

GARANTİ FAKTORİNG A.Ş.

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2014
AND INDEPENDENT
AUDITOR'S REPORT**

*(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 A.Ş.
İstanbul

1. We have audited the accompanying balance sheet of Garanti Faktoring A.Ş. ("the Company") as at 31 December 2014 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 in accordance with Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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 A.Ş. as at 31 December 2014 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Company's set of accounts prepared for the period 1 January-31 December 2014 does not comply with the TCC and the provisions of the Company's articles of association in relation to financial reporting.

The auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 27 January 2015.

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

Hasan Kılıç
Partner

İstanbul, 29 January 2015

GARANTİ FAKTORİNG A.Ş.
BALANCE SHEET AS OF 31 DECEMBER 2014

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

ASSETS	Notes	Audited 31 December 2014			Audited 31 December 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS AND CENTRAL BANK	3	-	-	-	1	1	2
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	4	4.766	48	4.814	359	7	366
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading	4.1	4.766	48	4.814	359	7	366
III. BANKS	5	541	4.274	4.815	1.166	44.003	45.169
IV. AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	-	2	2	-	2	2
VI. FACTORING RECEIVABLES	7	2.259.383	688.724	2.948.107	1.560.180	426.369	1.986.549
6.1 Discount Factoring Receivables		585.363	21.853	607.216	523.164	18.320	541.484
6.1.1 Domestic		600.498	18.403	618.901	535.782	9.370	545.152
6.1.2 Foreign		-	3.595	3.595	-	9.089	9.089
6.1.3 Unearned Income (-)		(15.135)	(145)	(15.280)	(12.618)	(139)	(12.757)
6.2 Other Factoring Receivables		1.674.020	666.871	2.340.891	1.037.016	408.049	1.445.065
6.2.1 Domestic		1.674.020	459.486	2.133.506	1.037.016	295.392	1.332.408
6.2.2 Foreign		-	207.385	207.385	-	112.657	112.657
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	10.840	-	10.840	8.241	-	8.241
10.1 Non-Performing Factoring Receivables		56.475	-	56.475	38.870	-	38.870
10.2 Non-Performing Financial Loans		-	-	-	-	-	-
10.3 Non-Performing Leasing Receivables		-	-	-	-	-	-
10.4 Specific Provisions (-)		(45.635)	-	(45.635)	(30.629)	-	(30.629)
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	680	-	680	688	-	688
XVII. INTANGIBLE ASSETS (Net)	10	3.351	-	3.351	2.414	-	2.414
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		3.351	-	3.351	2.414	-	2.414
XVIII. PREPAID EXPENSES		1.218	-	1.218	939	-	939
IXX. TAX ASSETS	11	58	-	58	-	-	-
XX. DEFERRED TAX ASSETS	11	13.637	-	13.637	13.899	-	13.899
XXI. OTHER ASSETS		2.051	-	2.051	1.384	-	1.384
SUB TOTAL		2.296.525	693.048	2.989.573	1.589.271	470.382	2.059.653
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1 Held For Sale		-	-	-	-	-	-
22.2 Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		2.296.525	693.048	2.989.573	1.589.271	470.382	2.059.653

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

GARANTİ FAKTORİNG A.Ş.

BALANCE SHEET AS OF 31 DECEMBER 2014

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

LIABILITIES	Notes	Audited 31 December 2014			Audited 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4.2	10.249	-	10.249	24.592	1	24.593
II. FUNDS BORROWED	13	2.019.809	196.657	2.216.466	1.404.882	209.355	1.614.237
III. FACTORING PAYABLES	7	623	1.527	2.150	835	2.107	2.942
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	611.843	-	611.843	284.854	-	284.854
5.1 Bills		611.843	-	611.843	284.854	-	284.854
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. OTHER LIABILITIES	15	2.135	830	2.965	3.283	862	4.145
VII. OTHER FOREIGN LIABILITIES	15	-	-	-	-	88	88
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	1.785	-	1.785	1.533	-	1.533
X. PROVISIONS	17	3.732	-	3.732	2.860	-	2.860
10.1 Reserves for Restructuring		387	-	387	-	-	-
10.2 Reserves For Employee Benefits		2.964	-	2.964	2.174	-	2.174
10.3 Other Provisions		381	-	381	686	-	686
XI. DEFERRED RECEIVABLES		-	-	-	-	-	-
XII. TAX LIABILITY	11	-	-	-	4.335	-	4.335
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUB TOTAL		2.650.176	199.014	2.849.190	1.727.174	212.413	1.939.587
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held for Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	18	140.383	-	140.383	120.066	-	120.066
16.1 Paid-in Capital		79.500	-	79.500	79.500	-	79.500
16.2 Capital Reserves		-	-	-	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Other comprehensive income or expense that will not be reclassified subsequently to profit or loss		(446)	-	(446)	(247)	-	(247)
16.4 Other comprehensive income or expense that will be reclassified subsequently to profit or loss		-	-	-	-	-	-
16.5 Profit Reserves		40.813	-	40.813	25.511	-	25.511
16.5.1 Legal Reserves		4.598	-	4.598	4.198	-	4.198
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		36.215	-	36.215	21.313	-	21.313
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		20.516	-	20.516	15.302	-	15.302
16.6.1 Retained Earnings / (Accumulated Losses)		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		20.516	-	20.516	15.302	-	15.302
TOTAL LIABILITIES AND EQUITY		2.790.559	199.014	2.989.573	1.847.240	212.413	2.059.653

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF OFF - BALANCE SHEET ITEMS AS OF 31 DECEMBER 2014

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2014			Audited 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. IRREVOCABLE FACTORING OPERATIONS		371.628	145.757	517.385	124.444	167.489	291.933
II. REVOCABLE FACTORING OPERATIONS		524.901	378.611	903.512	372.312	21.008	393.320
III. GUARANTEES TAKEN	27.1	35.990	1.773.409	1.809.399	37.075	1.533.460	1.570.535
IV. GUARANTEES GIVEN	27.2	4.612	132	4.744	2.758	-	2.758
V. COMMITMENTS	27.3	3.413	3.402	6.815	2.826	2.830	5.656
5.1 Irrevocable Commitments		3.413	3.402	6.815	2.826	2.830	5.656
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	27.4	812.856	819.734	1.632.590	552.902	573.155	1.126.057
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		812.856	819.734	1.632.590	552.902	573.155	1.126.057
6.2.1 Forward Buy-Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Buy-Sell Transactions		812.856	819.734	1.632.590	552.902	573.155	1.126.057
6.2.3 Options Buy-Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy-Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	27.5	495.040	94.240	589.280	505.323	110.371	615.694
TOTAL OFF BALANCE SHEET ITEMS		2.248.440	3.215.285	5.463.725	1.597.640	2.408.313	4.005.953

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

GARANTİ FAKTORİNG A.Ş.
INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014

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

INCOME STATEMENT		Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
I.	OPERATING INCOME	19	188.109	134.792
	FACTORING INCOME		188.109	134.792
1.1	Factoring Interest Income		170.949	112.351
1.1.1	Discount		71.785	55.882
1.1.2	Other		99.164	56.469
1.2	Factoring Commission Income		17.160	22.441
1.2.1	Discount		10.115	14.034
1.2.2	Other		7.045	8.407
	RECEIVABLES FROM FINANCIAL LOANS		-	-
1.3	Financial Loans Interest Income		-	-
1.4	Financial Loans Fees and Commissions Receivables		-	-
	OPERATING RECEIVABLES		-	-
1.5	Financial Leasing Receivables		-	-
1.6	Operational Leasing Receivables		-	-
1.7	Leasing Operations Fees and Commissions Receivables		-	-
II.	FINANCIAL EXPENSES (-)	20	(152.313)	(85.839)
2.1	Interest Expense on Funds Borrowed		(106.182)	(84.047)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Finance Lease Expenses		-	-
2.4	Interest Expense on Securities Issued		(44.158)	(1.341)
2.5	Other Interest Expenses		-	(9)
2.6	Other Fees and Commissions		(1.973)	(447)
III.	GROSS PROFIT/LOSS (I+II)		35.796	48.953
IV.	OPERATING EXPENSES (-)	21	(38.224)	(37.267)
4.1	Personnel Expenses		(21.809)	(21.466)
4.2	Retirement Pay Provision Expenses		(323)	(442)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(16.012)	(15.149)
4.5	Other		(89)	(210)
V.	OPERATING GROSS PROFIT/LOSS		(2.428)	11.686
VI.	OTHER OPERATION INCOME	22	249.887	150.899
6.1	Interest Income from Deposits		634	4.293
6.2	Interest Income from Reverse Repurchase Agreements		-	-
6.3	Interest Income from Marketable Securities		-	-
6.3.1	Interest Income from Financial Assets Held for Trading		-	-
6.3.2	Interest Income from Financial Assets at Fair Value Through Profit and Loss		-	-
6.3.3	Interest Income from Financial Assets Available For Sale		-	-
6.3.4	Interest Income from Financial Assets Held to Maturity		-	-
6.4	Dividend Income		-	-
6.5	Interest Received from Money Market Placements		44.562	9.848
6.5.1	Derivative Financial Transactions		44.562	9.848
6.5.2	Other		-	-
6.6	Foreign Exchange Gains		203.278	136.271
6.7	Other		1.333	487
VII.	SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)	23	(15.849)	(11.662)
VIII.	OTHER OPERATION EXPENSES	24	(245.985)	(132.340)
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		(12.299)	(25.769)
8.4	Foreign Exchange Losses		(193.060)	(106.136)
8.5	Other		(546)	(453)
IX.	NET OPERATING INCOME (I+...+VII)		25.614	19.163
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI.	NET MONETARY GAIN/LOSS		-	-
XII.	PROFIT LOSS ON CONTINUING OPERATIONS BEFORE TAX (VII+VIII+IX)		-	-
XIII.	TAX PROVISION FOR CONTINUING OPERATIONS (a)	11	(5.898)	(5.862)
13.1	Current Tax Charge		(4.786)	(11.154)
13.2	Deferred Tax Charge (-)		(312)	-
13.3	Deferred Tax Benefit (+)		-	7.293
XIV.	NET PERIOD PROFIT LOSS FROM CONTINUING OPERATIONS		20.516	15.302
XV.	INCOME ON DISCONTINUED OPERATIONS		-	-
15.1	Income on Assets Held for Sale		-	-
15.2	Gain on Sale of Associates, Subsidiaries and Joint Ventures		-	-
15.3	Other Income on Discontinued Operations		-	-
XVI.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
16.1	Expenses on Assets Held for Sale		-	-
16.2	Losses on Sale of Associates, Subsidiaries and Joint Ventures		-	-
16.3	Other Expenses on Discontinued Operations		-	-
XVII.	PROFIT LOSS ON DISCONTINUED OPERATIONS BEFORE TAX		-	-
XVIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (a)		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (+)		-	-
18.3	Deferred Tax Benefit (-)		-	-
XIX.	NET PERIOD PROFIT LOSS FROM DISCONTINUED OPERATIONS		-	-
XX.	NET PERIOD PROFIT LOSS		20.516	15.302
	Earnings/Loss Per Share (Kuruş (0.01 TL) per thousand shares)	25	258,06	192,48

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2014

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

		Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
I.	PERIOD INCOME/LOSS		20.516	15.302
II.	OTHER COMPREHENSIVE INCOME		(199)	(247)
2.1	ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(199)	(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	17.1	(249)	(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		50	62
2.1.5.1	Tax income/charge		-	-
2.1.5.2	Deferred tax income/charge		50	62
2.2	ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS	11	50	62
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Income/expenses on revaluation or reclassification of available for sale financial assets		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
2.2.6.1	Tax income/charge		-	-
2.2.6.2	Deferred tax income/charge		-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)		20.317	15.055

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira ("Thousands of TL") unless otherwise indicated.)

Açıklama	New	Paid in Capital	Capital Reserves	Share Premium	Cancellation Reserve	Other Capital Reserves	Other comprehensive income or expenses that will be reclassified to profit or loss						Profit Surplus	Ergit Sururu	Statutory Reserve	Extraordinary Reserve	Other Profit Reserve	Current Year Profit/(Loss)	Retained Earnings / (Accumulated Losses)	Current Year Net Profit/(Loss)	Shareholders' Equity
							1	2	3	4	5	6									
PRIOR PERIOD																					
1 January - 31 December 2013																					
Audit'd																					
I. Balances at the beginning of the period (Previously reported)		21.000			24.844																105.011
II. Corrections made as per IAS 8																					
2.1 Effect of corrections																					
2.2 Effect of changes in accounting policies		21.000			24.844																
III. Adjusted balances																					
IV. Total Comprehensive Income																					
V. Capital increase																					
VI. Capital increase through internal resources		18.500			(14.844)																
VII. Inflation adjustment to paid-in capital																					
VIII. Convertible bonds																					
IX. Subordinated loans																					
X. Increase/decrease due to other changes																					
XI. Current period profit/loss																					
XII. Profit distribution																					
12.1 Dividends																					
12.2 Transfers to reserves																					
12.3 Other																					
Balance at the end of the period (31 December 2013) (Audited)		79.500																			120.066
CURRENT PERIOD																					
1 January - 31 December 2014																					
Audit'd																					
I. Balances at the beginning of the prior period (31 December 2013)		79.500																			120.066
II. Corrections made as per IAS 8																					
2.1 Effect of corrections																					
2.2 Effect of changes in accounting policies																					
III. Adjusted balances																					
IV. Total Comprehensive Income																					
V. Capital increase																					
VI. Capital increase through internal resources																					
VII. Inflation adjustment to paid-in capital																					
VIII. Convertible bonds																					
IX. Subordinated loans																					
X. Increase/decrease due to other changes																					
XI. Current period profit/loss																					
XII. Profit distribution																					
12.1 Dividends																					
12.2 Transfers to reserves																					
12.3 Other																					
Balance at the end of the period (31 December 2014) (Audited)		79.500																			140.303

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2014

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

STATEMENT OF CASH FLOWS	Notes	Audited	Audited
		1 January - 31 December 2014	1 January - 31 December 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating profit before changes in operating assets and liabilities		54.176	41.208
1.1.1 Interest/leasing income received	19	162.794	113.999
1.1.2 Leasing expenses		(149.088)	(91.661)
1.1.3 Dividends received		-	-
1.1.4 Fees and commissions received	19	17.345	21.864
1.1.5 Other income		-	-
1.1.6 Collections from previously written off receivables	8	854	242
1.1.7 Payments to personnel and service suppliers		(38.027)	(36.017)
1.1.8 Taxes paid	11	(4.917)	(6.859)
1.1.9 Other		65.215	39.640
1.2 Changes in operating assets and liabilities		(376.286)	(391.823)
1.2.1 Net (increase) decrease in factoring receivables		(972.047)	(172.439)
1.2.2 Net (increase) decrease in other assets		(1.054)	(1.189)
1.2.3 Net increase (decrease) in factoring payables		(792)	45
1.2.4 Net increase (decrease) in funds borrowed		602.471	(215.505)
1.2.5 Net increase (decrease) in due payables		-	-
1.2.6 Net increase (decrease) in other liabilities		(4.864)	(2.735)
I Net cash provided from operating activities		(322.110)	(350.615)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2 Cash obtained from sale of joint ventures, associates and subsidiaries		-	-
2.3 Fixed assets purchases	9	(313)	(149)
2.4 Fixed assets sales		-	-
2.5 Cash paid for purchase of financial assets available for sale		-	-
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of financial assets held to maturity		-	-
2.8 Cash obtained from sale of financial assets held to maturity		-	-
2.9 Other		(2.603)	289
II Net cash provided from investing activities		(2.916)	140
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		1.015.657	283.513
3.2 Cash used for repayment of funds borrowed and securities issued		(732.826)	-
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III Net cash provided from financing activities		282.831	283.513
IV Effect of change in foreign exchange rate on cash and cash equivalents		1.842	4.275
V Net increase/decrease in cash and cash equivalents		(40.353)	(62.687)
VI Cash and cash equivalents at the beginning of the period		45.168	107.855
VII Cash and cash equivalents at the end of the period		4.815	45.168

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

GARANTI FAKTORING A.Ş.
STATEMENT OF PROFIT DISTRIBUTION

THOUSANDS OF TURKISH LIRA

	Audited		
	Notes	1 January - 31 December 2014	1 January - 31 December 2013
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1 CURRENT PERIOD PROFIT		25.614	19.163
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)		5.098	3.861
1.2.1 Corporate tax (income tax)		4.786	11.154
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties		312	(7.293)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		20.516	15.302
1.3 ACCUMULATED LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVES (-)		-	(400)
1.5 OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]		20.516	14.902
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		-	(14.902)
1.13 OTHER RESERVES		-	-
1.14 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
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 (-)		-	-
III. EARNINGS PER SHARE (per YTL'000 face value each)		-	-
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 (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Decision regarding to the 2014 profit distribution will be held at General Assembly meeting.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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. At the 2013 General Assembly Meeting of the company held on 17 April 2014 the commercial title of the Company was changed to Garanti Faktoring A.Ş. (The Company). The Company offered its shares to public in 1993 with the authorization of the Capital Markets Board ("CMB") and is quoted in Borsa İstanbul A.Ş. (BİAŞ). The Company operates in accordance with the Capital Markets Law, "The Code of Leasing, Factoring and Finance Companies" published in the Trade Registry Gazette dated 13 December 2012 No: 28496 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") dated 24 April 2013 No: 28627 published in the Trade Registry Gazette.

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

	31 December 2014	Shareholding (%)	31 December 2013	Shareholding (%)
Türkiye Garanti Bankası AŞ	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası AŞ	7.773	9,78	7.773	9,78
Publicly Trading	6.661	8,38	6.661	8,38
Capital	79.500	100,00	79.500	100,00

The 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 no 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 278,57142% started on 22 August 2013 and ended on 26 August 2013.

The shareholding of Türkiye Garanti Bankası A.Ş. as of 31 December 2014 is 55,40% and Türkiye Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul.

The Company has 180 employees as of 31 December 2014 (31 December 2013: 195)

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

Maslak Mahallesi Eski Büyükdere Caddesi No:23 Kat:2 34450 Sarıyer / İstanbul

The Company provides factoring operations with twenty one branches Turkey.

Dividends Payable:

At the General Assembly Meeting of the company held on 17 April 2014, 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 Communiqué of the "General Principals of The Financial Reporting" No:II-14.1 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 2015. The General Assembly has the authority to change the financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 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.

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.

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

None.

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

Amendments to IFRS 10, 11, *Investment Entities*¹

IAS 27

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*¹

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*¹

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*¹

IFRIC 21 *Levies*¹

Amendments to IAS 21 *Effects of Changes in Foreign Exchange Rates*²

¹ Effective for annual periods beginning on or after 1 January 2014.

² Changes are valid after on 12 November 2014

Amendments to IFRS 10, 11, IAS 27 *Investment Entities*

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

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

(b) New and Revised IFRSs applied with no material effect on the financial statements(Cont'd)

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of IFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Amendments to TAS 21 Effect Of Changes In Foreign Exchange Rates

Article (b), paragraph 39 of TAS 21 - Effect of Changes in Foreign Exchange Rates has been revised as below.

"(b) Income and expenses, are recorded at the rates of exchange prevailing on the dates of the transactions in all statements that profit or loss and other comprehensive income are presented.

(c) New and revised IFRSs in issue but not yet effective

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> ⁵
Amendments to IFRS 9 and IFRS 7	<i>IFRS 9 ve Mandatory Effective Date and Transition Disclosures</i> ¹
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements to 2010-2012 Cycle	<i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>IFRS 1, IFRS 3, IFRS 13, IAS 40</i> ¹
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to IAS 16 and IAS 41 with IAS 1, IAS 17, IAS 23, IAS 36 and IAS 40	<i>Agriculture: Bearer Plants</i> ²
Amendments to IFRS 11 and IFRS 1	<i>Accounting for Acquisition of Interests in Joint operations</i> ²

¹ Effective for annual periods beginning on or after 30 July 2014.

² Effective for annual periods beginning on or after 31 December 2015.

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

(a) New and Revised IFRSs applied with no material effect on the financial statements(Cont'd)

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

(c) New and revised IFRSs in issue but not yet effective

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

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

(c) New and revised IFRSs in issue but not yet effective (Cont'd)

Annual Improvements to 2011-2013 Cycle

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

This amendment include "bearer plants" within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

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.

(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.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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

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.

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.

Impairment of Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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)

Impairment of Financial Assets (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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)*

Other financial liabilities (Cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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)

(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" ("TAS 19").

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

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

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

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

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

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

(i) *Borrowing Costs*

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

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

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

The foreign currency exchange rates used by the Company as of 31 December 2014 and 31 December 2013 are as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
USD	2,3189	2,1343
EURO	2,8207	2,9365
GBP	3,5961	3,5114

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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) *Segmental Information:*

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

(n) *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.

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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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)

(n) *Taxation on Income (Cont'd):*

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.

(o) *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 2014</u>	<u>31 December 2013</u>
Cash and Cash equivalents	-	2
Banks	4.815	45.166
	<u>4.815</u>	<u>45.168</u>

3 CASH AND CASH EQUIVALENTS

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Cash and Cash equivalents	-	-	1	1
	-	-	1	1

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

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

4.1 Derivative Financial Assets Held for Trading

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

Details of derivative financial assets held for trading that arise from forward and currency swap buy-sell agreements as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Derivative Financial Assets				
Held for Trading	4.766	48	359	7
	4.766	48	359	7

4.2 Derivative Financial Liabilities Held for Trading

Details of derivative financial liabilities held for trading that arise from currency swap buy-sell agreements and forward contracts as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Derivative financial liabilities				
held for trading	10.249	-	24.592	1
	10.249	-	24.592	1

5 BANKS

Details of banks as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Demand deposits	541	4.274	1.166	1.314
Time deposits	-	-	-	42.689
	541	4.274	1.166	44.003

There is no restriction on bank deposits as at 31 December 2014 and 31 December 2013.

The bank balances, excluding income accruals, with original maturities shorter than 3 months which form the basis of cash flows statement is TL 4.815 as of 31 December 2014 (31 December 2013: TL 45.166).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

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 2014 and 31 December 2013. 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 2014			31 December 2013		
	Carrying Value		Share Percentage % (*)	Carrying Value		Share Percentage % (*)
<i>Investments in shares</i>	TL	FC		TL	FC	
International Factors Group SC	-	2	1,52	-	2	1,50
	-	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 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Domestic and import factoring receivables	2.274.518	477.889	1.572.798	304.762
Export factoring receivables	-	210.980	-	121.746
Unearned interest income	(15.135)	(145)	(12.618)	(139)
Factoring receivables, net	2.259.383	688.724	1.560.180	426.369

The amount of past due not impaired receivables of the Company is TL 10.111 Thousand (31 December 2013: 9.304 Thousand):

	31 December 2014	31 December 2013
Overdue for 1 month	9.673	9.060
Overdue for 1-3 months	438	244
	10.111	9.304

Factoring Payables

Details of short term factoring payables as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Factoring payables	623	1.527	835	2.107
	623	1.527	835	2.107

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

8 NON-PERFORMING RECEIVABLES

Details of the Company's non-performing factoring receivables and the provisions allocated for them as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Non-performing factoring receivables	56.475	-	38.870	-
Specific provisions	(45.635)	-	(30.629)	-
Non-performing receivables, net	10.840	-	8.241	-

Aging of non-performing factoring receivables and specific provision allocated for them as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	Total non - performing factoring receivables	Provision	Total non - performing factoring receivables	Provision
Overdue up to 90 days	3.448	690	2.390	567
Overdue for 91-180 days	4.392	1.209	2.957	591
Overdue for 181-365 days	9.882	4.997	5.753	2.876
Overdue for 1 year and over	38.753	38.739	27.770	26.595
Total	56.475	45.635	38.870	30.629

Amount of collaterals received for non-performing factoring receivables capped with the exposure is TL 14 thousand (31 December 2013: TL 1.175 thousand).

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

	31 December 2014	31 December 2013
Balance as at 1 January	30.629	19.809
Provision provided for the period (*)	15.860	11.062
Collections during the period (**)	(854)	(242)
Balance at the end of the year	45.635	30.629

(*) 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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

9 TANGIBLE ASSETS

The movement of tangible assets for the period ended as at 31 December 2014 is as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Acquisition Cost				
Furniture and fixtures	2.777	289	(20)	3.046
Vehicles	19	-	-	19
Leasehold improvements	1.147	24	-	1.171
	3.943	313	(20)	4.236

	1 January 2014	Charge for the period	Disposals	31 December 2014
Accumulated Depreciation				
Furniture and fixture	2.227	285	(20)	2.492
Vehicles	17	2	-	19
Leasehold improvements	1.011	34	-	1.045
	3.255	321	(20)	3.556
Net book value	688			688

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

	1 January 2013	Additions	Disposals	31 December 2013
Acquisition Cost				
Furniture and fixtures	2.656	121	-	2.777
Vehicles	19	-	-	19
Leasehold improvements	1.119	28	-	1.147
	3.794	149	-	3.943

	1 January 2013	Charge for the period	Disposals	31 December 2013
Accumulated Depreciation				
Furniture and fixture	1.926	301	-	2.227
Vehicles	13	4	-	17
Leasehold improvements	983	28	-	1.011
	2.922	333	-	3.255
Net book value	872			688

As of 31 December 2014 the insurance on tangible assets amounts to TL 1.439 thousand (31 December 2013: TL 1.437 thousand) and the insurance premium amounts to TL 4 thousand (31 December 2013: TL 4 thousand).

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

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

10 INTANGIBLE ASSETS

The movement of intangible assets for the period ended as of 31 December 2014 is as follows:

	<u>1 January 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December 2014</u>
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	4.458	2.606	-	7.064
	7.534	2.606	-	10.140

	<u>1 January 2014</u>	<u>Charge for the period</u>	<u>Disposals</u>	<u>31 December 2014</u>
Accumulated Amortization				
Rights	3.012	64	-	3.076
Other (Software)	2.108	1.605	-	3.713
	5.120	1.669	-	6.789
Net book value	2.414			3.351

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>Disposals</u>	<u>31 December 2013</u>
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	2.471	1.987	-	4.458
	5.547	1.987	-	7.534

	<u>1 January 2013</u>	<u>Charge for the period</u>	<u>Disposals</u>	<u>31 December 2013</u>
Accumulated Amortization				
Rights	2.793	219	-	3.012
Other (Software)	1.212	896	-	2.108
	4.005	1.115	-	5.120
Net book value	1.542			2.414

As of 31 December 2014 and 2013, the company has not any intangible assets that is generated within the company.

Useful lives

Rights	3-5
Other	3-5

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

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 2014 is 20% (2013: 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 2014 (2013: 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 responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

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

Reconciliation of tax charge

	<u>1 January – 31 December 2014</u>	<u>1 January – 31 December 2013</u>
Reported profit before taxation	25.614	19.163
Calculated taxation on reported profit	(5.123)	(3.833)
Permanent differences:		
Non-deductible expenses	(99)	(70)
Other non-taxable income	6	2
Reversal of prior year provision for corporate income tax	73	40
Other	45	-
Tax Charge	(5.098)	(3.861)

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

11 TAX ASSETS AND LIABILITIES (cont'd)

The corporate tax payable as at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Corporate tax provision	4.859	11.194
Advance taxes	4.884	(6.767)
Withholding income taxes	(33)	(92)
Corporate Tax Payable / Tax Assets	(58)	4.335

The tax charge in the income statement for the period ended as at 31 December 2014 and 31 December 2013 is as summarized below:

	1 January- 31 December 2014	1 January- 31 December 2013
Current tax charge	(4.859)	(11.194)
Reversal of overaccrual of prior year tax provision	73	40
Deferred tax (charge)/benefit	(312)	7.293
	(5.098)	(3.861)

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

11 TAX ASSETS AND LIABILITIES (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.

The effective corporate tax rate is 20% as at 31 December 2014 (31 December 2013: 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 2014, 31 December 2013 are as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
<u>Temporary Differences</u>		
Unearned factoring interest income	15.280	12.757
Factoring receivable provisions and adjustments	43.135	28.188
Deferred commissions	1.552	2.543
Retirement pay provision	1.153	823
Unused vacation accrual	761	750
Valuation differences of derivative financial assets	10.249	24.593
Premium pay provision	1.050	601
Valuation differences of factoring receivables	258	99
Other provisions	768	411
<i>Temporary differences related to deferred tax assets</i>	74.206	70.765
Temporary differences of derivative financial assets	4.814	366
Temporary differences on tangible and intangible assets	1.121	852
Valuation differences of funds borrowed	9	29
Valuation differences of bonds	80	27
<i>Temporary differences related to deferred tax liabilities</i>	6.024	1.274
<u>Deferred tax assets / (liabilities)</u>		
Unearned factoring interest income	3.056	2.551
Factoring receivable provisions and adjustments	8.627	5.637
Deferred commissions	310	509
Retirement pay provision	231	165
Unused vacation accrual	152	150
Valuation differences of derivative financial assets	2.050	4.919
Premium pay provision	210	120
Valuation differences of factoring receivables	52	20
Other provisions	154	82
<i>Deferred tax assets</i>	14.842	14.153
Temporary differences of derivative financial assets	(963)	(73)
Temporary differences on tangible and intangible assets	(224)	(170)
Valuation differences of funds borrowed	(2)	(6)
Valuation differences of bonds	(16)	(5)
<i>Deferred tax liabilities</i>	(1.205)	(254)
<i>Deferred tax assets (net)</i>	13.637	13.899

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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 2014</u>	<u>1 January - 31 December 2013</u>
1 January	13.899	6.544
Deferred tax income/ (expense)	(312)	7.293
Deferred tax recognized in other comprehensive income	50	62
Balance at the end of the period	13.637	13.899

12 OTHER ASSETS

Details of other assets as at 31 December 2014 and 31 December 2013 are as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	TL	FC	TL	FC
Receivables related with court expenses	1.795	-	1.228	-
Other	256	-	156	-
	2.051	-	1.384	-

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

13 FUNDS BORROWED

Details of funds borrowed as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Funds Borrowed	2.019.809	196.657	1.404.882	209.355
	2.019.809	196.657	1.404.882	209.355

	31 December 2014				31 December 2013			
	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	2.019.809	9,05-14,70	2.019.809	-	1.404.882	8,65-13,12	1.404.882	-
USD	20.766	0,80-1,87	48.153	-	75.488	2,94-3,94	161.115	-
EURO	48.381	1,58-2,78	136.468	9.875	16.428	1,73-3,15	48.240	-
GBP	601	2.11-2.20	2.161					
Total			2.206.591	9.875			1.614.237	-

These rates represent the interest rate range of outstanding funds borrowed with fixed and floating rates as at 31 December 2014 and 31 December 2013.

There is no guarantee given for the funds borrowed as at 31 December 2014 and 31 December 2013.

14 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Bills				
Nominal	627.210	-	296.486	-
Cost	600.083	-	283.514	-
Carrying Value	611.843	-	284.854	-

The Company issued discounted bills only for qualified investors, on 10 December 2013, 27 December 2013, 31 March 2014, 2 May 2014, 9 June 2014, 22 July 2014, 19 September 2014, 5 December 2014 and 19 December 2014 with nominal values of TL 236.486 thousand, TL 60.000 thousand, 104.334 TL thousand, 55.200 TL thousand, 276.806 TL thousand, 157.700 TL thousand, 153.010 TL thousand, 197.850 TL thousand and 118.650 TL thousand bearing interest rates 9,348%, 9,518%, 12,327%, 10,383%, 9,368%, 9,146%, 9,701%, 8,774% and 10,054% with the maturities of , 6 June 2014, 23 June 2014, 26 September 2014, 27 October 2014, 5 December 2014, 16 January 2015, 17 March 2015, 29 May 2015 ve 12 June 2015, respectively.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

15 SUNDRY CREDITORS AND OTHER LIABILITIES

Details of sundry creditors as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Deferred commissions	1.552	-	2.543	-
Sundry creditors	564	16	383	24
Transitory liability accounts	19	814	357	838
	2.135	830	3.283	862
Guarantee payments to customers	-	-	-	88
Other Liabilities	-	-	-	88

16 TAXES PAYABLE

Details of taxes payable and liabilities as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Income tax payable	558	-	517	-
Social security premiums payable	313	-	311	-
Stamp tax payable	16	-	16	-
V.A.T payable	20	-	13	-
Banking and Insurance Transactions Tax (BITT) payable	878	-	676	-
	1.785	-	1.533	-

17 PROVISIONS

Details of provisions as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Provision for employee benefits	2.964	-	2.174	-
Provision provided for postdated cheques	-	-	59	-
Restructuring Provisions	387	-	-	-
Other provisions	381	-	627	-
	3.732	-	2.860	-

17.1 Provision for Employee Benefits

Provision for employee benefits as of 31 December 2014, include retirement pay provision amounting to TL 1.153 thousand (31 December 2013: TL 823 thousand), unused vacation accrual amounting to TL 761 thousand (31 December 2013: TL 750 thousand) and personnel bonus accrual amounting to TL 1.050 thousand (31 December 2013: TL 601 thousand).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

17 PROVISIONS (Cont'd)

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 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 2014, 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 6,10% and a discount rate of 8,60%, resulting in a real discount rate of approximately 2,36 %. (31 December 2013: inflation rate of between 6,20% , discount rate of between 9,56%-, real discount rate of approximately 3,16%).

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

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Net liability/asset at the beginning of the period	823	210
Severance indemnity paid in the period	(242)	(138)
Retirement provision recognized under income statement	323	442
Retirement provision recognized under other comprehensive income	249	309
Net liability/asset at the end of period	1.153	823

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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 2014</u>	<u>1 January- 31 December 2013</u>
Balance at 1 January	601	890
Paid in the period	(1.967)	(1.883)
Reversal	(5)	(101)
Accrual for the period	2.421	1.695
Balance at the end of the period	1.050	601

Unused Vacation Accrual

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

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Balance at 1 January	750	615
Paid in the period	(88)	(79)
Reversal	(130)	-
Accrual for the period	229	214
Balance at the end of the period	761	750

17.2 Other Provisions

Provisions provided for postdated cheques

As of 31 December 2014 provision provided for post dated cheques is transferred to specific provisions.

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

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Balance at 1 January	59	149
Reversal	(59)	(134)
Provision provided for the period (*)	-	44
Balance at the end of the period	-	59

(*) 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 2014, other provisions amounting to TL 381 thousand is provided for ongoing lawsuits TL 376 and fines, TL 5 thousand for other risk. (31 December 2013: TL 627 thousand is provided for ongoing lawsuits and fines).

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

(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 2014</u>	<u>1 January- 31 December 2013</u>
Balance at 1 January	627	216
Paid in the period	(406)	-
Provision provided for the period	160	411
Balance at the end of the period	381	627

18 SHAREHOLDERS' EQUITY

18.1 Paid-in Capital

As of 31 December 2014, the Company's share capital amounts to TL 79.500 thousand (31 December 2013: TL 79.500 thousand). As at 31 December 2014 the Company has 7.950.000.000 (31 December 2013: 7.950.000.000) total registered shares consisting of 4.004.242.970 preferred shares and 3.945.757.030 ordinary shares with a par value of Kuruş (KR=0,01 TL) 1 each (31 December 2013: Kr 1).

18.2 Capital Reserves

As of 31 December 2014, the firm does not have any capital reserves. (31 December 2013:None)

18.3 Other Comprehensive Income or Expense

As of 31 December 2014, TL (446) thousand includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss. (31 December 2013: TL (247) thousand 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 4.598 thousand (31 December 2013: TL 4.198 thousand) and extraordinary reserves amounting to TL 36.215 thousand (31 December 2013: TL 21.313) as of 31 December 2014.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

18 SHAREHOLDERS' EQUITY (Cont'd)**18.5 Profit Distribution (Cont'd)****2013 PROFIT DISTRIBUTION TABLE**

Net Profit for the year	15.302
Legal Reserves (-)	400
DISTRIBUTABLE NET PROFIT OF THE PERIOD	14.902
Donations (+)	4
Distributable net profit of the period (with Donations)	14.906
EXTRAORDINARY RESERVES	14.902

(*) Deferred tax benefit of TL 7.293 in year 2013, has not been included in the profit distribution.

19 OPERATING INCOME

The details of operating income for the periods ended as of 31 December 2014 and 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Factoring interest income	170.949	112.351
Factoring commission income (net)	17.160	22.441
	188.109	134.792

20 FINANCE EXPENSES

The details of finance expenses for the periods ended as of 31 December 2014 and 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Interest expenses on funds borrowed	106.182	84.047
Interest expenses on marketable securities issued	44.158	1.341
Fees and commissions paid	1.973	447
Other interest expenses	-	4
	152.313	85.839

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

(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 2014 and 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Personnel expenses	21.809	21.466
Intermediary services fee	3.128	3.853
Vehicle expenses	2.065	2.087
Taxes and duties	1.965	1.788
Rent expenses	1.773	1.540
Depreciation and amortization charges	1.990	1.548
Data processing maintenance and contract expenses	1.009	908
Communication expenses	736	796
Consultancy expenses	526	603
Subscription expenses	515	442
Maintenance and repair expenses	93	107
Retirement pay provision	323	442
Travel expenses	171	172
Representation expenses	693	360
Case expenses	86	192
Non-deductible expenses	22	15
Other	1.320	1.048
	38.224	37.267

The details of personnel expenses classified under operating expenses for the periods ended as at 31 December 2014 and 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Salaries and wages	14.853	15.127
Bonuses	2.421	1.695
Social security premium employer's share	1.858	1.728
Personnel food expenses	629	663
Personnel transportation expenses	642	561
Insurance expenses	364	436
Unemployment insurance employer's share	205	222
Other	837	1.034
	21.809	21.466

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

(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 2014 and 31 December 2013 are as follows:

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Foreign exchange gains	203.278	136.271
Interest income on bank deposits	634	4.293
Income on derivative financial transactions	44.562	9.848
Other	1.333	487
	<u>249.807</u>	<u>150.899</u>

Foreign exchange gains in 31 December 2014 includes TL 22.153 thousand foreign exchange differences on foreign currency indexed factoring receivables. (31 December 2013: TL 34.252 Thousand)

23 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

The details of provision for non-performing receivables for the periods ended as of 31 December 2014 and 31 December 2013 are as follows:

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Specific provision expenses	15.860	11.062
	<u>15.860</u>	<u>11.062</u>

24 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended as at 31 December 2014 and 31 December 2013 are as follows:

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Foreign exchange losses	193.060	106.138
Losses on derivative financial transactions	12.299	25.769
Other	546	453
	<u>205.905</u>	<u>132.360</u>

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

(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 2014 and 31 December 2013 are as follows:

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Net profit/(loss) for the period	20.516	15.302
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
<u>Earnings per thousand shares (KR)</u>	258,06	192,48

26 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as of 31 December 2014 and 31 December 2013 are as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	349	1.549	745	458
Demand deposits	349	1.549	745	458
Garantibank International NV	33	2.615	3	11
Demand deposits	33	2.615	3	11
	382	4.164	748	469

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as of 31 December 2014 is TL 514.118 thousand (31 December 2013: TL 574.194 thousand).

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	TL	FC	TL	FC
Factoring receivables				
Doğuş Yayın Grubu AŞ	14.120	-	-	-
Doğuş Perakende Satış Giyim ve Aksesuar Ticaret A.Ş.	1.296	-	-	-
Bmk Turizm ve Otelcilik Hiz. A.Ş.	1.022	-	-	-
	16.438	-	-	-

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	TL	FC	TL	FC
Loans borrowed				
Türkiye Garanti Bankası AŞ	469.616	49.611	300.299	-
Garantibank International NV	-	-	-	85.997
	469.616	49.611	300.299	85.997

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

26

EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Sundry creditors				
Garanti Finansal Kiralama AŞ	-	-	50	-
Türkiye Garanti Bankası AŞ	23	-	15	-
Garanti Emeklilik AŞ	-	16	-	11
Garanti Filo Yönetimi AŞ	-	-	5	-
Antur Turizm AŞ	-	-	14	-
	23	16	84	11

The Company has made purchases amounting to TL 2.256 thousand from Garanti Bilişim Teknolojisi ve Ticaret A.Ş and 33 thousand from Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. for the period ended 31 December 2014 (31 December 2013: TL 1.992 thousand from Garanti Bilişim Teknolojisi, , Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş.: None).

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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26 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

Income and expenses from related parties for the periods ended as of 31 December 2014 and 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Interest income from factoring receivables		
Doğuş Yayın Grubu AŞ	1.834	-
Doğuş Perakende Satış Giyim ve Aksesuar Tic. A.Ş.	100	-
Arena Giyim Sanayi ve Ticaret A.Ş.	-	26
Bmk Turizm ve Otelcilik Hiz. A.Ş.	13	-
	1.947	26
Interest income on bank deposits		
Türkiye Garanti Bankası AŞ	16	2.091
	16	2.091
Commission income from factoring receivables		
Garanti Bank International NV	354	183
Doğuş Perakende Satış Giyim ve Aksesuar Tic. A.Ş.	8	-
Doğuş Yayın Grubu A.Ş.	-	52
Arena Giyim Sanayi ve Ticaret A.Ş.	-	1
	499	236
Interest expenses on funds borrowed		
Türkiye Garanti Bankası AŞ	6.683	1.270
Garanti Bank International NV	732	6.649
	7.415	7.919
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler AŞ	1.900	61
Türkiye Garanti Bankası A.Ş.	497	330
Garanti Bank International NV	11	-
	2.408	391

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

(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>	1 January- 31 December 2014	1 January- 31 December 2013
Türkiye Garanti Bankası AŞ <i>(Intermediary services fee, rent expenses, IT maintenance and contract expenses)</i>	4.513	5.005
Garanti Filo Yönetim Hizmetler AŞ <i>(Car rental expenses)</i>	1.267	1.223
Garanti Bilişim Teknolojisi ve Ticaret A.Ş. <i>(Software service costs)</i>	-	2
Antur Turizm AŞ <i>(Traveling expenses)</i>	127	172
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. <i>(Information technologies maintenance and contract costs)</i>	5	-
Garanti Finansal Kiralama AŞ <i>(Office rent expenses, contribution to building costs)</i>	566	545
Garanti Emeklilik ve Hayat AŞ <i>(Insurance expenses)</i>	48	41
	6.526	6.988

Salary and other benefits provided to board members and executives:

The amount of salary and other benefits provided to board members and executives by the Company for the period ended as of 31 December 2014 is TL 10.009 thousand (31 December 2013: TL 9.497 thousand).

27 CONTINGENT ASSETS AND LIABILITIES**27.1 Guarantees Received**

Guarantees received for the Company's factoring receivables as at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Finance notes	754	1.679.068	-	1.478.299
Mortgage	33.500	-	33.500	-
Chattel mortgage	1.697	15.514	3.515	-
Customer Cheques	39	3.164	-	-
Letters of guarantee	-	75.663	60	55.161
	35.990	1.773.409	37.075	1.533.460

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

(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 2014 and 31 December 2013 consist of letters of guarantee given to the institutions below:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Law courts	4.605	132	2.751	-
Other	7	-	7	-
	<u>4.612</u>	<u>132</u>	<u>2.758</u>	<u>-</u>

27.3 Commitments

TL equivalent of nominal values of commitments given related to credit linked notes as at 31 December 2014 and 31 December 2013 is as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Foreign exchange buy-sell commitments	3.413	3.402	2.826	2.830
	<u>3.413</u>	<u>3.402</u>	<u>2.826</u>	<u>2.830</u>

27.4 Derivative Agreements

The details of derivative agreements as at 31 December 2014 and 31 December 2013 is as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Currency swap buy transactions	812.856	5.441	552.902	1.851
Currency swap sell transactions	-	814.293	-	571.304
	<u>812.856</u>	<u>819.734</u>	<u>552.902</u>	<u>573.155</u>

27.5 Safety Securities

The details of cheques and notes in collection as at 31 December 2014 and 31 December 2013 is as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Cheque receivable in collection	489.104	89.779	496.371	100.489
Notes receivable in collection	5.936	4.461	8.952	9.882
	<u>495.040</u>	<u>94.240</u>	<u>505.323</u>	<u>110.371</u>

28 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

28.1 Financial Risk Management Purposes and Policies

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

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

28.1.1 Credit Risk

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

Under the credit allocation;

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

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

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

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

Credit monitoring phase;

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

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

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

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

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

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

28.1.2 Market Risk

The Company, takes necessary precautions to safeguard itself according to the changing market conditions. The market risk is managed by taking the hedging positions and undertaking derivative transactions within the limits approved by the Board of Directors.

The major cost element of the Company is the interest expenses from borrowings and it may be affected by the fluctuations in the market. In this context, under the monitoring of the senior management, debt maturities are managed with respect to the interest expectations in the market. In addition, to manage the cash flow and liquidity risk, the maturity of factoring receivables, bank loans and deposit accounts is monitored. Daily status reports are prepared and end of day open treasury operations are reported to senior management.

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

28.1.3 Liquidity Risk

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

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

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

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

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

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

28.1.4 Operational Risk

All operational risks are managed under the supervision of the Board of Directors and the Audit Committee in accordance with the framework that covers; risk identification, risk assessment, risk monitoring and risk control/mitigation. Each unit of the Company is responsible from their own operational risk monitoring, controlling and mitigating their operational risk by taking the necessary actions. The ultimate responsibility is on the relevant senior management. In order to create an effective "internal control system", the Company makes necessary organizational arrangements, establishes the appropriate communication and information systems and constitutes monitoring function.

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

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

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

28.1.4 Operational Risk (Cont'd)

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

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

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

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

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

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

28.1.5 Reputation Risk

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

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

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

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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 2014

Factoring Receivables **Non-performing receivables** **Other Assets**

	Related Party	Others	Related Party	Others	Related Party	Others	Banks	Financial Assets Held for Trading	Derivative Financial Assets Held for Trading	Financial Assets Available for Sale
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	16.438	2.931.669	-	10.840	-	2.051	4.815	-	4.814	2
A. Carrying value of financial assets that are not past due nor impaired	16.438	2.920.676	-	-	-	2.051	4.815	-	4.814	2
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	882	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	10.111	-	-	-	-	-	-	-	-
-carrying value	-	10.111	-	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	10.840	-	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	56.475	-	-	-	-	-	-
- Impairment (-)	-	-	-	(45.635)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	14	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-	-

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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 2013	Factoring Receivables		Non-performing receivables		Other Assets		Banks	Financial Assets Held for Trading	Derivative Financial Assets Held for Trading	Financial Assets Available for Sale
	Related Party	Others	Related Party	Others	Related Party	Others				
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	-	1.986.549	-	8.241	-	1.384	45.169	-	366	2
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	-	-	-	-	-	-	-	-	-	-

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

28.2 Explanations on Risk Management (cont'd)

28.2.2 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 2014

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 month	1-5 year	More than 5 years
Non-derivative financial liabilities	2.833.424	2.853.568	2.417.087	397.307	39.174	-
Funds borrowed	2.216.466	2.221.243	2.101.262	80.807	39.174	-
Bonds issued	611.843	627.210	310.710	316.500	-	-
Factoring payables	2.150	2.150	2.150	-	-	-
Sundry creditors	2.965	2.965	2.965	-	-	-
Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 month	1-5 year	More than 5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	4.001	4.001	4.190	(189)	-	-
Derivative cash inflows	821.703	821.703	617.829	203.874	-	-
Derivative cash outflows	(817.702)	(817.702)	(613.639)	(204.063)	-	-

31 December 2013

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 month	1-5 year	More than 5 years
Non-derivative financial liabilities	1.906.178	1.926.669	1.383.425	543.244	-	-
Funds borrowed	1.614.237	1.622.916	1.376.338	246.578	-	-
Bond issued	284.854	296.666	-	296.666	-	-
Factoring payables	2.942	2.942	2.942	-	-	-
Sundry creditors	4.145	4.145	4.145	-	-	-
Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 month	1-5 year	More than 5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	(16.542)	(16.542)	(13.180)	(3.362)	-	-
Derivative cash inflows	557.586	557.586	347.518	210.068	-	-
Derivative cash outflows	(574.128)	(574.128)	360.698	(213.430)	-	-

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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 2014 and 31 December 2013.

Foreign currency assets and liabilities as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014 (TL equivalent in thousands)	31 December 2013 (TL equivalent in thousands)
A. Foreign currency monetary assets	1.008.345	780.083
B. Foreign currency monetary liabilities	(199.014)	(212.412)
C. Derivative financial instruments (*)	(808.770)	(569.149)
Net foreign currency position (A+B+C)	561	(1.478)

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

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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)

28.2.3 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 2014 and 31 December 2013. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2014	USD	EURO	GBP	Other	Total
Assets					
Banks	864	3.017	393	-	4.274
Financial assets available for sale	-	2	-	-	2
Factoring receivables (*)	715.815	281.009	7.245	-	1.004.069
Total Assets	716.679	284.028	7.638	-	1.008.345
Liabilities					
Funds borrowed	48.153	146.343	2.161	-	196.657
Factoring payables	295	1.018	214	-	1.527
Sundry creditors and other liabilities	1.5	720	95	-	830
Total liabilities	48.463	148.081	2.470	-	199.014
Net foreign currency position	668.216	135.947	5.168	-	809.331
Derivative financial instruments (**)	(668.931)	(134.445)	(5.394)	-	(808.770)
Net position	(715)	1.502	(226)	-	561

(*) Includes the foreign currency indexed factoring receivables amounting to TL 315.345 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.

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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)

31 December 2013	USD	EURO	GBP	Other	Total
Assets					
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
Total Assets	486.971	290.132	2.980	-	780.083
Liabilities					
Funds borrowed	161.115	48.240	-	-	209.355
Factoring payables	200	1.874	33	-	2.107
Sundry creditors and other liabilities	29	921	-	-	950
Total liabilities	161.344	51.035	33	-	212.412
Net foreign currency position	325.627	239.097	2.947	-	567.671
Derivative financial instruments (**)	(334.563)	(233.181)	(1.405)	-	(569.149)
Net position	(8.936)	5.916	1.542	-	(1.478)

(*)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.

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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 sensitivity risk

10% decrease in the TL against the relevant foreign currencies as of 31 December 2014 results with a increase in profit before tax for the period amounting to TL 56 thousand (31 December 2013: TL 148 thousand decrease). This analysis is made with the assumption that the other variables were held constant as of 31 December 2014 and 31 December 2013.

TL	
31 December 2014	Profit/(Loss)
USD	(71)
EURO	150
GBP	(23)
Total	56

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

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014				31 December 2013			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
Assets								
Banks								
Time Deposit available for sale	-	-	-	-	2,70	-	-	-
Factoring receivables	4,10	4,28	4,80	12,07	4,70	4,70	6,00	12,10
Liabilities								
Marketable securities issued	-	-	-	9,33	-	-	-	9,38
Funds borrowed	0,96	2,47	2,18	12,08	3,69	3,04	-	10,45

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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)

Interest Rate Sensitivity Analysis

The Company's financial instruments that have interest rate sensitivity as at 31 December 2014 and 31 December 2013 are as follows:

	Carrying Value	
	31 December 2014	31 December 2013
Fixed Rate		
Factoring receivables	2.264.317	1.595.617
Time deposits	-	42.689
Funds borrowed	2.153.264	1.610.559
Floating Rate		
Factoring receivables	683.790	390.932
Funds borrowed	63.202	3.678

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 2014, net income for the period would decrease/increase by TL 6.206 thousand TL (31 December 2013: TL 3.873 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.

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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).

31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	4.814	-	4.814
	-	4.814	-	4.814
Derivative financial liabilities held for trading	-	10.249	-	10.249
	-	10.249	-	10.249

31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	366	-	366
	-	366	-	366
Derivative financial liabilities held for trading	-	24.593	-	24.593
	-	24.593	-	24.593

30 SUBSEQUENT EVENTS

The Company issued bills, only to qualified investors, that the book-building process was performed on 22-23 January 2015, with an opening of 26 January 2015 and a maturity of 24 April 2015 with a nominal value of TL 120.000.000.