

GARANTİ FAKTORİNG A.Ş.

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2015**

(Translated into English from the Original Turkish Report)

(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)
INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Garanti Faktoring A.Ş. ("the Company"), which comprise the balance sheet as at 31 December 2015, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of the financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the communique on "The Application of Uniform Chart of Accounts and its Guide Book for 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 circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Garanti Faktoring A.Ş. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), 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 28 January 2016.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

Additional paragraph for English translation

The effect of the differences between the accounting principles summarized in Section 2 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Şule Firuzment Bekçe

Partner

İstanbul, 28 January 2016

GARANTİ FAKTORİNG A.Ş.
BALANCE SHEET AS OF 31 DECEMBER 2015

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

ASSETS	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS AND CENTRAL BANK		-	-	-	-	-	-
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	3	11.783	86	11.869	4.766	48	4.814
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading	3.1	11.783	86	11.869	4.766	48	4.814
III. BANKS	4	31.695	8.724	40.419	541	4.274	4.815
IV. AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	5	-	2	2	-	2	2
VI. FACTORING RECEIVABLES	6	1.927.127	923.076	2.850.203	2.259.383	688.724	2.948.107
6.1 Discount Factoring Receivables		689.163	48.680	737.843	585.363	21.853	607.216
6.1.1 Domestic		704.478	15.183	719.661	600.498	18.403	618.901
6.1.2 Foreign		-	34.058	34.058	-	3.595	3.595
6.1.3 Unearned Income (-)		(15.315)	(561)	(15.876)	(15.135)	(145)	(15.280)
6.2 Other Factoring Receivables		1.237.964	874.396	2.112.360	1.674.020	666.871	2.340.891
6.2.1 Domestic		1.237.964	463.550	1.701.514	1.674.020	459.486	2.133.506
6.2.2 Foreign		-	410.846	410.846	-	207.385	207.385
VII. FINANCIAL LOANS		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Installment Commercial Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES		-	-	-	-	-	-
8.1 Lease Receivables		-	-	-	-	-	-
8.1.1 Financial lease receivables		-	-	-	-	-	-
8.1.2 Operational lease receivables		-	-	-	-	-	-
8.1.3 Unearned income (-)		-	-	-	-	-	-
8.2 Leased Construction in Progress		-	-	-	-	-	-
8.3 Advances Given for Leasing Operations		-	-	-	-	-	-
IX. OTHER RECEIVABLES		-	-	-	-	-	-
X. NON-PERFORMING RECEIVABLES	7	21.659	11.746	33.405	10.840	-	10.840
10.1 Non-Performing Factoring Receivables		84.548	12.883	97.431	56.475	-	56.475
10.2 Non-Performing Financial Loans		-	-	-	-	-	-
10.3 Non-Performing Leasing Receivables		-	-	-	-	-	-
10.4 Specific Provisions (-)		(62.889)	(1.137)	(64.026)	(45.635)	-	(45.635)
XI. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES		-	-	-	-	-	-
11.1 Fair Value Hedging		-	-	-	-	-	-
11.2 Cash Flow Hedging		-	-	-	-	-	-
11.3 Net Foreign Investment Hedging		-	-	-	-	-	-
XII. INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII. SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. ASSOCIATES (Net)		-	-	-	-	-	-
XV. JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. TANGIBLE ASSETS (Net)	8	1.354	-	1.354	680	-	680
XVII. INTANGIBLE ASSETS (Net)	9	3.751	-	3.751	3.351	-	3.351
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		3.751	-	3.751	3.351	-	3.351
XVIII. TO OWNERS OF ORDINARY SHARES	11	3.210	-	3.210	1.218	-	1.218
IXX. TAX ASSETS	10	9.118	-	9.118	58	-	58
XX. DEFERRED TAX ASSETS	10	14.365	-	14.365	13.637	-	13.637
XXI. OTHER ASSETS	11	2.807	1	2.808	2.051	-	2.051
SUB TOTAL		2.026.869	943.635	2.970.504	2.296.525	693.048	2.989.573
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		17	-	17	-	-	-
22.1 Held For Sale		17	-	17	-	-	-
22.2 Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		2.026.886	943.635	2.970.521	2.296.525	693.048	2.989.573

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

GARANTİ FAKTORİNG A.Ş.

BALANCE SHEET AS OF 31 DECEMBER 2015

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

LIABILITIES	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	3.2	1.292	12	1.304	10.249	-	10.249
II. FUNDS BORROWED	12	1.395.798	691.304	2.087.102	2.019.809	196.657	2.216.466
III. FACTORING PAYABLES	6	767	2.532	3.299	623	1.527	2.150
IV. LEASING PAYABLES		-	-	-	-	-	-
4.1 Financial lease payables		-	-	-	-	-	-
4.2 Operational lease payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Leasing Expenses		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)	13	702.552	-	702.552	611.843	-	611.843
5.1 Bills		702.552	-	702.552	611.843	-	611.843
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. OTHER LIABILITIES	14	3.411	765	4.176	2.135	830	2.965
VII. OTHER FOREIGN LIABILITIES	14	-	34	34	-	-	-
VIII. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES		-	-	-	-	-	-
8.1 Fair Value Hedging		-	-	-	-	-	-
8.2 Cash Flow Hedging		-	-	-	-	-	-
8.3 Net Foreign Investment Hedging		-	-	-	-	-	-
IX. TAXES PAYABLE	15	2.384	-	2.384	1.785	-	1.785
X. PROVISIONS	16	3.573	335	3.908	3.732	-	3.732
10.1 Reserves for Restructuring		-	-	-	387	-	387
10.2 Reserves For Employee Benefits		3.154	-	3.154	2.964	-	2.964
10.3 Other Provisions		419	335	754	381	-	381
XI. DEFERRED RECEIVABLES		-	-	-	-	-	-
XII. TAX LIABILITY		-	-	-	-	-	-
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUB TOTAL		2.109.777	694.982	2.804.759	2.650.176	199.014	2.849.190
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held for Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	17	165.762	-	165.762	140.383	-	140.383
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.		(497)	-	(497)	(446)	-	(446)
16.4 Other comprehensive income or expense that will be reclassified subsequently to profit or loss.		-	-	-	-	-	-
16.5 Profit Reserves		61.329	-	61.329	40.813	-	40.813
16.5.1 Legal Reserves		5.639	-	5.639	4.598	-	4.598
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		55.690	-	55.690	36.215	-	36.215
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 TO OWNERS OF ORDINARY SHARES		25.430	-	25.430	20.516	-	20.516
16.6.1 Retained Earnings / (Accumulated Losses)		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		25.430	-	25.430	20.516	-	20.516
TOTAL LIABILITIES AND EQUITY		2.275.539	694.982	2.970.521	2.790.559	199.014	2.989.573

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 2015

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. IRREVOCABLE FACTORING OPERATIONS		211.153	433.619	644.772	371.628	145.757	517.385
II. REVOCABLE FACTORING OPERATIONS		436.056	431.728	867.784	524.901	378.611	903.512
III. GUARANTEES TAKEN	26.1	49.289	18.148.957	18.198.246	35.990	1.773.409	1.809.399
IV. GUARANTEES GIVEN	26.2	447.468	235	447.703	4.612	132	4.744
V. COMMITMENTS	26.3	3.688	3.676	7.364	3.413	3.402	6.815
5.1 Irrevocable Commitments		3.688	3.676	7.364	3.413	3.402	6.815
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	26.4	765.034	866.407	1.631.441	812.856	819.734	1.632.590
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		765.034	866.407	1.631.441	812.856	819.734	1.632.590
6.2.1 Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Buy/Sell Transactions		765.034	866.407	1.631.441	812.856	819.734	1.632.590
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	26.5	556.017	126.852	682.869	495.040	94.240	589.280
TOTAL OFF BALANCE SHEET ITEMS		2.468.705	20.011.474	22.480.179	2.248.440	3.215.285	5.463.725

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

INCOME STATEMENT	Notes	Audited	
		1 January - 31 December 2015	1 January - 31 December 2014
I. OPERATING INCOME	18	237.682	188.109
FACTORING INCOME		237.682	188.109
1.1 Factoring Interest Income		217.548	170.949
1.1.1 Discount		71.583	71.785
1.1.2 Other		145.965	99.164
1.2 Factoring Commission Income		20.134	17.160
1.2.1 Discount		12.880	10.115
1.2.2 Other		7.254	7.045
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 (-)	19	(221.361)	(152.313)
2.1 Interest Expense on Funds Borrowed		(153.471)	(106.182)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Finance Lease Expense		-	-
2.4 Interest Expense on Securities Issued		(63.805)	(44.158)
2.5 Other Interest Expenses		(12)	-
2.6 Other Fees and Commissions		(4.073)	(1.973)
III. GROSS PROFIT/LOSS (I+II)		16.321	35.796
IV. OPERATING EXPENSES (-)	20	(40.035)	(38.224)
4.1 Personnel Expenses		(22.459)	(21.809)
4.2 Retirement Pay Provision Expenses		(408)	(323)
4.3 Research and Development Expenses		-	-
4.4 General Administrative Expenses		(17.129)	(16.012)
4.5 Other		(39)	(80)
V. OPERATING GROSS PROFIT/LOSS		(23.714)	(2.428)
VI. OTHER OPERATION INCOME	21	589.667	249.807
6.1 Interest income from Deposits		2.057	634
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		82.963	44.562
6.5.1 Derivative Financial Transactions		82.963	44.562
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		501.892	203.278
6.7 Other		2.755	1.333
VII. SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)	22	(20.288)	(15.860)
VIII. OTHER OPERATION EXPENSES	23	(513.841)	(205.905)
8.1 TO OWNERS OF ORDINARY SHARES			
8.1.1 Financial Assets at Fair Value Through Profit and Loss		-	-
8.1.2 Financial Assets Available For Sale		-	-
8.1.3 Financial Assets Held to Maturity		-	-
8.2 Expense from Impairment on Tangible and Intangible Assets		-	-
8.2.1 Impairment on Tangible Assets		-	-
8.2.2 Impairment on Assets Held for Sale and Discontinued Operations		-	-
8.2.3 Impairment on Goodwill		-	-
8.2.4 Impairment on Intangible Assets		-	-
8.2.5 Impairment on Subsidiaries, Associates and Joint Ventures		-	-
8.3 Losses from Derivative Financial Transactions		(1.579)	(12.299)
8.4 Foreign Exchange Losses		(512.162)	(193.060)
8.5 Other		(100)	(546)
IX. NET OPERATING INCOME (I+...+VI)		31.824	25.614
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)		31.824	25.614
XIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)	10	(6.394)	(5.098)
13.1 Current Tax Charge		(7.110)	(4.786)
13.2 Deferred Tax Charge (-)		-	(312)
13.3 Deferred Tax Benefit (+)		716	-
XIV. NET PERIOD PROFIT LOSS FROM CONTINUING OPERATIONS		25.430	20.516
XV. INCOME ON DISCONTINUED OPERATIONS			
15.1 Income on Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Joint Ventures		-	-
15.3 Other Income on Discontinued Operations		-	-
XVI. EXPENSE ON DISCONTINUED OPERATIONS (-)			
16.1 Expenses on Assets Held for Sale		-	-
16.2 Losses on Sale of Associates, Subsidiaries and Joint Ventures		-	-
16.3 Other Expenses on Discontinued Operations		-	-
XVII. PROFIT LOSS ON DISCONTINUED OPERATIONS BEFORE TAX			
XVIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (+)		-	-
18.3 Deferred Tax Benefit (-)		-	-
XIX. NET PERIOD PROFIT LOSS FROM DISCONTINUED OPERATIONS			
XX. NET PERIOD PROFIT LOSS		25.430	20.516
Earnings/Loss Per Share (Kuruş (0.01 TL) per thousand shares)	24	319.87	258.06

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

			Audited	
		Notes	1 January - 31 December 2015	1 January - 31 December 2014
I.	PERIOD INCOME/LOSS		25.430	20.516
II.	OTHER COMPREHENSIVE INCOME		(51)	(199)
2.1	ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(51)	(199)
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	17.3	(63)	(249)
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		12	50
2.1.5.1	Tax income charge		-	-
2.1.5.2	Deferred tax income charge	10	12	50
2.2	ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Income expenses on revaluation or reclassification of available for sale financial assets		-	-
2.2.3	Gains (losses) from cash flow hedges		-	-
2.2.4	Gains (losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
2.2.6.1	Tax income charge		-	-
2.2.6.2	Deferred tax income charge		-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)		25.379	20.317

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 2015
 (Amounts expressed in thousands of Turkish Lira ("Thousands of TL") unless otherwise indicated.)

	Notes	Paid in Capital	Capital Reserves	Share Premium	Share Contribution Profits	Other Capital Reserves	Other comprehensive income or expense items which are reclassified to profit or loss						Retained Earnings / Accumulated Losses	Current Year Net Profit (Loss)	Total Shareholders' Equity
							1	2	3	4	5	6			
PERIOD															
1 January - 31 December 2014															
I.	Initial balance at the beginning of the period	79.500												15.302	170.066
II.	Correction made as per TMSB														
2.1	Effect of correction														
2.2	Effect of change in accounting policy														
III.	Adjusted balances	79.500												15.302	170.066
IV.	Total Comprehensive Income														(109)
V.	Capital increase through issued securities														
VI.	Reduction in payments to profit in capital														
VII.	Share-based payments														
VIII.	Share-based loans														
IX.	Income/expense due to other changes														
X.	Current period net profit/loss													20.516	20.516
XI.	Dividends													(15.800)	(15.800)
XII.	Transfers to reserves													(13.302)	(13.302)
12.1	Dividends													(13.302)	(13.302)
12.2	Transfers to reserves														
12.3	Other														
	Balance at the end of the period (I) December 31, 2014 (GÜVENLİ VE KAMUİ)	79.500												30.516	140.583
CURRENT PERIOD															
1 January - 31 December 2015															
I.	Initial balance at the beginning of the year period	79.500												30.516	140.583
II.	Correction made as per TMSB														
2.1	Effect of correction														
2.2	Effect of change in accounting policy														
III.	Adjusted balances	79.500												30.516	140.583
IV.	Total Comprehensive Income														(51)
V.	Capital increase														
VI.	Capital increase through issued securities														
VII.	Reduction in payments to profit in capital														
VIII.	Share-based payments														
IX.	Share-based loans														
X.	Income/expense due to other changes														
XI.	Current period net profit/loss													25.430	25.430
XII.	Dividends													(20.516)	(20.516)
12.1	Dividends													(20.516)	(20.516)
12.2	Transfers to reserves														
12.3	Other														
	Balance at the end of the period (I) December 31, 2015 (GÜVENLİ VE KAMUİ)	79.500												25.430	165.792

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

STATEMENT OF CASH FLOWS	Notes	Audited	Audited
		1 January - 31 December 2015	1 January - 31 December 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating profit before changes in operating assets and liabilities		44.718	13.786
1.1.1 Interest leasing income received	18	211.986	162.794
1.1.2 Leasing expenses		(205.576)	(149.088)
1.1.3 Dividends received		-	-
1.1.4 Fees and commissions received	18	20.990	17.345
1.1.5 Other income		-	-
1.1.6 Collections from previously written off receivables	7	1.897	854
1.1.7 Payments to personnel and service suppliers		(39.619)	(38.027)
1.1.8 Taxes paid	10	(15.975)	(4.884)
1.1.9 Other		71.015	24.792
1.2 Changes in operating assets and liabilities		(89.135)	(376.319)
1.2.1 Net (increase) decrease in factoring receivables		60.864	(972.047)
1.2.2 Net (increase) decrease in other assets		(20.921)	(1.054)
1.2.3 Net increase (decrease) in factoring payables		1.149	(792)
1.2.4 Net increase (decrease) in funds borrowed		(139.548)	602.471
1.2.5 Net increase (decrease) in due payables		-	-
1.2.6 Net increase (decrease) in other liabilities		9.321	(4.897)
I. Net cash provided from operating activities		(44.417)	(362.533)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2 Cash obtained from sale of joint ventures, associates and subsidiaries		-	-
2.3 Fixed assets purchases	8	(1.075)	(313)
2.4 Fixed assets sales	8	32	-
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		(2.617)	(2.603)
II. Net cash provided from investing activities		(3.660)	(2.916)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		382.788	1.056.080
3.2 Cash used for repayment of funds borrowed and securities issued		(300.400)	(732.826)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 TO OWNERS OF ORDINARY SHARES		-	-
III. Net cash provided from financing activities		82.388	323.254
IV. Effect of change in foreign exchange rate on cash and cash equivalents		1.128	1.842
V. Net increase/decrease in cash and cash equivalents		35.439	(40.353)
VI. Cash and cash equivalents at the beginning of the period		4.815	45.168
VII. Cash and cash equivalents at the end of the period	2.5	40.254	4.815

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT DISTRIBUTION

		THOUSANDS OF TURKISH LIRA	
		Audited	Audited
		1 January - 31 December 2015	1 January - 31 December 2014
I.	DISTRIBUTION OF CURRENT YEAR PROFIT(*)		
1.1	CURRENT PERIOD PROFIT	31.824	25.614
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	6.394	5.098
1.2.1	Corporate tax (income tax)	7.110	4.786
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	(716)	312
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	25.430	20.516
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(1.041)
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A- (1.3+1.4+1.5))]	25.430	19.475
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of participating shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	(19.475)
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		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
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	-	-
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 2015 profit distribution will be held at General Assembly meeting.

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

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(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:

<i>(Thousand TL)</i>	Shareholding		Shareholding	
	31 December 2015	(%)	31 December 2014	(%)
Türkiye Garanti Bankası AŞ	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası AŞ	7.773	9,78	7.773	9,78
Publicly Trading	6.661	8,38	6.661	8,38
Capital	79.500	100,00	79.500	100,00

The shareholding of Türkiye Garanti Bankası A.Ş. as of 31 December 2015 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 175 employees as of 31 December 2015 (31 December 2014: 180)

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 in Turkey.

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 28 January 2016. The General Assembly has the authority to change the financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting Standards Applied

The Company maintains its books of account in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the communique on "The Application of Uniform Chart of Accounts and its Guide Book for 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 circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations.

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

2.1.2 Functional Currency

Financial statements of the Company are presented in 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

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

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

Note 3 – Financial Assets at fair value through profit and loss

Note 6 – Factoring receivables

Note 8 – Tangible Assets

Note 9 – Intangible Assets

Note 10 – Tax Assets and Liabilities

Note 16 – Provisions

2.4 Adoption of New and Revised Turkish Financial Reporting Standards

a) New and Revised TFRSs affecting the reported financial performance and financial position

None.

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

TAS 19 (Amendments)

Annual Improvements to
2010-2012 Cycle

Annual Improvements to
2011-2013 Cycle

*Defined Benefit Plans: Employee Contributions:*¹

*TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38,
TAS 24, TFRS 9, TAS 37, TAS 39*¹

*TFRS 3, TFRS 13, TAS 40*¹

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

Amendments to TAS 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.

Annual Improvements to 2010-2012 Cycle

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

2.4 Adoption of New and Revised Turkish Financial Reporting Standards (Cont'd)

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

TFRS 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.

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

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

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

Annual Improvements to 2010-2012 Cycle has resulted in changes in the relevant parts of the following standards: TFRS 9, TAS 37, and TAS 39.

Annual Improvements to 2011-2013 Cycle

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

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

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

2.4 Adoption of New and Revised Turkish Accounting Standards (Cont'd)

c) New and revised TFRSs 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:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants¹</i>
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations¹</i>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1²</i>
Amendments to TAS 1	<i>Disclosure Initiative²</i>
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19²</i>
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements²</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception²</i>
TFRS 14	<i>Regulatory Deferral Accounts²</i>

¹ Effective for annual periods beginning on or after 31 December 2015

² Effective for annual periods beginning on or after 1 January 2016

TFRS 9 *Financial Instruments*

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

TFRS 9 and TFRS 7 (Amendments) *TFRS 9 and Mandatory Date Effective Date of Transition Disclosures*

It is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

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

2.4 New and revised Turkish Accounting Standards (Cont'd)

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

Amendments to TAS 16 and TAS 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 TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 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 TAS 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 TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TRFS 1 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 TFRS 3 and other TASs, except for those principles that conflict with the guidance in TFRS 11
- disclose the information required by TFRS 3 and other TASs for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvement to 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

2.4 New and revised Turkish Accounting Standards (Cont'd)

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

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements to 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

2.5 New and revised Turkish Accounting Standards (Cont'd)

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

IFRS 14 Regulatory Deferral Accounts

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous TFRS, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 also led to amendments in related provisions of TFRS 1.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

2.5 Summary of Significant Accounting Policies

(a) *Revenue*

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(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)

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.

Held to maturity investments

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

Available-for-sale financial assets

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

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.

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)

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. Interest income is calculated and accounted by using the effective interest rate method.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(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)

Derivative financial instruments and hedge accounting

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

Financial Liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

(c) *Tangible Assets and Amortization*

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

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

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

(d) *Intangible Assets*

Intangible Fixed Assets Acquired

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

Computer Software

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

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

(e) *Impairment of Assets*

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

(f) *Capital Increase*

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(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 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
USD	2,9076	2,3189
EURO	3,1776	2,8207
GBP	4,3007	3,5961

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(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)

(j) Effects of Changes in Exchange Rates: (Cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

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

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

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

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

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Banks	40.254	4.815
	<u>40.254</u>	<u>4.815</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

3.1 Derivative Financial Assets Held for Trading

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

Details of derivative financial assets held for trading that arise from forward and currency swap buy-sell agreements as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative Financial Assets Held for Trading	11.783	86	4.776	48
	11.783	86	4.776	48

3.2 Derivative Financial Liabilities Held for Trading

Details of derivative financial liabilities held for trading that arise from currency swap buy-sell agreements and forward contracts as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading	1.292	12	10.249	-
	1.292	12	10.249	-

4 BANKS

Details of banks as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Demand Deposits	1.672	5.293	541	4.274
Time Deposits	30.023	3.431	-	-
	31.695	8.724	541	4.274

The bank balances, excluding income accruals, with original maturities shorter than 3 months which form the basis of cash flows statement is TL 40.254 thousand as of 31 December 2015 (31 December 2014: TL 4.815 thousand).

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

5 FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are composed of unquoted equity share investments as of 31 December 2015 and 31 December 2014.

	31 December 2015			31 December 2014		
	Carrying Value		Share Percentage % (*)	Carrying Value		Share Percentage % (*)
<i>Investments in shares</i>	TL	FC		TL	FC	
International Factors Group SC	-	2	1,72	-	2	1,52
	-	2		-	2	

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

6 FACTORING RECEIVABLES AND PAYABLES

Factoring Receivables

Details of factoring receivables as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Domestic and import factoring receivables	1.942.442	478.733	2.274.518	477.889
Export factoring receivables	-	444.904	-	210.980
Unearned interest income	(15.315)	(561)	(15.135)	(145)
Factoring receivables, net	1.927.127	923.076	2.259.383	688.724

The amount of past due not impaired receivables of the Company is TL 37.009 Thousand (31 December 2014: 10.111 Thousand):

	31 December 2015	31 December 2014
Overdue for 1 month	28.380	9.673
Overdue for 1-3 months	8.629	438
	37.009	10.111

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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6 FACTORING RECEIVABLES AND PAYABLES (Cont'd)

Factoring Payables

Details of short term factoring payables as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Factoring payables	767	2.532	623	1.527
	767	2.532	623	1.527

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

7 NON-PERFORMING RECEIVABLES

Details of the Company's non-performing factoring receivables and the provisions allocated for them as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Non-performing				
Factoring receivables	84.548	12.883	56.475	-
Specific provisions	(62.889)	(1.137)	(45.635)	-
Non-performing receivables, net	21.659	11.746	10.840	-

Aging of non-performing factoring receivables and specific provision allocated for them as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	Total non - performing factoring receivables	Provision	Total non - performing factoring receivables	Provision
Overdue up to 90 days	2.571	514	3.448	690
Overdue for 91-180 days	31.319	4.156	4.392	1.209
Overdue for 181-365 days	8.638	4.513	9.882	4.997
Overdue for 1 year and over	54.903	54.843	38.753	38.739
Total	97.431	64.026	56.475	45.635

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

7 NON-PERFORMING RECEIVABLES (Cont'd)

Amount of collaterals received for non-performing factoring receivables capped with the exposure is TL 10.752 thousand (31 December 2014: TL 14 thousand).

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balance as at 1 January	45.635	30.629
Provision provided for the period (*)	20.228	15.860
Collections during the period (**)	(1.897)	(854)
Balance at the end of the year	64.026	45.635

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

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

8 TANGIBLE ASSETS

The movement of tangible assets for the period ended as at 31 December 2015 is as follows:

	<u>1 January 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December 2015</u>
Acquisition Cost				
Furniture and fixtures	3.046	929	(559)	3.416
Vehicles	19	-	-	19
Leasehold improvements	1.171	146	-	1.317
	4.236	1.075	(559)	4.752
Accumulated Depreciation		Charge for the period		
Furniture and fixture	2.492	370	(559)	2.303
Vehicles	19	-	-	19
Leasehold improvements	1.045	31	-	1.076
	3.556	401	(559)	3.398
Net book value	680			1.354

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

8 TANGIBLE ASSETS (Cont'd)

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

	<u>1 January 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December 2014</u>
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
Accumulated Depreciation				
	<u>1 January 2014</u>	<u>Charge for the period</u>	<u>Disposals</u>	<u>31 December 2014</u>
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			680

As of 31 December 2015 the insurance on tangible assets amounts to TL 1.439 thousand (31 December 2014: TL 1.439 thousand) and the insurance premium amounts to TL 3 thousand (31 December 2014: TL 4 thousand).

	<u>Economical Life</u>
Vehicles	5
Furnitures and fixtures	3-15
Specific Costs	3-10

9 INTANGIBLE ASSETS

The movement of intangible assets for the period ended as of 31 December 2015 is as follows:

	<u>1 January 2015</u>	<u>Additions</u>	<u>31 December 2015</u>
Acquisition Cost			
Rights	3.076	-	3.076
Other (Software)	7.064	2.617	9.681
	10.140	2.617	12.757

	<u>1 January 2015</u>	<u>Charge for the period</u>	<u>31 December 2015</u>
Accumulated Amortization			
Rights	3.076	-	3.076
Other (Software)	3.713	2.217	5.930
	6.789	2.217	9.006
Net book value	3.351		3.751

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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9 INTANGIBLE ASSETS (Cont'd)

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

	1 January 2014	Additions	31 December 2014
Acquisition Cost			
Rights	3.076	-	3.076
Other (Software)	4.458	1.972	6.430
	7.534	1.972	9.506

	1 January 2014	Charge for the period	31 December 2014
Accumulated Amortization			
Rights	3.012	52	3.064
Other (Software)	2.108	1.138	3.246
	5.120	1.190	6.310
Net book value	2.414		3.196

As of 31 December 2015 and 31 December 2014, the company has not any intangible assets that is generated within the company.

	Economical Life
Rights	3-5
Others	3-5

10 TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

The effective tax rate in 2015 is 20% (2014: 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 2015 (2014: 20%)

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

10 TAX ESSETS AND LIABILITIES (Cont'd)

Income Withholding Tax

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

Reconciliation of tax charge	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Reported profit before taxation	31.824	25.614
Calculated taxation on reported profit	(6.365)	(5.123)
Permanent differences:		
Non-deductible expenses	(87)	(99)
Non-taxable income	6	6
Reversal of prior year provision for corporate income tax	52	73
Other	-	45
Tax Charge	(6.394)	(5.098)

The corporate tax payable as at 31 December 2015 and 31 December 2014 is as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Corporate tax provision	7.162	4.859
Prepaid taxes	(15.976)	(4.884)
Withholding income taxes	(304)	(33)
Corporate Tax Payable / Tax Assets	(9.118)	(58)

The tax charge in the income statement for the period ended as at 31 December 2015 and 31 December 2014 is as summarized below:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Current tax charge	(7.162)	(4.859)
Reversal of prior year tax provision	52	73
Deferred tax benefit/(charge)	716	(312)
	(6.394)	(5.098)

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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10 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 2015 (31 December 2014: 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 2015, 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Temporary Differences</u>		
Unearned factoring interest income	15.876	15.280
Factoring receivable provisions	61.526	43.135
Deferred commissions	2.659	1.552
Retirement pay provision	1.442	1.153
Unused vacation accrual	818	761
Valuation differences of derivative financial assets	1.304	10.249
Premium pay provision	894	1.050
Valuation differences of factoring receivables	735	258
Other provisions	316	768
<i>Temporary differences related to deferred tax assets</i>	85.570	74.206
Temporary differences of derivative financial assets	11.869	4.814
Temporary differences on tangible and intangible assets	1.332	1.121
Valuation differences of funds borrowed	47	9
Valuation differences of bonds	170	80
Commision accruals	327	-
<i>Temporary differences related to deferred tax liabilities</i>	13.745	6.024
<u>Deferred tax assets / (liabilities)</u>		
Unearned factoring interest income	3.174	3.056
Factoring receivable provisions and adjustments	12.305	8.627
Deferred commissions	532	310
Retirement pay provision	288	231
Unused vacation accrual	164	152
Valuation differences of derivative financial assets	261	2.050
Premium pay provision	179	210
Valuation differences of factoring receivables	147	52
Other provisions	63	154
<i>Deferred tax assets</i>	17.113	14.842
Temporary differences of derivative financial assets	(2.374)	(963)
Temporary differences on tangible and intangible assets	(266)	(224)
Valuation differences of funds borrowed	(9)	(2)
Valuation differences of bonds	(34)	(16)
Commision accruals	(65)	-
<i>Deferred tax liabilities</i>	(2.748)	(1.205)
Deferred tax assets (net)	14.365	13.637

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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10 TAX ASSETS AND LIABILITIES (Cont'd)

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
1 January	13.637	13.899
Deferred tax income / (expense)	716	(312)
Deferred tax income / (expense) classified under other comprehensive income	12	50
Balance at the end of the period	14.365	13.637

11 PREPAID EXPENSES AND OTHER ASSETS

Details of prepaid expenses as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Insurance premiums	362	-	128	-
Expense contribution share	449	-	309	-
Guarantee letter commissions	884	-	-	-
Bond issuance brokerage commissions	1.245	-	691	-
Other	270	-	90	-
	3.210	-	1.218	-

Details of other assets as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Receivables related with court expenses	2.440	-	1.795	-
Other	367	1	256	-
	2.807	1	2.051	-

12 FUNDS BORROWED

Details of funds borrowed as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Funds Borrowed	1.395.798	691.304	2.019.809	196.657
	1.395.798	691.304	2.019.809	196.657

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

12 FUNDS BORROWED (Cont'd)

	31 December 2015				31 December 2014			
	Original Amount	Interest Rate (%)	TL Equivalent		Original Amount	Interest Rate (%)	TL Equivalent	
		Up to 1 Year	1 Year and over	Up to 1 Year		1 Year and over		
TL	1.395.798	11,85-15,00	1.395.798	-	2.019.809	9,05-14,70	2.019.809	-
USD	49.646	0,90-2,50	144.350	-	20.766	0,80-1,87	48.153	-
EURO	142.006	0,25-2,65	451.237	95.347	48.381	1,58-2,78	136.468	9.875
GBP	86	1,88-1,88	370	-	601	2,11-2,20	2.161	-
Total			1.991.755	95.347			2.206.591	9.875

These rates represent the interest rate range of outstanding funds borrowed with fixed and floating rates as at 31 December 2015 and 31 December 2014.

TL 267.417 thousand of the funds borrowed as of 31 December 2015 is borrowed from the Takasbank Money Market. TL 440.000 thousand worth of guarantee has been given for the funds borrowed from the Takasbank Money Market. As of 31 December 2015 and 31 December 2014, no guarantee has been given for the remaining funds borrowed.

13 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Bills				
Nominal	726.240	-	627.210	-
Cost	688.263	-	600.083	-
Carrying Value	702.552	-	611.843	-

The Company issued discounted bills only for qualified investors, on 31 July 2015, 4 September 2015, 5 October 2015, 16 October 2015, 20 November 2015, 4 December 2015 and 14 December 2015 with nominal values of TL 94.570 Thousand, TL 75.280 Thousand, TL 43.290 Thousand, TL 142.700 Thousand, TL 70.000 Thousand, TL 174.780 Thousand and TL 125.620 Thousand with the maturities, 22 January 2016, 26 February 2016, 28 March 2016, 6 April 2016, 13 May 2016, 25 May 2016 and 6 June 2016, respectively.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

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

14 SUNDRY CREDITORS AND OTHER LIABILITIES

Details of sundry creditors as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Deferred commissions	2.659	-	1.552	-
Sundry creditors	609	21	564	16
Transitory liability accounts	143	744	19	814
	3.411	765	2.135	830
Guarantee payments to customers	-	34	-	-
Other Liabilities	-	34	-	-

15 TAX PAYABLES AND LIABILITIES

Details of taxes payables and liabilities as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Income tax payable	650	-	558	-
Social security premiums payable	334	-	313	-
Stamp tax payable	18	-	16	-
V.A.T payable	18	-	20	-
Banking and Insurance Transactions Tax (BITT) payable	1.364	-	878	-
	2.384	-	1.785	-

16 PROVISIONS

Details of provisions as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Provision for employee benefits	3.154	-	2.964	-
Restructuring Provisions (*)	-	-	387	-
Provision for lawsuits	316	-	381	-
Provision for brokerage commissions	-	335	-	-
Other provisions	103	-	-	-
	3.573	335	3.732	-

(*) Consists of provisions provided for companies with revised contract terms due to restructuring.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

16 PROVISIONS (Cont'd)

16.1 Provision for Employee Benefits

Provision for employee benefits as of 31 December 2015, include retirement pay provision amounting to TL 1.442 thousand (31 December 2014: TL 1.153 thousand), unused vacation accrual amounting to TL 818 thousand (31 December 2014: TL 761 thousand) and personnel bonus accrual amounting to TL 894 thousand (31 December 2014: TL 1.050 thousand).

Retirement Pay Provision

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month's salary and as of 31 December 2015, this amount is limited to a maximum of TL 3.828,37 (full) (31 December 2014: TL 3.438,22 (full)). The amount of compensation to be paid is equal to one month's salary for every and each year of employment.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2015, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7,10% and a discount rate of 10,30%, resulting in a real discount rate of approximately 2,99%. (31 December 2014: inflation rate of between 6,10%, discount rate of between 8,60%, real discount rate of approximately 2,36%).

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

	1 January- 31 December 2015	1 January- 31 December 2014
Net liability / (asset) at the beginning of the period	1.153	823
Severance indemnity paid in the period	(182)	(242)
Retirement provision recognized under income statement	408	323
Accounted in other comprehensive income / expense	63	249
Net liability / (asset) at the end of period	1.442	1.153

Personnel Bonus Accrual

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

	1 January- 31 December 2015	1 January- 31 December 2014
Balance at 1 January	1.050	601
Paid in the period	(2.272)	(1.967)
Reversal	(277)	(5)
Accrual for the period	2.393	2.421
Balance at the end of the period	894	1.050

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

16 PROVISIONS (Cont'd)

16.1 Provision for Employee Benefits (Cont'd)

Unused Vacation Accrual

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

	1 January- 31 December 2015	1 January- 31 December 2014
Balance at 1 January	761	750
Paid in the period	(68)	(88)
Reversal	(91)	(130)
Accrual for the period	216	229
Balance at the end of the period	818	761

16.2 Other Provisions

As of 31 December 2015, other provisions amounting to TL 316 thousand has been provided for the ongoing negative declaratory action lawsuits (31 December 2014: TL 376 thousand has been provided for ongoing negative declaratory lawsuits and TL 5 thousand for other risks). The movement of other provisions during the period is as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Balance at 1 January	381	627
Reversal	(165)	(406)
Provision provided for the period	100	160
Balance at the end of the period	316	381

17 SHAREHOLDERS' EQUITY

17.1 Paid-in Capital

As of 31 December 2015, the Company's share capital amounts to TL 79.500 thousand (31 December 2014: TL 79.500 thousand). As at 31 December 2015 the Company has 7.950.000.000 (31 December 2014: 7.950.000.000) total registered shares consisting of 4.004.242.970 preferred shares and 3.945.757.030 ordinary shares with a par value of Kuruş ("Kr") 1 each (31 December 2014: Kr 1).

17.2 Capital Reserves

None. (31 December 2014: None)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

17 SHAREHOLDERS' EQUITY (Cont'd)

17.3 Other Comprehensive Income or Expense

As of 31 December 2015, TL (497) 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 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.)

17.4 Profit Reserves

The Company's profit reserves comprise of the legal reserves amounting to TL 5.639 thousand (31 December 2014: TL 4.598 thousand) and extraordinary reserves amounting to TL 55.690 thousand (31 December 2014: TL 36.215) as of 31 December 2015.

17.5 Profit Distribution

2014 PROFIT DISTRIBUTION TABLE

Net Profit for the year	20.516
Legal Reserves (-)	1.041
DISTRIBUTABLE NET PROFIT OF THE PERIOD	19.475
Donations (+)	34
Distributable net profit of the period (with Donations)	19.509
EXTRAORDINARY RESERVES	19.475

(*) Deferred tax benefit of TL 312 Thousand in year 2014, has not been included in the profit distribution.

18 OPERATING INCOME

The details of operating income for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Factoring interest income	217.548	170.949
Factoring commission income (net)	20.134	17.160
	237.682	188.109

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

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

19 FINANCE EXPENSES

The details of finance expenses for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Interest expenses on funds borrowed	153.471	106.182
Interest expenses on marketable securities issued	63.805	44.158
Fees and commissions paid	4.073	1.973
Other interest expenses	12	-
	<u>221.361</u>	<u>152.313</u>

20 OPERATING EXPENSES

The details of operating expenses for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Personnel expenses	22.459	21.809
Brokerage services fee	2.828	3.128
Depreciation and amortization charges	2.618	1.990
Vehicle expenses	2.023	2.065
Rent expenses	1.661	1.773
Taxes and duties	1.437	1.965
IT maintenance and contract expenses	1.229	1.009
Maintenance and repair expenses	911	851
Communication expenses	820	736
Representation expenses	820	693
Consultancy expenses	779	526
Subscription expenses	472	515
Provision for retirement pays	408	323
Case expenses	214	86
Travel expenses	210	171
Other	1.146	584
	<u>40.035</u>	<u>38.224</u>

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

20 OPERATING EXPENSES (Cont'd)

The details of personnel expenses classified under operating expenses for the periods ended as at 31 December 2015 and 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Salaries and wages	15.193	14.853
Bonuses	2.393	2.421
Social security premium employer's share	1.947	1.858
Personnel transportation expenses	687	642
Personnel food expenses	642	629
Insurance expenses	443	364
Per diem payments	284	235
Unemployment insurance employer's share	234	205
Training expenses	212	115
Other	424	487
	<u>22.459</u>	<u>21.809</u>

21 OTHER OPERATING INCOME

The details of other operating income for the periods ended as at 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Foreign exchange gains	501.892	203.278
Interest income on bank deposits	2.057	634
Income on derivative financial transactions	82.963	44.562
Other	2.755	1.333
	<u>589.667</u>	<u>249.807</u>

Foreign exchange gains in 31 December 2015 includes TL 84.907 thousand foreign exchange differences on foreign currency indexed factoring receivables. (31 December 2014: TL 22.153 Thousand)

22 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

The details of provision for non-performing receivables for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Specific provision expenses	20.288	15.860
	<u>20.288</u>	<u>15.860</u>

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

23 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2015</u>
Foreign exchange losses	512.162	193.060
Losses on derivative financial transactions	1.579	12.299
Other	100	546
	<u>513.841</u>	<u>205.905</u>

24 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Net profit for the period	25.430	20.516
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>	319,87	258,06

25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as of 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	1.613	6.870	349	1.549
Demand deposits	1.613	3.439	349	1.549
Time deposits	-	3.431	-	-
Garantibank International NV	5	1.847	33	2.615
Demand deposits	5	1.847	33	2.615
Time deposits	-	-	-	-
	<u>1.618</u>	<u>8.717</u>	<u>382</u>	<u>4.164</u>

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as of 31 December 2015 is TL 570.649 thousand (31 December 2014: TL 514.118 thousand).

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Factoring receivables				
Doğuş Yayın Grubu AŞ	13.162	-	14.120	-
Doğuş Perakende Satış Giyim ve Aksesuar Ticaret A.Ş.	-	-	1.296	-
Bmk Turizm ve Otelcilik Hiz. A.Ş.	-	-	1.022	-
Işıl Televizyon Yayıncılık A.Ş.	8.314	-	-	-
	21.476	-	16.438	-

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Loans borrowed				
Türkiye Garanti Bankası AŞ	406.751	159.347	469.616	49.611
GarantiBank International NV	-	-	-	-
	406.751	159.347	469.616	49.611

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Sundry creditors				
Türkiye Garanti Bankası AŞ	27	-	23	-
Garanti Emeklilik ve Hayat AŞ	-	21	-	16
	27	21	23	16

The Company has made purchases amounting to TL 2.429 thousand from Garanti Bilişim Teknolojisi ve Ticaret A.Ş for the period ended 31 December 2015 (31 December 2014: TL 2.256 thousand from Garanti Bilişim Teknolojisi ve Ticaret A.Ş, TL 33 thousand from Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş.).

The details of receivables and payables due from and due to related parties' off-balance sheet transactions as of 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative Agreements				
Türkiye Garanti Bankası AŞ	330.780	346.703	410.540	408.908
Money swap purchase transactions	330.780	12.710	410.540	-
Money swap sale transactions	-	333.993	-	408.908
Banco Bilbao Vizcaya Argentaria	-	-	203.874	204.063
Money swap purchase transactions	-	-	203.874	-
Money swap sale transactions	-	-	-	204.063
	330.780	346.703	614.414	612.971

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

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

25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

Income and expenses from related parties for the periods ended as of 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Interest income from factoring receivables		
Doğuş Yayın Grubu A.Ş.	1.786	1.834
Doğuş Perakende Satış Giyim ve Aksesuar Ticaret A.Ş.	34	100
Garanti Bank International NV	124	354
Işıl Televizyon Yayıncılık A.Ş.	13	-
Bmk Turizm ve Otelcilik Hiz. A.Ş.	42	13
	1.999	2.301
Interest income on bank deposits		
Türkiye Garanti Bankası A.Ş.	28	16
Garanti Bank International NV	3	-
	31	16
	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Commission income from factoring receivables		
Doğuş Perakende Satış Giyim ve Aksesuar Tic. A.Ş.	-	8
	-	8
Interest expenses on funds borrowed		
Türkiye Garanti Bankası A.Ş.	41.022	6.683
Garanti Bank International NV	3.128	732
	44.150	7.415
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	2.993	1.900
Türkiye Garanti Bankası A.Ş.	487	497
Garanti Bank International NV	84	11
	3.564	2.408

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25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

<i>General Administrative Expenses</i>	1 January- 31 December 2015	1 January- 31 December 2014
Türkiye Garanti Bankası AŞ (<i>Rent expense, intermediary services fee, IT maintenance and contract expenses</i>)	4.523	4.513
Garanti Filo Yönetim Hizmetler AŞ (<i>Car rental expenses</i>)	1.312	1.267
Antur Turizm AŞ (<i>Travelling expenses</i>)	126	127
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri AŞ (<i>Information technologies maintenance and contract costs</i>)	5	5
Garanti Finansal Kiralama AŞ (<i>Office rent expenses, contribution to building costs</i>)	660	566
Garanti Emeklilik ve Hayat AŞ (<i>Insurance expenses</i>)	55	48
	6.681	6.526
	1 January - 31 December 2015	1 January - 31 December 2014
Profits from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	30.453	8.904
Banco Bilbao Vizcaya Argentaria	6.503	458
	36.956	9.362
Losses from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	113	213
	113	213

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 2015 is TL 10.503 thousand (31 December 2014: TL 10.009 thousand)

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

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26 CONTINGENT ASSETS AND LIABILITIES**26.1 Guarantees Received**

Guarantees received for the Company's factoring receivables as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Sureties received (*)	-	16.234.986	-	-
Finance notes	1.460	1.825.425	754	1.679.068
Mortgage	33.500	-	33.500	-
Chattel mortgage	440	17.477	1.697	15.514
Pledge	5.112	11.630	-	-
Customer cheques	42	7.153	39	3.164
Letters of guarantee	-	48.673	-	75.663
Transfer of claim arising from letter of guarantees	8.735	3.603	-	-
	49.289	18.148.957	35.990	1.773.409

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

26.2 Guarantee Given

Guarantee given as at 31 December 2015 and 31 December 2014 consist of letter of guarantee given to the institutions below:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Takasbank	440.000	-	-	-
Courts	7.462	235	4.605	132
Other	6	-	7	-
	447.468	235	4.612	132

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015**

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

26 CONTINGENT ASSETS AND LIABILITIES (Cont'd)**26.3 Commitments**

TL equivalent of nominal values of commitment given related to credit linked notes as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Foreign exchange buy-sell commitments	3.688	3.676	3.413	3.402
	3.688	3.676	3.413	3.402

26.4 Derivative Agreements

The details of derivative agreements as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Currency swap buy transactions	765.034	66.145	812.856	5.441
Currency swap sell transactions	-	800.262	-	814.293
	765.034	866.407	812.856	819.734

26.5 Safety Securities

The details of cheques and notes in collection as at 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Cheque receivable in collection	551.011	119.434	489.104	89.779
Notes receivable in collection	5.006	7.418	5.936	4.461
	556.017	126.852	495.040	94.240

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

27.1 Financial Risk Management Purposes and Policies

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

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

27.1.1 Credit Risk

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

Under the credit allocation;

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

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

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

Credit monitoring phase;

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

27.1.2 Market Risk

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

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

27.1.3 Liquidity Risk

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

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

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

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

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

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

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

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

27.1.4 Operational Risk

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

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

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

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

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

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

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

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

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

27.1.5 Reputation Risk

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

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

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

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

27.2 Explanations on Risk Management (cont'd)

27.2.1 Credit Risk

31 December 2015	Factoring Receivables		Non-performing receivables		Other Assets			Derivative Financial Assets Held for Trading	Financial Assets Available for Sale
	Related Party	Others	Related Party	Others	Related Party	Others	Banks		
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	21.476	2.828.727	-	33.405	-	2.808	40.419	11.869	2
A. Carrying value of financial assets that are not past due nor impaired	21.476	2.791.718	-	-	-	2.808	40.419	11.869	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	-	37.009	-	-	-	-	-	-	-
- carrying value	-	37.009	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	33.405	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	97.431	-	-	-	-	-
- Impairment (-)	-	-	-	(64.026)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	10.752	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-

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

27.2 Explanations on Risk Management (Cont'd)

27.2.1 Credit Risk (Cont'd)

31 December 2014

	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)	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	-	-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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

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

27.2 Explanations on Risk Management (cont'd)

27.2.2 Liquidity Risk

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

31 December 2015

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 month	1-5 year
Non-derivative financial liabilities	2.797.129	2.831.816	1.839.054	895.042	97.720
Funds borrowed	2.087.102	2.098.101	1.618.439	381.942	97.720
Bonds issued	702.552	726.240	213.140	513.100	-
Factoring payables	3.299	3.299	3.299	-	-
Sundry creditors	4.176	4.176	4.176	-	-

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 months	1-5 years
Derivative financial liabilities and foreign exchange buy-sell commitments	30.909	30.909	10.485	20.424	-
Derivative cash inflows	834.857	834.857	378.293	456.564	-
Derivative cash outflows	(803.948)	(803.948)	(367.808)	(436.140)	-

31 December 2014

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 months	1-5 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
Bond 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 months	1-5 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)	-

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

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

27.2 Explanations on Risk Management (cont'd)

27.2.3 Market Risk

Foreign currency risk

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2015 and 31 December 2014.

Foreign currency assets and liabilities as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
	(TL equivalent in thousands)	(TL equivalent in thousands)
A. Foreign currency monetary assets	1.426.988	1.008.345
B. Foreign currency monetary liabilities	(694.970)	(199.014)
C. Derivative financial instruments (*)	(731.839)	(808.770)
Net foreign currency position (A+B+C)	179	561

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

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

**27. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(Cont'd)****27.2 Explanations on Risk Management (cont'd)****27.2.3 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 2015 and 31 December 2014. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2015	USD	EURO	GBP	Total
Assets				
Banks	6.217	1.755	752	8.724
Financial assets available for sale	-	2	-	2
Factoring receivables (*)	921.321	485.325	11.615	1.418.261
Other Assets	-	1	-	1
Total Assets	927.538	487.083	12.367	1.426.988
Liabilities				
Funds borrowed	144.350	546.584	370	691.304
Factoring payables	208	2.269	55	2.532
Sundry creditors and other liabilities	98	979	57	1.134
Total liabilities	144.656	549.832	482	694.970
Net foreign currency position	782.882	(62.749)	11.885	732.018
Derivative financial instruments (**)	(787.631)	65.568	(9.776)	(731.839)
Net position	4.749	2.819	2.109	179

(*)Includes the foreign currency indexed factoring receivables amounting to TL 483.439 thousand that are presented in TL column on the balance sheet.

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

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

27.2 Explanations on Risk Management (cont'd)

27.2.3 Market Risk (Cont'd)

Foreign Currency Risk (Cont'd)

31 December 2014	USD	EURO	GBP	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	15	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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27 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

27.2 Explanations on Risk Management (cont'd)

27.2.3 Market Risk (Cont'd)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies as of 31 December 2015 results in an increase in profit before tax for the period amounting to TL 18 thousand (31 December 2014: TL 56 thousand increase). This analysis is made with the assumption that the other variables were held constant as of 31 December 2015 and 31 December 2014.

TL	
<u>31 December 2015</u>	<u>Profit/(Loss)</u>
USD	(475)
EURO	282
GBP	211
Total	18

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

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>				<u>31 December 2014</u>			
	<u>USD (%)</u>	<u>EURO (%)</u>	<u>GBP (%)</u>	<u>TL (%)</u>	<u>USD (%)</u>	<u>EURO (%)</u>	<u>GBP (%)</u>	<u>TL (%)</u>
Assets								
Banks								
Time Deposits	0,25	-	-	13,70	-	-	-	-
Factoring receivable	4,21	2,72	5,55	15,69	4,10	4,28	4,80	12,07
Liabilities								
Marketable securities issued	-	-	-	11,57	-	-	-	9,33
Funds borrowed	1,92	1,59	1,88	13,70	0,96	2,47	2,18	12,08

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

27.2 Explanations on Risk Management (cont'd)

Interest Rate Sensitivity Analysis

The Company's financial instruments that have interest rate sensitivity as at 31 December 2015 and 31 December 2014 are as follows:

	Carrying Value	
	<u>31 December 2015</u>	<u>31 December 2014</u>
Fixed Rate		
Factoring receivable	2.300.546	2.471.702
Time deposits	33.454	-
Fund borrowed	2.028.921	1.759.109
Marketable securities issued	702.552	611.843
Floating Rate		
Factoring receivable	549.657	476.405
Funds borrowed	58.181	457.357

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 2015, net income for the period would decrease/increase by TL 4.915 thousand (31 December 2014: TL 192 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.

28 FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

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28 FINANCIAL INSTRUMENTS (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 2015	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	11.869	-	11.869
	-	11.896	-	11.869
Derivative financial liabilities held for trading	-	1.304	-	1.304
	-	1.304	-	1.304
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

29 SUBSEQUENT EVENTS

The Company has issued a bond to be only sold to qualified investors without a public offering through the book building that took place on 20-21 January 2016 with a nominal value of TL 124.000 thousand commencing on 22 January 2016 and maturing on 18 July 2016.