deferred tax charge/(benefit)	7.293	2.216
	<b>(3.861)</b>	<b>(5.122)</b>

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 11 TAX ASSETS AND LIABILITIES (Cont'd)

The effective corporate tax rate is 20% as at 31 December 2013 (31 December 2012: 20%). The Company calculates deferred tax assets and liabilities according to the balance sheet liability method on the temporary differences that will be utilized using the rate 20%.

Breakdown of temporary differences and deferred tax assets and liabilities that are calculated by using current tax rates as at 31 December 2013, 31 December 2012 are as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
<b><u>Temporary Differences</u></b>		
Unearned factoring interest income	12.757	11.250
Factoring receivable provisions and adjustments	28.188	17.457
Deferred commissions	2.543	3.213
Retirement pay provision	823	210
Unused vacation accrual	750	615
Valuation differences of derivative financial assets	24.593	40
Premium pay provision	601	890
Valuation differences of time deposits	-	1
Valuation differences of factoring receivables	99	28
Other provisions	411	-
<b><i>Temporary differences related to deferred tax assets</i></b>	<b>70.765</b>	<b>33.704</b>
Temporary differences of derivative financial assets	366	277
Temporary differences on tangible and intangible assets	852	662
Valuation differences of funds borrowed	29	50
Valuation differences of bonds	27	-
<b><i>Temporary differences related to deferred tax liabilities</i></b>	<b>1.274</b>	<b>989</b>
<b><u>Deferred tax assets / (liabilities)</u></b>		
Unearned factoring interest income	2.551	2.250
Factoring receivable provisions and adjustments	5.637	3.491
Deferred commissions	509	643
Retirement pay provision	165	42
Unused vacation accrual	150	123
Valuation differences of derivative financial assets	4.919	8
Premium pay provision	120	178
Valuation differences of time deposits	-	-
Valuation differences of factoring receivables	20	6
Other provisions	82	-
<b><i>Deferred tax assets</i></b>	<b>14.153</b>	<b>6.741</b>
Temporary differences of derivative financial assets	(73)	(55)
Temporary differences on tangible and intangible assets	(170)	(132)
Valuation differences of funds borrowed	(6)	(10)
Valuation differences of bonds	(5)	-
<b><i>Deferred tax liabilities</i></b>	<b>(254)</b>	<b>(197)</b>
<b>Deferred tax assets (net)</b>	<b>13.899</b>	<b>6.544</b>



**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**11 TAX ASSETS AND LIABILITIES (Cont'd)**

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

	<u>1 January - 31 December 2013</u>	<u>1 January - 31 December 2012</u>
1 January	6.544	4.328
Deferred tax income/ (expense)	7.293	2.216
Deferred tax recognized in other comprehensive income	62	-
<b>Balance at the end of the period</b>	<b>13.899</b>	<b>6.544</b>

**12 OTHER ASSETS**

Details of other assets as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	TL	FC	TL	FC
Receivables related with court expenses	1.228	-	501	-
Other	156	-	84	164
	<b>1.384</b>	<b>-</b>	<b>585</b>	<b>164</b>

**13 FUNDS BORROWED**

Details of funds borrowed as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	TL	FC	TL	FC
Funds Borrowed	1.404.882	209.355	1.418.443	419.015
	<b>1.404.882</b>	<b>209.355</b>	<b>1.418.443</b>	<b>419.015</b>

	<u>31 December 2013</u>				<u>31 December 2012</u>			
	Original Amount	Interest Rate	TL Equivalent		Original Amount	Interest Rate	TL Equivalent	
		(%)*	Up to 1 Year	1 Year and over		(%)	Up to 1 Year	1 Year and over
TL	1.404.882	8,65-13,12	1.404.882	-	1.418.443	6,44-15,00	1.418.443	-
USD	75.488	2,94-3,94	161.115	-	133.624	3,07-5,90	238.197	-
EURO	16.428	1,73-3,15	48.240	-	76.888	4,20-5,51	180.818	-
<b>Total</b>			<b>1.614.237</b>	<b>-</b>			<b>1.837.458</b>	<b>-</b>

\* These rates represent the interest rate range of outstanding funds borrowed with fixed and floating rates as at 31 December 2013 and 31 December 2012.

There is no guarantee given for the funds borrowed as at 31 December 2013 and 31 December 2012.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 14 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
<b><i>Bills</i></b>				
Nominal	296.486	-	-	-
Cost	283.514	-	-	-
<b>Carrying Value</b>	<b>284.854</b>	-	-	-

The Company issued discounted bills for qualified investors, on 10 December 2013 and 27 December 2013, with nominal values of TL 236.486 thousand and TL 60.000 thousand, bearing interest rates of 9,348% and 9,518% and with the maturities of 6 June 2014 and 23 June 2014, respectively.

#### 15 SUNDRY CREDITORS AND OTHER LIABILITIES

Details of sundry creditors as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Deferred commissions	2.543	-	3.213	-
Sundry creditors	383	24	304	15
Transitory liability accounts	357	838	378	383
	<b>3.283</b>	<b>862</b>	<b>3.895</b>	<b>398</b>
Guarantee payments to customers	-	88	-	113
<b>Other Liabilities</b>	-	<b>88</b>	-	<b>113</b>

#### 16 TAXES PAYABLE

Details of taxes payable and liabilities as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Income tax payable	517	-	450	-
Social security premiums payable	311	-	269	-
Stamp tax payable	16	-	11	-
V.A.T payable	13	-	20	-
Banking and Insurance Transactions Tax (BITT) payable	676	-	638	-
	<b>1.533</b>	-	<b>1.388</b>	-

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 17 PROVISIONS

Details of provisions as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Provision for employee benefits	2.174	-	1.715	-
Provision provided for postdated cheques	59	-	149	-
Other provisions	627	-	216	-
	<b>2.860</b>	<b>-</b>	<b>2.080</b>	<b>-</b>

#### 17.1 Provision for Employee Benefits

Provision for employee benefits as of 31 December 2013, include retirement pay provision amounting to TL 832 thousand (31 December 2012: TL 210 thousand), unused vacation accrual amounting to TL 750 thousand (31 December 2012: TL 615 thousand) and personnel bonus accrual amounting to TL 601 thousand (31 December 2012: TL 890 thousand).

##### *Retirement Pay Provision*

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. 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 payable consists of one month's salary limited to a maximum of TL 3.438,22 (full) for each period of service as of 31 December 2013 (31 December 2012: TL 3.033,98 (full)).

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2013, 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 6,20% and a discount rate of 9,56%, resulting in a real discount rate of approximately 3,36 %. (31 December 2012: inflation rate of between 4,90%-5,00% , discount rate of between 7,07%-7,38%, real discount rate of approximately 1,975%). The company, effective from 1 July 2013 the calculation of retirement pay provision for the TL 3.354,44 (full) ceiling amount has taken into consideration (31 December 2012: TL 3.129,25 (full) ceiling amount has taken into consideration announced on 1 January 2013).

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

	31 December 2013	31 December 2012
<b>Net liability/asset at the beginning of the period</b>	<b>210</b>	<b>145</b>
Severance indemnity paid in the period	(138)	(90)
Retirement provision recognized under income statement	442	140
Actuarial gain/loss recognized under other comprehensive income/expense	309	15
<b>Net liability/asset at the end of period</b>	<b>823</b>	<b>210</b>

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 17 PROVISIONS (Cont'd)

##### *Personnel Bonus Accrual*

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

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
<b>Balance at 1 January</b>	<b>890</b>	-
Paid in the period	(1.883)	-
Reversal	(101)	-
Accrual for the period	1.695	890
<b>Balance at the end of the period</b>	<b>601</b>	<b>890</b>

##### *Unused Vacation Accrual*

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

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
<b>Balance at 1 January</b>	<b>615</b>	<b>583</b>
Paid in the period	(79)	(72)
Reversal	-	(109)
Accrual for the period	214	213
<b>Balance at the end of the period</b>	<b>750</b>	<b>615</b>

#### 17.2 Other Provisions

##### *Provisions provided for postdate cheques*

Movement of provision provided for post date cheques during the period is as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
<b>Balance at 1 January</b>	<b>149</b>	-
Reversal	(134)	-
Provision provided for the period (*)	44	149
<b>Balance at the end of the period</b>	<b>59</b>	<b>149</b>

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

##### *Other Provisions*

As of 31 December 2013, other provisions amounting to TL 627 thousand is provided for ongoing lawsuits and fines (31 December 2012: TL 216 thousand).

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 17 PROVISIONS (Cont'd)

##### 17.2 Other Provisions (Cont'd)

The movement of other provisions during the period is as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Balance at 1 January	216	500
Paid in the period	-	(284)
Provision provided for the period	411	-
<b>Balance at the end of the period</b>	<b>627</b>	<b>216</b>

#### 18 SHAREHOLDERS' EQUITY

##### 18.1 Paid-in Capital

As of 31 December 2013, the Company's share capital amounts to TL 79.500 thousand (31 December 2012: TL 21.000 thousand). As at 31 December 2013 the Company has 7.950.000 (31 December 2012: 2.100.000.000) 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=0,01 TL) 1 each (31 December 2012: Kr 1).

The Company applied to Capital Markets Board on 21 May 2013 to increase its issued capital from TL 21.000 to TL 79.500 by adding positive differences of capital inflation adjustment, special funds arising from the gain on sale of equity participations and extraordinary reserves, by the decision of the Board of Directors dated May 3, 2013 and the decision no:2013/035, as per the article 6 of the Company's articles of association. Permission was granted on 15 August 2013 with the decision of Capital Markets Board, no 28/949. Non-cash capital increase by 278,57% started on 22 August 2013 and ended on 26 August 2013.

The inflation adjustments to all shareholders' equity items can be only available for and used in the bonus share issue or loss offsetting, while carrying amount of extraordinary reserves can only be used in the bonus share issue, profit distribution in cash or loss offsetting.

##### 18.2 Capital Reserves

As of 31 December 2013, the firm does not have any capital reserves. (31 December 2012: TL 24.844, includes capital reserves from inflation adjustments to paid-in capital amounting to TL 2.122 thousand, TL 22.722 thousand tangible and intangible assets revaluation differences.)

##### 18.3 Other Comprehensive Income or Expense

As of 31 December 2013, TL 247 thousand (31 December 2012: None) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss.

##### 18.4 Profit Reserves

The Company's profit reserves comprise of the legal reserves amounting to TL 4.198 thousand (31 December 2012: TL 3.286 thousand) and extraordinary reserves amounting to TL 21.313 thousand (31 December 2012: TL 35.421) as of 31 December 2013.

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**18 SHAREHOLDERS' EQUITY (Cont'd)****18.5 Profit Distribution (Cont'd)**

<b>2012 PROFIT DISTRIBUTION TABLE</b>	
<b>2012 Profit</b>	<b>20.460</b>
A- 1. Legal reserves (Turkish Commercial Code 466/1) at 5 % (*)	912
Special Reserves (Article 5 of the 5520 Act KV 1 / e subparagraph, sales gains are exempt from tax and other funds that is compulsory to leave in company.)	-
B- First dividend at 5% of the paid-in-capital	-
Extraordinary reserves at 5% after above deductions	-
D- Second dividend to shareholders	-
E- Extraordinary reserves	19.548

(\*) Deferred tax benefit of TL 2.216 in year 2012, has not been included in the profit distribution.

**19 OPERATING INCOME**

The details of operating income for the periods ended as of 31 December 2013 and 31 December 2012 are as follows:

	<b>1 January- 31 December 2013</b>	<b>1 January- 31 December 2012</b>
Factoring interest income	112.351	122.769
Factoring commission income (net)	22.441	21.829
	<b>134.792</b>	<b>144.598</b>

**20 FINANCE EXPENSES**

The details of finance expenses for the periods ended as of 31 December 2013 and 31 December 2012 are as follows:

	<b>1 January- 31 December 2013</b>	<b>1 January- 31 December 2012</b>
Interest expenses on funds borrowed	84.047	84.378
Fees and commissions paid	447	1.088
Interest expenses on marketable securities issued	1.341	-
Other interest expenses	4	1
	<b>85.839</b>	<b>85.467</b>

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**21 OPERATING EXPENSES**

The details of operating expenses for the periods ended as of 31 December 2013 and 31 December 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Personnel expenses	21.466	20.233
Customer referral commission expenses	3.853	3.500
Vehicle expenses	2.087	1.894
Taxes and duties	1.788	1.757
Rent expenses	1.540	1.350
Depreciation and amortization charges	1.448	1.208
Data processing maintenance and contract expenses	908	906
Communication expenses	796	889
Consultancy expenses	603	474
Subscription expenses	442	365
Maintenance and repair expenses	750	171
Retirement pay provision	442	176
Travel expenses	172	182
Representation expenses	360	235
Case expenses	192	16
Non-deductible expenses	15	23
Other	405	1.172
	<u>37.267</u>	<u>34.551</u>

The details of personnel expenses classified under operating expenses for the years ended as at 31 December 2013 and 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Salaries and wages	15.127	13.929
Bonuses	1.695	2.191
Social security premium employer's share	1.728	1.496
Personnel food expenses	663	717
Personnel transportation expenses	561	503
Insurance expenses	436	380
Unemployment insurance employer's share	222	180
Other	1.034	837
	<u>21.466</u>	<u>20.233</u>

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 22 OTHER OPERATING INCOME

The details of other operating income for the periods ended as at 31 December 2013 and 31 December 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Foreign exchange gains	136.271	42.866
Interest income on bank deposits	4.293	4.460
Income on derivative financial transactions	9.848	27.002
Interest income on marketable securities	-	228
Other	487	596
	<u>150.899</u>	<u>75.152</u>

Foreign exchange gains in 2013 includes TL 34.252 thousand foreign exchange differences on foreign currency indexed factoring receivables. (2012: TL 4.578 thousand)

#### 23 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

The details of provision for non-performing receivables for the periods ended as of 31 December 2013 and 31 December 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Specific provision expenses	11.062	6.713
	<u>11.062</u>	<u>6.713</u>

#### 24 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended as at 31 December 2013 and 31 December 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Foreign exchange losses	106.138	42.172
Losses on derivative financial transactions	25.769	25.116
Other provision expenses	-	-
Other	453	149
	<u>132.360</u>	<u>67.437</u>



**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**25 EARNINGS PER SHARE**

Calculation of earnings per share for the periods ended as of 31 December 2013 and 31 December 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Net profit/(loss) for the period	15.302	20.460
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
<b><u>Earnings per thousand shares (KR)</u></b>	<b>192,48</b>	<b>257,36</b>

**26 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS**

The details of receivables and payables due from and due to related parties as of 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	TL	FC	TL	FC
<b>Bank balances</b>				
Türkiye Garanti Bankası A.Ş.	745	458	2.252	356
Demand deposits	745	458	2.252	356
Garantibank International NV	3	11	2	9
Demand deposits	3	11	2	9
	<b>748</b>	<b>469</b>	<b>2.254</b>	<b>365</b>

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as of 31 December 2013 is TL 574.194 thousand (31 December 2012: TL 502.257 thousand).

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	TL	FC	TL	FC
<b>Factoring receivables</b>				
Doğuş Yayın Grubu AŞ	-	-	1	-
Arena Giyim Sanayi ve Ticaret A.Ş.	-	-	1.372	-
	-	-	<b>1.373</b>	<b>-</b>

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	TL	FC	TL	FC
<b>Loans borrowed</b>				
Türkiye Garanti Bankası AŞ	300.299	-	69.025	-
Garantibank International NV	-	85.997	100.361	51.572
	<b>300.299</b>	<b>85.997</b>	<b>169.386</b>	<b>51.572</b>

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

**26 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)**

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
<b>Sundry creditors</b>				
Garanti Finansal Kiralama AŞ	50	-	31	-
Türkiye Garanti Bankası AŞ	15	-	15	-
Garanti Emeklilik AŞ	-	11	-	8
Garanti Filo Yönetimi AŞ	5	-	41	-
Antur Turizm AŞ	14	-	19	-
	<b>84</b>	<b>11</b>	<b>106</b>	<b>8</b>

The Company has made purchases amounting to TL 1.992 thousand from Garanti Bilişim Teknolojisi ve Ticaret A.Ş for the period ended 31 December 2013 (31 December 2012: TL 913 thousand).

Income and expenses from related parties for the periods ended as of 31 December 2013 and 31 December 2012 are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
<b>Interest income from factoring receivables</b>		
Doğuş Yayın Grubu AŞ	-	4.659
Arena Giyim Sanayi ve Ticaret A.Ş.	26	29
	<b>26</b>	<b>4.688</b>
<b>Interest income on bank deposits</b>		
Türkiye Garanti Bankası AŞ	2.091	966
	<b>2.091</b>	<b>966</b>
<b>Commission income from factoring receivables</b>		
Doğuş Yayın Grubu AŞ	52	1.808
Işıl Televizyon Yayıncılık AŞ	-	21
Arena Giyim Sanayi ve Ticaret A.Ş.	1	2
	<b>53</b>	<b>1.831</b>
<b>Interest expenses on funds borrowed</b>		
Türkiye Garanti Bankası AŞ	1.270	367
Garanti Bank International NV	6.649	18.832
	<b>7.919</b>	<b>19.199</b>
<b>Fees and commissions given</b>		
Türkiye Garanti Bankası AŞ	330	218
Garanti Yatırım Menkul Kıymetler AŞ	61	5
	<b>391</b>	<b>223</b>

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 26 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

<i>General Administrative Expenses</i>	<b>1 January- 31 December 2013</b>	<b>1 January- 31 December 2012</b>
Türkiye Garanti Bankası AŞ ( <i>Customer referral commission expenses, rent expenses, IT maintenance and contract expenses</i> )	5.005	3.963
Garanti Filo Yönetim Hizmetler AŞ ( <i>Car rental expenses</i> )	1.223	1.126
Garanti Bilişim Teknolojisi ve Ticaret AŞ ( <i>Data processing expenses</i> )	2	769
Antur Turizm AŞ ( <i>Traveling expenses</i> )	172	89
Doğuş Oto Pazarlama ve Ticaret AŞ ( <i>Car expenses</i> )	-	1
Garanti Finansal Kiralama AŞ ( <i>Office rent expenses, medical expenses</i> )	545	498
Garanti Emeklilik ve Hayat AŞ ( <i>Insurance expenses</i> )	41	42
	<b>6.988</b>	<b>6.488</b>

#### Salary and other benefits provided to top management:

The amount of salary and other benefits provided to the key management by the Company for the period ended as of 31 December 2013 is TL 3.158 thousand (31 December 2012: TL 2.623 thousand).

#### 27 CONTINGENT ASSETS AND LIABILITIES

##### 27.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 31 December 2013 and 31 December 2012 is as follows:

	<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Finance notes	-	1.478.299	-	1.098.508
Mortgage	33.500	-	33.850	-
Chattel mortgage	3.515	-	-	-
Letters of guarantee	60	55.161	60	32.016
	<b>37.075</b>	<b>1.533.460</b>	<b>33.910</b>	<b>1.130.524</b>

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 27 CONTINGENT ASSETS AND LIABILITIES (Cont'd)

##### 27.2 Guarantees Given

Guarantees given as at 31 December 2013 and 31 December 2012 consist of letters of guarantee given to the institutions below:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Law courts	2.751	-	1.141	-
Other	7	-	7	-
	<b>2.758</b>	<b>-</b>	<b>1.148</b>	<b>-</b>

##### 27.3 Commitments

TL equivalent of nominal values of commitments given related to credit linked notes (Please refer to Note 4) as at 31 December 2013 is as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Commitments given related to the Credit Linked Notes	-	-	-	1.981
Foreign exchange buy-sell commitments	2.826	2.830	3.415	3.586
	<b>2.826</b>	<b>2.830</b>	<b>3.415</b>	<b>5.567</b>

##### 27.4 Derivative Agreements

The details of derivative agreements as at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Currency swap buy transactions	552.902	1.851	90.845	43.036
Currency swap sell transactions	-	571.304	-	133.554
Interest swap buy transactions	-	-	-	31.748
Interest swap sell transactions	-	-	-	31.748
	<b>552.902</b>	<b>573.155</b>	<b>90.845</b>	<b>240.086</b>

##### 27.5 Safety Securities

The details of cheques and notes in collection as at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Cheque receivable in collection	496.371	100.489	446.762	67.141
Notes receivable in collection	8.952	9.882	5.387	9.723
	<b>505.323</b>	<b>110.371</b>	<b>452.149</b>	<b>76.864</b>

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

## **28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**

### **28.1 Financial Risk Management Purposes and Policies**

The Company is exposed to various risks during its operations:

Credit Risk

Liquidity Risk

Market Risk

The purpose of this note is to give information about the Company's objectives, policies and processes for the management of above risks when exposed to these risks.

The Company's Board of Directors is broadly responsible for the determination of the risk management framework and supervision activities.

The Company's risk management policies are constituted for identifying and analyzing the risks that the Company can be exposed to. Risk management policies' objective is to comprise suitable risk limit controls, monitoring the risks and keeping to the limits for the Company's risks. The Company helps its personnel to understand their roles and responsibilities by providing disciplined and positive control environment with various training and management standards and processes.

#### *28.1.1 Credit Risk*

The Company is subject to credit risk through its factoring operations. The Risk Management and Analysis Department of the Company is responsible to manage the credit risk. Changing business climate, economical circumstances, political and economical developments, changes in the regulations, Company's competitiveness in its sector, technological changes, features of the products and changes in the competition level, payment performance of debtors and credibility of debtors and guarantors and probable changes in their payment capacity are monitored. The Company requires a certain amount of collateral in respect of its financial assets. The Company management developed controls for early phases of credit approval and credit risk monitoring and management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not enter into factoring transaction with the firms which do not meet the predetermined criteria for credit approval. Credit evaluations are performed on all customers by Credit Risk Committee based on their authorization limits. Credit Risk Committee meets every week regularly and performs credit evaluations.

As at the balance sheet date, there were no significant industry or geographical concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### *28.1.2 Liquidity Risk*

Liquidity risk arises in the general funding of the Company's activities. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. In order to generate advance risk signals, both the Company's financial position and indicators for Turkish Capital Markets are evaluated with macroeconomical inputs and global market indicators, and monitored accordingly. Weight of funding sources, such as borrowings and bills in liabilities, counterparty concentrations by transaction volume and their maturity structure are followed. The Company's funding costs are monitored based on foreign currencies considering also their indicative interest rates.

#### *28.1.3 Market Risk*

All held for trading financial instruments are exposed to market risk. Market risk is the risk that changes in market prices will decrease the value of a financial asset. All financial instruments are stated at fair value and the changes in market prices affect operating income of the Company.

## **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

#### **28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)**

##### **28.1 Financial Risk Management Purposes and Policies (Cont'd)**

###### **28.1.3 Market Risk (Cont'd)**

The Company hedges itself for the changing market conditions through held for trading financial instruments. Market risk is managed through derivatives within the limits approved by management and risk preventive positions are held.

###### *(i) Foreign Currency Risk*

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL. The Company uses derivative instruments to manage its exposure to foreign currency risk.

###### *(ii) Interest Rate Risk*

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. The Company is also exposed to interest rate risk due to its assets and liabilities with floating rates such as Euribor and repricing of them. Risk management activities are aimed at managing the interest gap between interest sensitive assets and liabilities.

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

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

**28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)**

**28.2 Explanations on Risk Management (cont'd)**

**28.2.1 Credit Risk**

31 December 2013	Factoring Receivables		Non-performing receivables		Other Assets			Derivative Financial Assets Held for Trading	Financial Assets Available for Sale	
	Related Party	Others	Related Party	Others	Related Party	Others	Financial Assets Held for Trading			
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	-	<b>1.986.549</b>	-	<b>8.241</b>	-	<b>1.384</b>	<b>45.169</b>	-	<b>366</b>	<b>2</b>
A. Carrying value of financial assets that are not past due nor impaired	-	1.977.245	-	-	-	1.384	45.169	-	366	2
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	-	9.304	-	-	-	-	-	-	-	-
- carrying value	-	9.304	-	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	8.241	-	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	38.870	-	-	-	-	-	-
- Impairment (-)	-	-	-	(30.629)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	1.175	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-

**GARANTI FAKTORING HİZMETLERİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)**

**28.2 Explanations on Risk Management (cont'd)**

**28.2.1 Credit Risk (Cont'd)**

31 December 2012	Factoring Receivables		Non-performing receivables		Other Assets		Derivative Financial Assets Held for Trading	Financial Assets Available for Sale		
	Related Party	Others	Related Party	Others	Related Party	Others				
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	<b>1.373</b>	<b>1.826.337</b>	<b>-</b>	<b>6.774</b>	<b>-</b>	<b>749</b>	<b>108.325</b>	<b>1.984</b>	<b>277</b>	<b>2</b>
A. Carrying value of financial assets that are not past due nor impaired	1.373	1.816.727	-	-	-	749	108.325	1.984	277	2
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	-	9.610	-	-	-	-	-	-	-	-
-carrying value	-	9.610	-	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	6.774	-	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	26.583	-	-	-	-	-	-
- Impairment (-)	-	-	-	(19.809)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	1.175	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-



**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

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

**28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)**

**28.2 Explanations on Risk Management (cont'd)**

**28.2.2 Liquidity Risk**

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

**31 December 2013**

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 Months</b>	<b>3-12 month</b>	<b>1-5 year</b>	<b>More than 5 years</b>
<b>Non-derivative financial liabilities</b>	<b>1.906.178</b>	<b>1.926.669</b>	<b>1.383.425</b>	<b>543.244</b>	<b>-</b>	<b>-</b>
Funds borrowed	1.614.237	1.622.916	1.376.338	246.578	-	-
Bonds issued	284.854	296.666	-	296.666	-	-
Factoring payables	2.942	2.942	2.942	-	-	-
Sundry creditors	4.145	4.145	4.145	-	-	-

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 Months</b>	<b>3-12 month</b>	<b>1-5 year</b>	<b>More than 5 years</b>
<b>Derivative financial liabilities and foreign exchange buy-sell commitments</b>	<b>(16.542)</b>	<b>(16.542)</b>	<b>(16.542)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative cash inflows	557.586	557.586	557.586	-	-	-
Derivative cash outflows	(574.128)	(574.128)	(574.128)	-	-	-

**31 December 2012**

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 Months</b>	<b>3-12 month</b>	<b>1-5 year</b>	<b>More than 5 years</b>
<b>Non-derivative financial liabilities</b>	<b>1.844.648</b>	<b>1.855.011</b>	<b>1.520.142</b>	<b>320.205</b>	<b>14.664</b>	<b>-</b>
Funds borrowed	1.837.458	1.847.821	1.512.952	320.205	14.664	-
Factoring payables	2.897	2.897	2.897	-	-	-
Sundry creditors	4.293	4.293	4.293	-	-	-

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Total Expected Cash Outflows</b>	<b>Less than 3 Months</b>	<b>3-12 month</b>	<b>1-5 year</b>	<b>More than 5 years</b>
<b>Derivative financial liabilities and foreign exchange buy-sell commitments</b>	<b>333</b>	<b>333</b>	<b>333</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative cash inflows	169.132	169.132	169.132	-	-	-
Derivative cash outflows	(168.799)	(168.799)	(168.799)	-	-	-

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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#### 28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

##### 28.2 Explanations on Risk Management (cont'd)

##### 28.2.3 Market Risk

###### *Foreign currency risk*

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/(long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2013 and 31 December 2012.

Foreign currency assets and liabilities as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013 (TL equivalent in thousands)	31 December 2012 (TL equivalent in thousands)
A. Foreign currency monetary assets	780.083	512.075
B. Foreign currency monetary liabilities	(212.412)	(422.019)
C. Derivative financial instruments (*)	(569.149)	(92.719)
<b>Net foreign currency position (A+B+C)</b>	<b>(1.478)</b>	<b>(2.663)</b>

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

**GARANTI FAKTORING HİZMETLERİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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**28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)**

**28.2 Explanations on Risk Management (cont'd)**

**28.2.3 Market Risk (Cont'd)**

*Foreign Currency Risk (Cont'd)*

The table below summarizes the Company's foreign currency position in detail as of 31 December 2013 and 31 December 2012. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

<b>31 December 2013</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalent	-	1	-	-	1
Banks	43.364	568	71	-	44.003
Financial assets available for sale	-	2	-	-	2
Factoring receivables (*)	443.607	289.561	2.909	-	736.077
<b>Total Assets</b>	<b>486.971</b>	<b>290.132</b>	<b>2.980</b>	<b>-</b>	<b>780.083</b>
<b>Liabilities</b>					
Funds borrowed	161.115	48.240	-	-	209.355
Factoring payables	200	1.874	33	-	2.107
Sundry creditors and other liabilities	29	921	-	-	950
<b>Total liabilities</b>	<b>161.344</b>	<b>51.035</b>	<b>33</b>	<b>-</b>	<b>212.412</b>
<b>Net foreign currency position</b>	<b>325.627</b>	<b>239.097</b>	<b>2.947</b>	<b>-</b>	<b>567.671</b>
Derivative financial instruments (**)	(334.563)	(233.181)	(1.405)	-	(569.149)
<b>Net position</b>	<b>(8.936)</b>	<b>5.916</b>	<b>1.542</b>	<b>-</b>	<b>(1.478)</b>

(\*)Includes the foreign currency indexed factoring receivables amounting to TL 309.708 thousand that are presented in TL column on the balance sheet.

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

**GARANTİ FAKTORİNG HİZMETLERİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013**

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

**28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)**

**28.2 Explanations on Risk Management (cont'd)**

*28.2.3 Market Risk (Cont'd)*

*Foreign Currency Risk (Cont'd)*

<b>31 December 2012</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Financial assets held for trading	1.984	-	-	-	1.984
Banks	663	3.940	745	-	5.348
Financial assets available for sale	-	2	-	-	2
Factoring receivables (*)	370.708	133.188	681	-	504.577
Other assets	48	99	17	-	164
<b>Total Assets</b>	<b>373.403</b>	<b>137.229</b>	<b>1.443</b>	<b>-</b>	<b>512.075</b>
<b>Liabilities</b>					
Funds borrowed	238.197	180.818	-	-	419.015
Factoring payables	624	986	883	-	2.493
Sundry creditors and other liabilities	42	458	11	-	511
<b>Total liabilities</b>	<b>238.863</b>	<b>182.262</b>	<b>894</b>	<b>-</b>	<b>422.019</b>
<b>Net foreign currency position</b>	<b>134.540</b>	<b>(45.033)</b>	<b>549</b>	<b>-</b>	<b>90.056</b>
Derivative financial instruments (**)	(135.688)	42.969	-	-	(92.719)
<b>Net position</b>	<b>(1.148)</b>	<b>(2.064)</b>	<b>549</b>	<b>-</b>	<b>(2.663)</b>

(\*)Includes the foreign currency indexed factoring receivables amounting to TL 216.040 thousand that are presented in TL column on the balance sheet.

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

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

##### 28.2 Explanations on Risk Management (cont'd)

##### 28.2.3 Market Risk (Cont'd)

###### Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies as of 31 December 2013 results with a decrease in profit before tax for the period amounting to TL 148 thousand (31 December 2012: TL 265 thousand decrease). This analysis is made with the assumption that the other variables were held constant as of 31 December 2013 and 31 December 2012.

<u>TL</u> <u>31 December 2013</u>	<u>Profit/(Loss)</u>
USD	(894)
EURO	592
GBP	154
<b>Total</b>	<b>(148)</b>

<u>TL</u> <u>31 December 2012</u>	<u>Profit/(Loss)</u>
USD	(115)
EURO	(205)
GBP	55
<b>Total</b>	<b>(265)</b>

###### Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>				<u>31 December 2012</u>			
	<u>USD</u> <u>(%)</u>	<u>EURO</u> <u>(%)</u>	<u>GBP</u> <u>(%)</u>	<u>TL</u> <u>(%)</u>	<u>USD</u> <u>(%)</u>	<u>EURO</u> <u>(%)</u>	<u>GBP</u> <u>(%)</u>	<u>TL</u> <u>(%)</u>
<b>Assets</b>								
Banks								
Time Deposit	2,70	-	-	-	-	-	-	-
Financial instruments held for trading	-	-	-	-	2,32	-	-	-
Financial instruments available for sale	-	-	-	-	-	-	-	-
Factoring receivables	4,70	4,70	6,00	12,10	5,71	5,64	6,21	9,19
<b>Liabilities</b>								
Marketable securities issued	-	-	-	9,38	-	-	-	-
Funds borrowed	3,69	3,04	-	10,45	4,52	4,51	-	7,28

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

## 28 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

### 28.2 Explanations on Risk Management (cont'd)

#### 28.2.3 Market Risk (Cont'd)

##### *Interest Rate Sensitivity Analysis*

The Company's financial instruments that have interest rate sensitivity as at 31 December 2013 and 31 December 2012 are as follows:

	Carrying Value	
	31 December 2013	31 December 2012
<b>Fixed Rate</b>		
Factoring receivables	1.595.617	1.505.352
Time deposits	42.689	102.823
Financial assets available for sale	-	-
Funds borrowed	1.610.559	1.805.458
<b>Floating Rate</b>		
Factoring receivables	390.932	322.358
Financial investments	-	1.984
Funds borrowed	3.678	32.000

If interest rates of the floating rate instruments denominated in USD and EURO were 100 basis points higher/lower at the date of reissue and all other variables were constant as of 31 December 2013, net income for the period would decrease/increase by TL 3.873 thousand TL (31 December 2012: TL 2.923 thousand) 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 18.

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

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

## 29 FINANCIAL INSTRUMENTS

### *Fair Value of Financial Instruments*

The Company has calculated fair values of financial instruments using available market information and appropriate valuation methodologies. However, as the judgment is necessary to interpret market data to determine the estimated fair value, the calculated fair values may not be fully reflective of the value that could be realized in the current circumstances. Management assumes that the fair value of funds borrowed and marketable securities approximate their carrying value as they were repriced just before the balance sheet date due to their floating interest rates like Euribor and etc. Management also assumes that the fair values of other financial assets and liabilities at amortized cost including cash and banks, other financial assets and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

## GARANTİ FAKTORİNG HİZMETLERİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

#### 29 FINANCIAL INSTRUMENTS (Cont'd)

##### *Fair Value of Financial Instruments Classification*

The table below presents the fair value determination method of the financial instruments at fair value. The method for each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale	-	-	2	2
Derivative financial assets held for trading	-	366	-	366
	-	366	2	368
Derivative financial liabilities held for trading	-	24.593	-	24.593
	-	24.593	-	24.593

<b>31 December 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale	-	-	2	2
Financial assets held for trading	-	-	1.984	1.984
Derivative financial assets held for trading	-	277	-	277
	-	277	1.986	2.263
Derivative financial liabilities held for trading	-	40	-	40
	-	40	-	40

#### 30 SUBSEQUENT EVENTS

None.