GARANTİ FAKTORİNG A.Ş.

Financial Statements
As at and for the Year Ended
31 December 2019
With Independent Auditors' Report

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

KPMG

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Convenience Translation of the Review Report Originally Prepared and Issued in Turkish

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

A) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Garanti Faktoring A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Garanti Faktoring A.Ş. as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated 24 December 2013 and numbered 28861, other regulations, communiqués and circulars published by the Banking Regulation and Supervision Board ("BRSA") and the pronouncements made by the Banking Regulation and Supervision Agency and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations together "the BRSA Accounting and Financial Reporting Legislation".

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of factoring receivables

Refer to Note 2.5 for the details of accounting policies and significant judgments of for impairment of factoring receivables.

Key audit matter	*How the matter is addressed in our audit*
Impairment of factoring receivables As at 31 December 2019, factoring receivables comprise 96% of the Company's total assets. The Company recognizes its factoring receivables in accordance with BRSA Accounting and Financial Reporting Legislation. In accordance with the aforementioned Regulation and TFRS 9 Financial Instruments standard ("Standard"). As at 1 January 2019, due to the adoption of TFRS 9, in determining the impairment of factoring receivables the Company has begun to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates. The significant assumptions and estimates of the Company's management are as follows: - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model.	Our procedures for testing the impairment of factoring receivables included below: • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Company's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Company's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.

The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Company calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.	• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Company management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. • Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the "BRSA Accounting and Financial Reporting Legislation", 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 30 January 2019.

2) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

29 January 2020
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 2, differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2019

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

	ASSETS	Notes	Audited 31 December 2019			Audited 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**CASH, CASH EQUIVALENTS AND CENTRAL BANK**	3	1.511	10.331	11.842	3.704	16.074	19.778
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)**	4	-	7	7	-	6	6
III.	**DERIVATIVE FINANCIAL ASSETS**	5.1	-	-	-	-	1	1
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)**		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AT AMORTISED COST (Net)**	6	1.669.668	435.088	2.104.756	1.866.604	468.432	2.335.036
5.1	**Factoring Receivables**	6.1	1.658.307	432.099	2.090.406	1.825.957	453.153	2.279.110
5.1.1	Discounted Factoring Receivables (Net)		917.390	143.866	1.061.256	761.225	118.681	879.906
5.1.2	Other Factoring Receivables		740.917	288.233	1.029.150	1.064.732	334.472	1.399.204
5.2	**Financing Loans**		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	**Leasing (Net)**		-	-	-	-	-	-
5.3.1	Receivables From Finance Lease		-	-	-	-	-	-
5.3.2	Receivables From Operating Lease		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	**Other Financial Assets At Amortised Cost**		-	-	-	-	-	-
5.5	**Non Performing Receivables**	6.2	150.872	188.885	339.757	148.612	158.257	306.869
5.6	**Allowances for Expected Credit Loss/Specific Provisions (-)**	6.3	(139.511)	(185.896)	(325.407)	(107.965)	(142.978)	(250.943)
VI.	**SHAREHOLDING (Partnership) INVESTMENTS**		-	-	-	-	-	-
6.1	Investments In Associates (Net)		-	-	-	-	-	-
6.2	Investments In Subsidiaries (Net)		-	-	-	-	-	-
6.3	Investments In Joint Ventures (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (NET)**	7	5.254	-	5.254	1.735	-	1.735
VIII.	**INTANGIBLE ASSETS (NET)**	8	9.424	-	9.424	7.638	-	7.638
IX.	**REAL ESTATES FOR INVESTMENT (NET)**		-	-	-	-	-	-
X.	**CURRENT PERIOD TAX ASSETS**	9	8.014	-	8.014	-	-	-
XI.	**DEFERRED TAX ASSETS**	9	58.424	-	58.424	61.683	-	61.683
XII.	**OTHER ASSETS**	10	3.582	313	3.895	7.811	361	8.172
	SUBTOTAL		1.755.877	445.739	2.201.616	1.949.175	484.874	2.434.049
XIII.	**ASSETS HELD FOR SALE AND DISCONTINIUED OPERATIONS (Net)**		11	-	11	11	-	11
13.1	Assets Held For Sale		11	-	11	11	-	11
13.2	Assets Held For Discontiniued Operations		-	-	-	-	-	-
	TOTAL ASSETS		1.755.888	445.739	2.201.627	1.949.186	484.874	2.434.060

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2019

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

	LIABILITIES	Notes	Audited 31 December 2019			Audited 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**FUNDS BORROWED**	**11**	**1.590.602**	**414.529**	**2.005.131**	**1.277.797**	**481.965**	**1.759.762**
II.	**FACTORING PAYABLES**	**6.1**	**507**	**10.093**	**10.600**	**2.238**	**13.104**	**15.342**
III.	**LEASE OBLIGATIONS**	**12**	**2.174**	**2.379**	**4.553**	**-**	**-**	**-**
IV.	**SECURITIES ISSUED (NET)**	**13**	**-**	**-**	**-**	**485.126**	**-**	**485.126**
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**	**-**	**-**	**-**
VI.	**DERIVATIVE FINANCIAL LIABILITIES**	**5.2**	**-**	**-**	**-**	**-**	**61**	**61**
VII.	**PROVISIONS**	**14**	**9.712**	**535**	**10.247**	**6.888**	**493**	**7.381**
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Provisions For Employee Benefits	14.1	8.134	-	8.134	5.392	-	5.392
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions	14.2	1.578	535	2.113	1.496	493	1.989
VIII.	**CURRENT PERIOD TAX LIABILITIES**	**9**	**-**	**-**	**-**	**3.959**	**-**	**3.959**
IX.	**DEFERRED TAX LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**SUBORDINATED LOANS-DEBT**		**-**	**-**	**-**	**-**	**-**	**-**
XI.	**OTHER LIABILITIES**	**15**	**3.234**	**3.878**	**7.112**	**4.243**	**2.641**	**6.884**
	SUBTOTAL		**1.606.229**	**431.414**	**2.037.643**	**1.780.251**	**498.264**	**2.278.515**
XII.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINIUED OPERATIONS (Net)**		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontiniued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**	**16**	**163.984**	**-**	**163.984**	**155.545**	**-**	**155.545**
13.1	Paid-in Capital		79.500	-	79.500	79.500	-	79.500
13.2	Capital Reserves		-	-	-	-	-	-
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		(626)	-	(626)	(657)	-	(657)
13.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves		76.702	-	76.702	134.078	-	134.078
13.5.1	Legal Reserves		9.205	-	9.205	9.205	-	9.205
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		67.497	-	67.497	124.873	-	124.873
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		8.408	-	8.408	(57.376)	-	(57.376)
13.6.1	Prior Periods Profit / Loss		(16.030)	-	(16.030)	-	-	-
13.6.2	Current Period Profit / Loss		24.438	-	24.438	(57.376)	-	(57.376)
	TOTAL LIABILITIES AND EQUITY		**1.770.213**	**431.414**	**2.201.627**	**1.935.796**	**498.264**	**2.434.060**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2019			Audited 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING OPERATIONS		510.529	475.216	985.745	854.530	514.879	1.369.409
II.	REVOCABLE FACTORING OPERATIONS		796.979	187.087	984.066	775.409	77.708	853.117
III.	GUARANTEES TAKEN	25.1	291.821	23.150.443	23.442.264	179.853	25.570.326	25.750.179
IV.	GUARANTEES GIVEN	25.2	654.196	128	654.324	1.262.391	765	1.263.156
V.	COMMITMENTS		-	-	-	-	-	-
5.1	Irrevocable Commitments		-	-	-	-	-	-
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	25.3	-	-	-	-	185.729	185.729
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		-	-	-	-	185.729	185.729
6.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2	Swap Buy/Sell Transactions		-	-	-	-	185.729	185.729
6.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY	25.4	784.598	173.167	957.765	608.226	107.754	715.980
	TOTAL OFF BALANCE SHEET ITEMS		3.038.123	23.986.041	27.024.164	3.680.409	26.457.161	30.137.570

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	INCOME STATEMENT	Notes	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
I.	**OPERATING INCOME**	**17**	**375.828**	**477.508**
	FACTORING INCOME		**375.828**	**477.508**
1.1	Interest Income on Factoring Receivables		368.204	466.627
1.1.1	Discounted		216.882	216.685
1.1.2	Other		151.322	249.942
1.2	Fees and Commissions Income from Factoring Operations		7.624	10.881
1.2.1	Discounted		165	3.095
1.2.2	Other		7.459	7.786
	FINANCING LOANS INCOME		-	-
1.3	Interest income From Financing Credits		-	-
1.4	Fees and Commissions From Financing Credits		-	-
	FINANCE LEASE INCOME		-	-
1.5	Finance Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from the Leasing Transactions		-	-
II.	**FINANCIAL EXPENSES (-)**	**18**	**(263.863)**	**(363.463)**
2.1	Interest Expense From Funds Borrowed		(176.025)	(247.253)
2.2	Interest Expense From Factoring Payables		-	-
2.3	Interest Expense of Finance Lease Expenses		(556)	-
2.4	Interest Expense From Securities Issued		(80.449)	(99.052)
2.5	Other Interest Expenses		(8)	(20)
2.6	Fees and Commissions Paid		(6.825)	(17.138)
III.	**GROSS PROFIT / LOSS (I+II)**		**111.965**	**114.045**
IV.	**OPERATING EXPENSES (-)**	**19**	**(50.828)**	**(52.056)**
4.1	Personnel Expenses		(29.185)	(31.454)
4.2	Employee Severance Indemnity Expense		(854)	(781)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(20.671)	(18.661)
4.5	Other		(118)	(1.160)
V.	**GROSS OPERATING PROFIT / LOSS (III+IV)**		**61.137**	**61.989**
VI.	**OTHER OPERATING INCOME**	**20**	**59.528**	**352.365**
6.1	Interest Income From Bank Deposits		1.945	160
6.2	Interest Income From Securities Portfolio		-	-
6.3	Dividend Income		-	-
6.4	Trading Account Income		-	-
6.5	Income From Derivative Financial Instruments		3.185	30.507
6.6	Foreign Exchange Gains		44.876	320.352
6.7	Other		9.522	1.346
VII.	**PROVISION EXPENSES**	**21**	**(65.701)**	**(176.568)**
7.1	Spesific Provisions		-	(176.568)
7.2	Allowances for Expected Credit Loss		(64.951)	-
7.3	General Provisions		-	-
7.4	Other		(750)	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**22**	**(23.933)**	**(306.854)**
8.1	Impairment Losses From Securities Portfolio		-	-
8.2	Impairment Losses From Non-Current Assets		-	-
8.3	Trading Account Loss			
8.4	Loss From Derivative Financial Instruments		(480)	(6.066)
8.5	Foreign Exchange Loss		(23.453)	(300.788)
8.6	Other		-	-
IX.	**NET OPERATING PROFIT / LOSS**		**31.031**	**(69.068)**
X.	**INCOME RESULTED FROM MERGER**		-	-
XI.	**PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD**		-	-
XII.	**GAIN/LOSS ON NET MONETARY POSITION**		-	-
XIII.	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)**		**31.031**	**(69.068)**
XIV.	**INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)**	**9**	**(6.593)**	**(11.692)**
14.1	Current Tax Charge		849	34.390
14.2	Deferred Tax Charge		(7.442)	-
14.3	Deferred Tax Benefit		-	46.082
XV.	**NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)**		**24.438**	**(57.376)**
XVI.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
16.1	Income from Assets Held for Sale		-	-
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
16.3	Other Income from Discontinued Operations		-	-
XVII.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		-	-
17.3	Other Expenses from Discontinued Operations		-	-
XVIII.	**PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)**		-	-
XIX.	**INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)**		-	-
19.1	Current Tax Charge		-	-
19.2	Deferred Tax Charge (+)		-	-
19.3	Deferred Tax Benefit (-)		-	-
XX.	**NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)**		-	-
XXI.	**NET PROFIT FOR THE PERIOD (XII+XVII)**		**24.438**	**(57.376)**
21.1	**Current Profit (Loss) Distribution**		**24.438**	**(57.376)**
21.1.1	Non-Controlling Interests		4.438	(10.419)
21.1.2	Subsidiaries		20.000	(46.957)
XXII.	**DILUTED EARNINGS PER SHARE**	**23**	**0,307396**	**(0,721710)**
22.1	A) Profit per Share from Continuing Operations		0,307396	(0,721710)
22.2	B) Profit per Share of Discontinued Operations		-	-

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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

		Notlar	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
I.	**PERIOD INCOME/LOSS**		**24.438**	**(57.376)**
II.	**OTHER COMPREHENSIVE INCOME**		**31**	**(65)**
2.1	**ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS**		**31**	**(65)**
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		39	(81)
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		(8)	16
2.2	**ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS**		**-**	**-**
2.2.1	Translation differences for transactions in foreign currencies		**-**	**-**
2.2.2	Translition and classification profit / loss of financial assets at fair value through other comprehesive income		**-**	**-**
2.2.3	Gains/(losses) from cash flow hedges		**-**	**-**
2.2.4	Gains/(losses) from net investment hedges		**-**	**-**
2.2.5	Other items that will be reclassified to profit or loss		**-**	**-**
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		**-**	**-**
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**24.469**	**(57.441)**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	CHANGES IN SHAREHOLDERS EQUITY	Notes	Paid in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation Increase/Decrease of property and equipment	Accumulated revaluation profit/loss from defined benefit plans	Other (Other comprehnsive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss)	Other comprehensive income or expenses that will not be reclassifed to profit or loss	Foreign exchange conversion differences	Revaluation and/or reclassification differences of available-for-sale financial assets	Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on profit/loss)	Other comprehensive income or expenses that will be reclassifed to profit or loss	Profit Reserves	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Non Controlling Interest	Total Shareholders' Equity
	CURRENT PERIOD																			
	1 January - 31 December 2019																			
	Audited																			
I.	**Balances at Beginning of Period**	**16**	**79.500**	-	-	-	-	-	**(657)**	-	**(657)**	-	-	-	-	**134.078**	-	**(57.376)**	-	**155.545**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(16.030)**	**(16.030)**	-	**(16.030)**
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	**2.5**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16.030)	(16.030)	-	**(16.030)**
III.	**Adjusted Balances at Beginning of Period (I+II)**		**79.500**	-	-	-	-	-	**(657)**	-	**(657)**	-	-	-	-	**134.078**	**(16.030)**	**(73.406)**	-	**139.515**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	**31**	-	**31**	-	-	-	-	-	-	**24.438**	-	**24.469**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	**(57.376)**	-	**57.376**	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(57.376)	57.376	-	-	57.376
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(57.376)	57.376	-	(57.376)
	Balances at end of the period (31 December 2019) (III+IV+…...+XI+XII)		**79.500**	-	-	-	-	-	**(626)**	-	**(626)**	-	-	-	-	**76.702**	**(16.030)**	**8.408**	-	**163.984**
	PREVIOUS PERIOD															-	-	-	-	
	1 January - 31 Aralık 2018															-	-	-	-	
	Audited															-	-	-	-	
I.	**Balances at Beginning of Period**	**16**	**79.500**	-	-	-	-	-	**(592)**	-	**(592)**	-	-	-	-	**106.475**	-	**27.603**	-	**212.986**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	**2.5**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		**79.500**	-	-	-	-	-	**(592)**	-	**(592)**	-	-	-	-	**106.475**	-	**27.603**	-	**212.986**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	**(65)**	-	**(65)**	-	-	-	-	-	-	**(57.376)**	-	**(57.441)**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	**27.603**	-	**(27.603)**	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	27.603	(27.603)	-	-	27.603
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	27.603	(27.603)	-	(27.603)
	Balances at end of the period (31 December 2018) (III+IV+…...+XI+XII)		**79.500**	-	-	-	-	-	**(657)**	-	**(657)**	-	-	-	-	**134.078**	-	**(57.376)**	-	**155.545**

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

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

	STATEMENT OF CASH FLOWS	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	Operating profit before changes in operating assets and liabilities		107.473	362.673
1.1.1	Interest/Leasing income received		376.397	498.801
1.1.2	Interest/Leasing expenses		(273.755)	(331.325)
1.1.3	Dividends received		-	
1.1.4	Fees and commissions received		10.063	9.359
1.1.5	Other income		-	-
1.1.6	Collections from previously written off receivables	**6.3**	3.959	1.178
1.1.7	Payments to personnel and service suppliers		(47.662)	(49.232)
1.1.8	Taxes paid		(8.014)	(33.391)
1.1.9	Other		46.485	267.283
1.2	Changes in operating assets and liabilities		392.543	(27.842)
1.2.1	Net (increase) decrease in factoring receivables		135.979	659.362
1.2.1	Net (increase) decrease in financial loans		-	-
1.2.1	Net (increase) decrease in receivables from leasing transactions		-	-
1.2.2.	Net (increase) decrease in other assets		(15.937)	(88.500)
1.2.3	Net increase (decrease) in factoring payables		(4.742)	4.639
1.2.3	Net (increase) decrease in payables from leasing transactions		1.630	-
1.2.4	Net increase (decrease) in funds borrowed		262.086	(673.993)
1.2.5	Net increase (decrease) in due payables		-	-
1.2.6	Net increase (decrease) in other liabilities		13.527	70.650
I.	Net cash provided from operating activities		500.016	334.831
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	**7**	(22)	(670)
2.4	Fixed assets sales		-	3
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	**8**	(6.938)	(6.177)
II.	Net cash provided from investing activities		(6.960)	(6.844)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash obtained from funds borrowed and securities issued		966.316	992.170
3.2	Cash used for repayment of funds borrowed and securities issued		(1.471.596)	(1.321.802)
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		(2.923)	-
3.6	Other		-	-
III.	Net cash provided from financing activities		(502.357)	(329.632)
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		1.453	2.226
V.	**Net increase/decrease in cash and cash equivalents**		**(7.848)**	**581**
VI.	**Cash and cash equivalents at the beginning of the period**		**19.778**	**19.197**
VII.	**Cash and cash equivalents at the end of the period**	**2.5**	**11.930**	**19.778**

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

GARANTİ FAKTORİNG A.Ş.
PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

		Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT (*)**			
1.1	CURRENT PERIOD PROFIT		31.031	(69.068)
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	**9**	6.593	(11.692)
1.2.1	Corporate tax (income tax)		(849)	34.390
1.2.2	Withholding tax		-	-
1.2.3	Other taxes and duties		7.442	(46.082)
A.	**NET PROFIT FOR THE PERIOD (1.1-1.2)**		**24.438**	**(57.376)**
1.3	ACCUMULATED LOSSES (-)		-	-
1.4	FIRST LEGAL RESERVES (-)		-	-
1.5	OTHER STATUTORY RESERVES (-)		-	-
B.	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**		**24.438**	**(57.376)**
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 redeeemed shares		-	-
1.9.4	To profit sharing bonds		-	-
1.9.5	To holders of profit and loss sharing certificates		-	-
1.10	STATUS RESERVES (-)		-	-
1.11	EXTRAORDINARY RESERVES		-	(57.376)
1.12	OTHER RESERVES		-	-
1.13	SPECIAL FUNDS		-	-
II.	**DISTRIBUTION OF RESERVES**		-	-
2.1	APPROPRIATED RESERVES		-	-
2.2	SECOND LEGAL RESERVES (-)		-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.2.1	To owners of ordinary shares		-	-
2.2.2	To owners of privileged shares		-	-
2.2.3	To owners of redeemed shares		-	-
2.2.4	To profit sharing bonds		-	-
2.2.5	To holders of profit and loss sharing certificates		-	-
2.3	DIVIDENDS TO PERSONNEL (-)		-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	**EARNINGS PER SHARE (per YTL'000 face value each)**		-	**(0,721710)**
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	(0,721710)
3.2	TO OWNERS OF ORDINARY SHARES (%)		-	(72,17)
3.3	TO OWNERS OF PRIVILEGED SHARES		-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV.	**DIVIDEND PER SHARE**		-	-
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3	TO OWNERS OF PRIVILEGED SHARES		-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Decision regarding to the 2018 profit distribution will be made at general assembly meeting.

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

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

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

	31 December 2019	**Shareholding (%)**	**31 December 2018**	**Shareholding (%)**
Türkiye Garanti Bankası AŞ	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası AŞ	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	**79.500**	**100,00**	**79.500**	**100,00**

The shareholding of T. Garanti Bankası A.Ş. as at 31 December 2019 is 55,40% and T. Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2018: 55,40% and 26,44%).

The Company has 129 employees as at 31 December 2019 (31 December 2018: 139).

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

Maslak Mahallesi Eski Büyükdere Caddesi No: 23 Sarıyer / İstanbul

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

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 29 January 2020. The General Assembly has the authority to change the financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance

The Company prepares its financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the communique on "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and the "Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies" and other regulations, communiqués and circulars published by the BRSA and Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") for the matters not legislated by the aforementioned regulations (together "the BRSA Accounting and Financial Reporting Legislation").

Changes regarding classification and measurement of financials assets

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

2.1.2 Functional Currency

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

2.1.3 Preparation of Financial Statements in Hyperinflationary Periods

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

2.1.4 Offsetting

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.2 Changes in Accounting Policies

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

The new standards which are effective as of 1 January 2019

(a) TFRS 9 Financial Instruments

Within the scope of "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, companies are entitled to reserve for the expected credit loss allowance under TFRS 9 and the effective date of the regulation is 30 September 2018. The Company has started to calculate its expected credit loss in accordance with TFRS 9 starting from 1 January 2019 with the Board of Directors decision dated 28 December 2018.

(b) TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard. These standard, the existing TAS 17 "Leases" Standard, in which the accounting of leasing transactions is regulated, TAS 17 *Leases*, TFRS Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, TAS Interpretation 15 *Operating Leases – Incentives*, and TAS Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and consequently changes to TAS 40 *Investment Properties*. TFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The impact of the transition to TFRS 16 is disclosed in Note 2.5 (c).

2.3 Changes in Accounting Estimates and Errors

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

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards

2.4.1 The new standards, amendments and interpretations which are effective as at 31 December 2019 but not yet adopted are as follows

Standards issued but not yet effective and not early adopted

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

The revised Conceptual Framework (version 2018)

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in TFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018. IASB identified accounting issues that could affect financial reporting and these are pre-replacement and replacement issues.

In accordance with these replacements there are four exceptions in the IASB and TAS 39 hedge accounting requirements. These are:

(a) The highly probable requirement;

(b) Prospective assessments;

(c) Retrospective assessment; and

(d) Separately identifiable risk components.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

2.4.1 The new standards, amendments and interpretations which are effective as at 31 December 2019 but not yet adopted are as follows (continued)

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

All other hedge accounting requirements remain unchanged. The Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.5 Summary of Significant Accounting Policies

(a) Revenue

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

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

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

(b) Financial Instruments

First time adoption of TFRS 9 "Financial instruments" standard

The Company has adopted TFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2019. The requirements of TFRS 9 represent a significant change from TAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. Differences arising from the adoption of TFRS 9 have been recognised directly in equity as at 1 January 2019.

As at 1 January 2019, the impact of the transition to TFRS 9 net of tax previous years' profits / (losses) is summarized as follows:

Net of tax	**Impact of adopting TFRS 9 before tax**	**Tax impact of adopting TFRS 9**	**Total impact of adopting TFRS 9**
Retained earnings			
Recognition of expected credit losses under TFRS 9	(20.221)	4.191	(16.030)
Impact at 1 January 2019			**(16.030)**

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

First time adoption of TFRS 9 “Financial instruments” standard (continued)

Classification and measurement

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

TFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the categories of available-for-sale financial assets that are held to maturity, loans and receivables included in the current TAS 39 standard.

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

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

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

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

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

Under TFRS 9, all investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost value may be an appropriate estimate of fair value. The Company uses the cost method as a method to determine the fair value in case there is not sufficient information about the fair value measurement or if the fair value can be measured with more than one method and the cost reflects the fair value estimation among these methods.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

First time adoption of TFRS 9 "Financial instruments" standard (continued)

Classification and measurement (continued)

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

The effect of the transition to TFRS 9 as at 1 January 2019 is summarized as follows:

	Classification according to TAS 39	**Carrying value according to TAS 39**	**TFRS 9 valuation effect**	**Carrying value according to TFRS 9**	**Reclassification according to TFRS 9**
		31 December 2018		**1 January 2019**	
Financial Instruments					
Cash and Cash Equivalents	Loans and receivables	19.778	(17)	19.761	Amortised cost
Factoring Receivables	Loans and receivables	2.335.036	(20.204)	2.314.832	Amortised cost
Total financial instruments		**2.354.814**	**(20.221)**	**2.334.593**	

Factoring Receivables and Other Receivables

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

Disclosures on impairment of financial assets

As at 1 January 2019, loss allowance for expected credit losses is set aside for factoring receivables measured at amortized cost based on TFRS 9 and the regulation published in the Official Gazette no. 30409 dated 2 May 2018 and effective from 31 December 2018 in connection with "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" TFRS 9 impairment requirements are not applicable for equity instruments.

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Disclosures on impairment of financial assets (continued)

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

The impairment model having 3 stages based on the change in credit quality since initial recognition based on TFRS 9 is explained below.

The effect of new impairment model

As at 1 January 2019, the effect of TFRS 9 on impairment provision is as follows

As at 31 December 2018 the impairment in accordance with TAS 39	**250.943**
Additional impairment loss recognized as at 1 January 2018	
- Cash and cash equivalents	17
- Factoring receivables	20.204
As at 1 January 2019 the impairment in accordance with TFRS 9	**271.164**

Calculation of expected credit losses

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

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

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

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

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Calculation of expected credit losses (continued)

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

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

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

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

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

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

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

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

Forward-looking macroeconomic information

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Significant increase in credit risk

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

Qualitative assessment:

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

- Loans overdue more than 30 days as of the reporting date,

- Loans classified as watchlist,

- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

Quantitative assessment:

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

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derivative Financial Instruments

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) *Financial Instruments* (continued)

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 at 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.

(c) *TFRS 16 Leases*

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

Definition of Leasing

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

As a lessee

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

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

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

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

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

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

Transition

– Their carrying amount as if TFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

Impacts on financial statements

Impacts on transition

On transition to TFRS 16, the Company recognised right-of-use assets, including property and vehicles lease liabilities, on balance sheet and profit or loss.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 23,88 % for TL transactions, 4,16 % for EUR transactions.

Right of use assets	**1 January 2019**	**31 December 2019**
Vehicles	3.848	2.233
Real estate lease	2.458	1.944
	6.306	**4.177**

Right of use liabilities	**1 January 2019**	**31 December 2019**
Real estate lease	4.185	2.174
Vehicles	4.056	2.379
	8.241	**4.553**

Impacts for the period

In relation to those leases under TFRS 16, the Company recognised depreciation and interest costs, instead of operating lease expense. For the year ended 31 December 2019, the Company recognised TL 2.465 of depreciation charges and TL 556 of interest cost from these leases.

(d) Tangible Assets and Amortization

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

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(e) 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.

(f) Impairment of Assets

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

(g) Capital Increase

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

(h) Retirement Pay Provision

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

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

(i) Provisions, Contingent Liabilities and Contingent Assets

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(i) Provisions, Contingent Liabilities and Contingent Assets (continued)

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

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

(j) Borrowing Costs

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

(k) Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Company as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
USD	5,9402	5,2609
EURO	6,6506	6,0280
GBP	7,7765	6,6528

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

(l) Earnings per Share

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

(m) Events after the reporting period

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(n) Segment Reporting

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

(o) Income Tax

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

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

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

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

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

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

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.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(p) Statement of Cash Flows

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

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

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

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

Cash and Cash Equivalents:

	31 December 2019	31 December 2018
Cash and Cash Equivalents	11.930	19.778
	11.930	**19.778**

2.5.1 Summary of Accounting Policies Applied in Previous Period

(r) Financial Assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

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.

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Cash and cash eqivalents	1.518	4.472	3.704	16.074
Time deposits	-	5.940	-	-
Expected credit losses	(7)	(81)	-	-
	1.511	**10.331**	**3.704**	**16.074**

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

As at 31 December 2019 and 31 December 2018, financial assets at fair value through profit and loss consist of stocks representing a share in unquoted at stock exchange capital.

	31 December 2019			31 December 2018		
	Carrying Value		% Share Rate	Carrying Value		% Share Rate
	TL	**FC**		**TL**	**FC**	
Factors Chain International (FCI)	-	7	1,72	-	6	1,72
	-	**7**		**-**	**6**	

5.1 DERIVATIVE FINANCIAL ASSETS

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

The details of derivative financial assets consisting of currency swap agreements. As at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Derivative financial assets	-	-	-	1
	-	**-**	**-**	**1**

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

5.2 DERIVATIVE FINANCIAL LIABILITIES

The details of derivative financial liabilities consisting of currency swap agreements. As at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Derivative financial liabilities	-	-	-	61
	-	**-**	**-**	**61**

6 FINANCIAL ASSETS AT AMORTISED COST (NET)

6.1 Factoring Receivables and Payables

Factoring Receivables

Details of factoring receivables as at 31 December 2019 are as follows:

	31 December 2019	
Financial assets at amortised cost (net)	**TL**	**FC**
Discounted Factoring Receivables (Net)	917.390	143.866
Other Factoring Receivables	740.917	288.233
Non Performing Receivables	150.872	188.885
Expected Credit Losses (-)	(139.511)	(185.896)
Stage 1	*(4.566)*	*(256)*
Stage 2	*(7.016)*	-
Stage 3	*(127.929)*	*(185.639)*
Factoring receivables	**1.669.668**	**435.088**

Details of factoring receivables as at 31 December 2018 are as follows:

	31 December 2018	
	TL	FC
Discounted Factoring Receivables (Net)	761.225	118.681
Other Factoring Receivables	1.064.732	334.472
Factoring receivables	**1.825.957**	**453.153**

Factoring receivables that are past due but not impaired amount to TL 5.380 in stage 1 and amount to TL 203 in stage 2 (31 December 2018: TL 10.686) and the delays are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Overdue 1 month	5.457	-	3.309	4.215
Overdue 1-3 months	126	-	1.949	1.084
Overdue 3-6 months	-	-	129	-
	5.583	**-**	**5.387**	**5.299**

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

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

6.1 Factoring Receivables and Payables (continued)

Factoring Payables

Details of short term factoring payables as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Factoring payables	507	10.093	2.238	13.104
	507	**10.093**	**2.238**	**13.104**

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

6.2 Non-Performing Receivables

Details of the Company's non-performing factoring receivables as at 31 December 2019

	31 December 2019	
	TL	**FC**
Non-performing factoring receivables	150.872	188.885
Non-performing receivables	**150.872**	**188.885**

Details of the Company's non-performing factoring receivables and the provisions allocated for them as at 31 December 2018 are as follows:

	31 December 2018	
	TL	**FC**
Factoring receivables	148.612	158.257
Specific provisions	(107.965)	(142.978)
Non-performing receivables, net	**40.647**	**15.279**

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

	31 December 2018	
	Total non -performing factoring receivables	**Provision**
Overdue up to 90 days	16.743	3.349
Overdue for 91-180 days	5.501	1.100
Overdue for 181-365 days	109.264	79.560
Overdue for 1 year and over	175.361	166.934
Total	**306.869**	**250.943**

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

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

6.3 Expected Credit Losses

Details of the Company's expected credit losses for factoring receivables as at 31 December 2019 are as follows:

	31 December 2019	
	TL	**FC**
Stage 1	4.566	256
Stage 2	7.017	-
Stage 3	127.929	185.639
Expected credit losses	**139.512**	**185.895**

The movements of expected credit losses for factoring receivables for the year ended 31 December 2019 are as follows:

	1 January- 31 December 2019
Opening balance 1 January	**250.943**
TFRS 9 opening adjustment	20.204
Expected credit loss of the period ;	
Stage 1	2.580
Stage 2	7.016
Stage 3 (*)	55.285
Collections/reversals of the period ;	
Stage 1	(4.908)
Stage 2	(163)
Stage 3	(3.959)
Balance at the end of the period	**326.998**

(*)The amount comprises TL 1.591 for the default interest income accrual for the stage 3.

Movement of the Company's allowances for expected credit loss/specific provisions as at 31 December 2018 are as follows:

	1 January- 31 December 2018
Opening balance 1 January	**75.553**
Reserve / additions (Note 21)(*)	176.568
Recoveries/collections(**)	(1.178)
Balance at the end of period	**250.943**

(*)Provisions in current year and the reversal of the same provision after principal collection are shown as net.

(**)Refers to the reversal amount of the specific provision provided for the previous years after the principal collection.

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

7 TANGIBLE ASSETS

The movement of tangible assets for the period ended 31 December 2019 is as follows:

	1 January 2019	Additions	Disposals	31 December 2019
Acquisition Cost				
Furniture and fixtures	5.420	22	(15)	5.427
Vehicles	19	-	-	19
Leasehold improvements	1.757	-	-	1.757
Right-of-use				
Leased buildings	-	2.822	(495)	2.327
Right-of-use	-	-	-	-
Vehicles	-	3.820	(187)	3.633
	7.196	**6.664**	**(697)**	**13.163**

Accumulated Depreciation	1 January 2019	Depreciation for the period	Disposals	31 December 2019
Furniture and fixtures	4.132	594	(14)	4.712
Vehicles	19	-	-	19
Leasehold improvements	1.310	85	-	1.395
Leased buildings	-	878	(495)	383
Vehicles	-	1.587	(187)	1.400
	5.461	**3.144**	**(696)**	**7.909**
Net book value	**1.735**			**5.254**

As at 31 December 2019, the insurance on tangible assets amounts to TL 939 (31 December 2018: TL 1.490) and the insurance premium amounts to TL 3 (31 December 2018: TL 3).

The movement of tangible assets for the period ended 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Acquisition Cost				
Furniture and fixtures	4.942	632	(154)	5.420
Vehicles	19	-	-	19
Leasehold improvements	1.719	38	-	1.757
	6.680	**670**	**(154)**	**7.196**

Accumulated Depreciation	1 January 2018	Depreciation for the period	Disposals	31 December 2018
Furniture and fixtures	3.508	751	(127)	4.132
Vehicles	19	-	-	19
Leasehold improvements	1.214	96	-	1.310
	4.741	**847**	**(127)**	**5461**
Net book value	**1.939**			**1.735**

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

8 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 31 December 2019 is as follows:

	1 January 2019	Additions	Disposals	31 December 2019
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	23.750	6.938	-	30.688
	26.826	**6.938**	-	**33.764**

Accumulated Amortization	1 January 2019	Charge for the period	Disposals	31 December 2019
Rights	3.076	-	-	3.076
Other (Software)	16.112	5.152	-	21.264
	19.188	**5.152**	-	**24.340**
Net book value	**7.638**			**9.424**

The movement of intangible assets for the period ended 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	17.573	6.177	-	23.750
	20.649	**6.177**	-	**26.826**

Accumulated Amortization	1 January 2018	Charge for the period	Disposals	31 December 2018
Rights	3.076	-	-	3.076
Other (Software)	12.082	4.030	-	16.112
	15.158	**4.030**	-	**19.188**
Net book value	**5.491**			**7.638**

As at 31 December 2019 and 31 December 2018, the Company has not any intangible asset that is generated within the company.

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

9 TAX ASSETS AND LIABILITIES

Corporate Tax

The Company is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the 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 31 December 2019 is 22% (2018: 22%).While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax is calculated as 22% of the income as at 31 December 2019 (2018: 22%). The corporate income tax rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 with the amendment of legislation.

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.

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.

Tax provision movement

	1 January – 31 December 2019	**1 January – 31 December 2018**
Reported profit before taxation	31.031	(69.068)
Calculated tax on reported profit	(6.827)	15.195
Permanent differences:		
TFRS 9 trantision effect of change in tax rate	282	-
Effect of change in tax rate	(24)	(3.498)
Non-deductible expenses	(24)	(44)
Other	-	39
Tax Charge	**(6.593)**	**11.692**

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

9 TAX ASSETS AND LIABILITIES (continued)

Income Withholding Tax (continued)

The corporate tax payable as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	**31 December 2018**
Corporate tax provision	-	37.350
Prepaid taxes	(7.701)	(33.366)
Witholding income taxes	(313)	(25)
Corporate Tax Payable / (Tax Assets)	**(8.014)**	**3.959**

The tax charge in the statement of profit or loss for the periods ended 31 December 2019 and 31 December 2018 is as summarized below:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Current tax charge	-	(37.350)
Prior year corporate tax return (*)	607	2.884
Reversal of prior year corporate tax provision	242	76
Deferred tax benefit/(charge)	(7.442)	46.082
	(6.593)	**11.692**

(*) The lawsuit filed on 25 May 2018 related to the doubtful receivables was concluded on 19 January 2019 in on behalf of the company. The amount of TL 607 which is accrued in the tax declarations of corporation in 2017. The related amount has been accounted under other operating income. The related amount represented that netted of current tax provision in the profit or loss statement, deferred tax income of the same amount has been cancelled.

According to the regulation published in the Official Gazette dated 19 July 2019 and numbered 30836, based on the 26th article of the Income Tax and the Amendment of Certain Laws, the Company's receivables that cannot be collected after allocating special provisions are considered bad debt within the scope of requirements.

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

9 TAX ASSETS AND LIABILITIES (continued)

The Company recognizes deferred tax assets and liabilities based on the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with BRSA Accounting and Financial Reporting Legislation. The effective tax rate used in the calculation of deferred tax is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years (31 December 2018: 22%).

	31 December 2019	**31 December 2018**
Temporary Differences		
Expected credit losses Stage 3(**)	211.488	218.774
Unearned factoring interest income	41.714	78.238
Unused tax loss(*)	13.007	-
Expected credit losses Stage 1 and 2	11.926	-
Personnel premium provision	3.853	2.184
Valuation differences of TFRS 16	3.238	-
Reserve for employee benefits (**)	2.920	2.343
Unused vacation accrual	1.361	865
Valuation differences of BITT accruals	1.084	1.887
Valuation differences on interest accruals	601	1.292
Provisions for lawsuit	1.127	406
Deferred income accruals	17	33
Valuation differences of derivative financial assets	-	61
Other provisions	419	1.030
Temporary differences related to deferred tax assets	**292.755**	**307.113**
Temporary differences on tangible and intangible assets	3.055	2.718
TFRS 16 effect	2.923	-
Commission income accruals	1.163	1.155
Prepaid letter of guarantee and underwriting commissions	471	2.500
Valuation differences of bonds interest	-	381
Valuation differences funds borrowed	15	-
Valuation differences of derivative financial assets	-	1
Temporary differences related to deferred tax liabilities	**7.627**	**6.755**

(*)As at 31 December 2019, there is a tax loss of amounting to TL 13.007 and the expiration date is 31 December 2024.

(**)The tax rate is 20%.

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

9 TAX ASSETS AND LIABILITIES (continued)

	31 December 2019	31 December 2018
Deferred tax assets / (liabilities)		
Expected credit losses Stage 3(**)	42.298	43.790
Unearned factoring interest income	9.177	17.213
Unused tax loss(*)	2.862	-
Expected credit losses Stage 1 and 2	2.624	-
Personnel premium provision	848	480
Valuation differences of TFRS 16	712	-
Reserve for employee benefits (**)	584	469
Unused vacation accrual	299	190
Valuation differences of BITT accruals	238	415
Valuation differences on interest accruals	132	284
Provisions for lawsuit	232	81
Deferred income accruals	4	7
Valuation differences of derivative financial assets	-	13
Other provisions	92	227
Deferred tax assets	**60.102**	**63.169**
Temporary differences on tangible and intangible assets	(672)	(550)
TFRS 16 effect	(643)	-
Prepaid letter of guarantee and underwriting commissions	(256)	(598)
Commission income accruals	(104)	(254)
Valuation differences of bonds and funds borrowed	(3)	(84)
Deferred tax liabilities	**(1.678)**	**(1.486)**
Deferred tax assets (net)	**58.424**	**61.683**

(*) *As at 31 December 2019, there is a tax loss of amounting to TL 13.007 and the expiration date is 31 December 2024.*

(**) *The tax rate is 20%.*

Movements of deferred tax assets are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
1 January	61.683	15.585
TFRS 9 opening effect	4.191	-
Deferred tax income	(7.442)	46.082
Deferred tax income / (loss) for the other comprehensive income	(8)	16
Balance at the end of the period	**58.424**	**61.683**

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

10 OTHER ASSETS

Details of other assets as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Receivables from BITT accruals	2.950	110	4565	251
Prepaid expenses	549	71	3.108	71
Other	83	132	138	39
	3.582	**313**	**7.811**	**361**

11 FUNDS BORROWED

Details of funds borrowed as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Funds borrowed	1.590.602	414.529	1.277.797	481.965
	1.590.602	**414.529**	**1.277.797**	**481.965**

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 31 December 2019 and 31 December 2018.

	31 December 2019				31 December 2018			
			TL Equivalent				TL Equivalent	
	Original Amount	**Interest Rate (%)**	**Up to 1 Year**	**1 Year and over**	**Original Amount**	**Interest Rate (%)**	**Up to 1 Year**	**1 Year and over**
TL	1.590.602	14,11-25,50	1.477.464	113.138	1.277.797	16,80-33,60	1.051.497	226.300
USD	31.349	4,73-4,80	186.216	-	21.831	2,64-11,55	114.854	-
EURO	30.299	0,40-2,21	201.503	-	57.793	0,40-4,78	161.455	186.927
GBP	3.447	1,95-3,02	26.810	-	2.815	1,0-2,81	18.729	-
Total			**1.891.993**	**113.138**			**1.346.535**	**413.227**

TL 199.130 of the funds borrowed as at 31 December 2019 is borrowed from Takasbank Money Market (31 December 2018: TL 1.049.389). TL 648.500 worth of guarantee has been given for the funds borrowed from Takasbank Money Market (31 December 2018: TL 1.254.500).

As at 31 December 2019 and 31 December 2018, the remaining funds borrowed are uncollateralized.

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

12 LEASE OBLIGATIONS

Details of lease obligations as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		**31 December 2018**	
	TL	**FC**	**TL**	**FC**
Nominal	3.186	2.466	-	-
Cost	(1.012)	(87)	-	-
Carrying Value	**2.174**	**2.379**	-	-

13 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		**31 December 2018**	
	TL	**FC**	**TL**	**FC**
Bills				
Nominal	-	-	505.280	-
Cost	-	-	465.322	-
Carrying Value	-	-	**485.126**	-

The Company issued discounted bills only for qualified investors.

1 January – 31 December 2019			**1 January – 31 December 2018**		
Date of issue	**Nominal value**	**Maturity**	**Date of issue**	**Nominal value**	**Maturity**
-	-	-	12.11.2018	100.000	21.01.2019
-	-	-	19.11.2018	60.000	23.01.2019
-	-	-	08.08.2018	152.140	01.02.2019
-	-	-	14.12.2018	75.000	30.04.2019
-	-	-	12.11.2018	60.000	02.05.2019
-	-	-	30.11.2018	36.200	27.05.2019
-	-	-	10.12.2018	21.940	31.05.2019
Total	-			**505.280**	

14 PROVISIONS

Details of provisions as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		**31 December 2018**	
	TL	**FC**	**TL**	**FC**
Provision for employee benefits	8.134	-	5.392	-
Provision for lawsuits	1.127	-	406	-
Provision for brokerage commissions	-	535	-	493
Other provisions	451	-	1.090	-
	9.712	**535**	**6.888**	**493**

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

14 PROVISIONS (continued)

14.1 Provision for Employee Benefits

Provision for employee benefits as at 31 December 2019 includes retirement pay provision amounting to TL 2.920 (31 December 2018: TL 2.343), unused vacation accrual amounting to TL 1.361 (31 December 2018: TL 865) and personnel bonus accrual amounting to TL 3.853 (31 December 2018: TL 2.184).

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 this amount for the period 01 January – 30 June 2019 is TL 6.017,60 (full), for the period 01 July – 31 December 2019, this amount is limited to a maximum of TL 6.379,86 (full) (31 December 2018: TL 5.434,42 (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 2019, 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 12,50% and a discount rate of 16,30% (31 December 2018: inflation rate of 12,50%, discount rate of 16,30%, real discount rate of approximately 3,04%).

Movement of retirement pay provision as at 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Net liability at the beginning of the period	**2.343**	**2.195**
Severance indemnity paid in the period	(237)	(714)
Recognized under income statement	854	781
Retirement provision recognized under other comprehensive income	(40)	81
Net liability at the end of period	**2.920**	**2.343**

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

14 PROVISIONS (continued)

14.1 Provision for Employee Benefits

Personnel Bonus Accrual

Movement of the personnel bonus provision as at 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Balance at 1 January	**2.184**	**1.673**
Paid in the period	(1.296)	(2.568)
Reversal	(635)	(77)
Accrual for the period	3.600	3.156
Balance at the end of the period	**3.853**	**2.184**

Unused Vacation Accrual

Movement of the unused vacation accrual as at 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Balance at 1 January	**865**	**1.017**
Paid in the period	(29)	(524)
Reversal	(63)	(234)
Accrual for the period	588	606
Balance at the end of the period	**1.361**	**865**

14.2 Other Provisions

As at 31 December 2019, the Company has set aside TL 417 other personnel expenses, TL 535 correspondent expenses, TL 1.127 continuing legal proceedings, TL 34 other expense accrual. (As at 31 December 2018, the Company has set aside TL 1.090 correspondent expenses, TL 493 continuing legal proceedings, TL 406 lawsuit and court expense provision).

The movement of other provisions as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December2018	
	TL	**FC**	**TL**	**FC**
Balance at 1 January	**1.496**	**493**	**466**	**482**
Reversal	(1.343)	(493)	(61)	(482)
Provision provided for the period	1.425	535	1.091	493
Balance at the end of the period	**1.578**	**535**	**1.496**	**493**

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

15 OTHER LIABILITIES

Details of other liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Taxes payable	2.482	-	3.687	-
Transitory liability accounts	16	2.012	42	1.966
Transfer payable	-	1.758	-	596
Other payables	719	108	481	79
Deferred commissions	17	-	33	-
Other liabilities	**3.234**	**3.878**	**4.243**	**2.641**

16 SHAREHOLDERS' EQUITY

16.1 Paid-in Capital

As at 31 December 2019, the Company's share capital amounts to TL 79.500 (31 December 2018: TL 79.500). As at 31 December 2019, the Company has 7.950.000.000 (31 December 2018: 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 2018: Kr 1).

16.2 Capital Reserves

None (31 December 2018: None).

16.3 Other Comprehensive Income or Expense

As at 31 December 2019, TL (626) 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 2018: TL (657) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss).

16.4 Profit Reserves

As at 31 December 2019, the Company's profit reserves comprise of the legal reserves amounting to TL 9.205 (31 December 2018: TL 9.205) and extraordinary reserves amounting to TL 67.497 (31 December 2017: TL 124.873).

16.5 Profit Distribution

Profit distribution table	**31 December 2018**
Net Profit for the year	(57.376)
Legal Reserves (-)	-
DISTRIBUTABLE NET PROFIT OF THE PERIOD	-
Donations (+)	65
Distributable net profit of the period (with Donations)	-
EXTRAORDINARY RESERVES	(57.376)

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

17 OPERATING INCOME

The details of operating income for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Factoring interest income	368.204	466.627
Factoring fee and commission income (net)	7.624	10.881
	375.828	**477.508**

18 FINANCE EXPENSES

The details of finance expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Interest expenses on funds borrowed	176.025	247.253
Interest expenses on marketable securities issued	80.449	99.052
Fees and commissions paid	6.825	17.138
Financial lease expenses	556	-
Other interest expense	8	20
	263.863	**363.463**

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

19 OPERATING EXPENSES

The details of operating expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Personnel expenses	29.185	31.454
Depreciation and amortization charges	8.296	4.877
IT maintenance and contract expenses	2.951	1.406
Maintenance and repair expenses	1.963	1.816
Legal case expenses	1.609	1.094
Rent expenses	1.074	2.283
Communication expenses	972	923
Consultancy expenses	898	766
Provision for retirement pays	854	781
Subscription expenses	794	908
Vehicle expenses	667	2.744
Taxes and duties	397	330
Representation expenses	307	560
Travel expenses	142	222
Losses from liquidated receivables	50	1.154
Other	669	738
	50.828	**52.056**

The details of personnel expenses classified under operating expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Salaries and wages	20.041	21.537
Bonuses	3.601	3.156
Social security premium employer's share	2.300	2.809
Personnel transportation expenses	737	658
Insurance expenses	662	576
Personnel food expenses	652	561
Per diem payments	322	293
Unemployment insurance employer's share	278	323
Training expenses	211	178
Other	381	1.363
	29.185	**31.454**

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

20 OTHER OPERATING INCOME

The details of other operating income for the periods ended as at 31 December 2019 and 31 December 2018 are as follows:

	1 January - 31 December 2019	**1 January – 31 December 2018**
Foreign exchange gains (*)	44.876	320.352
Reversal of expected credit losses	9.030	-
Income on derivative financial transactions	3.185	30.507
Interest income on bank deposits	1.945	160
Other	492	1.346
	59.528	**352.365**

(*) Foreign exchange gains for the period ended 31 December 2019 includes TL 1.766 foreign exchange differences on foreign currency indexed factoring receivables (31 December 2018: TL 45.462).

21 PROVISIONS

The details of expected credit loss for the periods ended as at 31 December 2019 are as follows:

	1 January- 31 December 2019
Stage 1(*)	2.650
Stage 2	7.016
Stage 3	55.285
	64.951

(*) *The amount comprises of the expected credit loss of cash and cash equivalents amounting to TL 70.*

The details of expected credit loss for the periods ended as at 31 December 2018 are as follows:

	1 January- 31 December 2018
Provisions	176.568
	176.568

22 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Foreign exchange losses	23.453	300.788
Losses on derivative financial transactions	480	6.066
	23.933	**306.854**

23 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Net profit for the period	24.438	(57.376)
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
Earnings per thousand shares (KR)	**307,40**	**(721.71)**

24 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	1.360	9.013	3.509	12.970
Demand deposits	1.360	9.013	3.509	12.970
Garantibank International NV	1	900	1	3.078
Demand deposits	1	900	1	3.078
	1.361	**9.913**	**3.510**	**16.048**

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as at 31 December 2019 is TL 776.701 (31 December 2018: TL 536.974).

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası AŞ	755.315	29.111	228.408	244.815
	755.315	**29.111**	**228.408**	**244.815**

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Miscellanous Payables:				
Türkiye Garanti Bankası A.Ş.	11	-	8	-
Garanti Filo Yönetim Hizmetleri A.Ş.	-	-	158	-
Garanti Finansal Kiralam A.Ş.	-	-	39	-
Garanti Bilişim Teknolojisi ve Ticaret A.Ş.	-	-	4	-
	11	**-**	**209**	**-**

The Company has made purchases amounting to TL 5.874 from Garanti Bilişim Teknolojisi ve Ticaret A.Ş for the period ended 31 December 2019 (31 December 2018: TL 4.687).

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

24 RELATED PARTY TRANSACTIONS (continued)

The details of receivables and payables due from and due to related parties' off-balance sheet transactions as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Derivative Agreements				
Türkiye Garanti Bankası AŞ	**-**	**-**	**-**	**4.701**
Currency swap purchase transactions	-	-	-	2.351
Currency swap sale transactions	-	-	-	2.350
	-	**-**	**-**	**4.701**

Income and expenses from related parties for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January – 31 December 2019	**1 January – 31 December 2018**
Interest income from factoring receivables		
Garanti Bank International NV	106	175
	106	**175**

	1 January – 31 December 2019	**1 January – 31 December 2018**
Interest income on bank deposits		
Türkiye Garanti Bankası A.Ş.	279	105
Garanti Bank International NV	-	1
	279	**106**

	1 January – 31 December 2019	**1 January – 31 December 2018**
Interest expenses on funds borrowed		
Türkiye Garanti Bankası A.Ş.	54.153	44.501
Garanti Bank International NV	56	650
	54.209	**45.151**

	1 January - 31 December 2019	**1 January – 31 December 2018**
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	1.502	2.476
Türkiye Garanti Bankası A.Ş.	134	517
Garanti Bank International NV	91	209
	1.727	**3.202**

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

24 RELATED PARTY TRANSACTIONS (continued)

General Administrative Expenses [(*)]	**1 January – 31 December 2019**	**1 January – 31 December 2018**
Türkiye Garanti Bankası AŞ	2.169	1.659
Garanti Filo Yönetim Hizmetler AŞ	1.765	1.745
İstanbul Takas ve Saklama Bankası AŞ	271	939
Garanti Finansal Kiralama AŞ	334	297
Garanti Emeklilik ve Hayat AŞ	116	93
	4.655	**4.733**

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

	1 January- 31 December 2019	**1 January- 31 December 2018**
Profits from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	183	306
	183	**306**
Losses from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	25	1.311
	25	**1.311**

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 31 December 2019 is TL 14.471 (31 December 2018: TL 17.845).

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

25 CONTINGENT ASSETS AND LIABILITIES

25.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Sureties received (*)	-	20.290.897	-	23.048.208
Finance notes	39.900	2.644.067	35.545	2.177.284
Correspondent guarantees	-	112.841	-	237.077
Insurance coverage	214.627	61.491	103.514	74.603
Letters of guarantee	500	-	-	-
Mortgage	36.513	4.479	39.513	-
Chattel mortgage	281	36.578	281	33.154
Customer cheques	-	-	-	-
Transfer of claim arising from letter of guarantees	-	-	1.000	-
	291.821	**23.150.443**	**179.853**	**25.570.326**

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

25.2 Guarantees Given

Guarantees given as at 31 December 2019 and 31 December 2018 consist of letters of guarantee given to the institutions below:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Takasbank (Note 11)	648.500	-	1.254.500	-
Courts	5.692	128	7.880	765
Other	4	-	11	-
	654.196	**128**	**1.262.391**	**765**

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

25 CONTINGENT ASSETS AND LIABILITIES (continued)

25.3 Derivative Agreements

The details of derivative agreements as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Currency swap buy transactions	-	-	-	92.771
Currency swap sell transactions	-	-	-	92.958
	-	**-**	**-**	**185.729**

25.4 Safety Securities

The details of cheques and notes in collection as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Cheques in collection	774.831	150.765	604.185	84.873
Notes in collection	9.767	22.402	4.041	22.881
	784.598	**173.167**	**608.226**	**107.754**

26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management Purposes and Policies

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

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

26.1.1 Credit Risk

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

Under the credit allocation;

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

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

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

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

Credit monitoring phase;

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

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

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

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

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.2 Market Risk

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

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

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

26.1.3 Liquidity Risk

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

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

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

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

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

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

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

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.4 Operational Risk

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

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

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

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

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

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

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

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

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

26.1 Financial Risk Management Purposes and Policies (continued)

26.1.5 Reputation Risk

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

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

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

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

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

26.2 Explanations on Risk Management

26.2.1 Credit Risk

31 December 2019	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**			
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Cash and Cash Equivalents**	**Derivative Financial Assets Held for Trading**
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	**-**	**2.078.567**	**-**	**26.189**	**-**	**-**	**11.842**	**-**
A. Carrying value of financial assets that are not past due nor impaired	-	2.084.823	-	-	-	-	11.930	-
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	-	5.583	-	-	-	-	-	-
-carrying value	-	5.583	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	(11.839)	-	26.189	-	-	(88)	-
- Past due (gross carrying value)	-	-	-	339.757	-	-	-	-
- Impairment (-)	-	(11.839)	-	(313.568)	-	-	(88)	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-

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

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

23.2 Explanations on Risk Management (continued)

23.2.1 Credit Risk (continued)

31 December 2018	**Factoring Receivables**		**Non-performing receivables**		**Other Assets**			
	Related Party	**Others**	**Related Party**	**Others**	**Related Party**	**Others**	**Banks**	**Derivative Financial Assets Held for Trading**
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	**-**	**2.335.036**	**-**	**55.926**	**-**	**-**	**19.778**	**1**
A. Carrying value of financial assets that are not past due nor impaired	-	2.324.350	-	-	-	-	19.778	1
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	-	10.686	-	-	-	-	-	-
-carrying value	-	10.686	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-
D.Net book value of impaired assets	-	-	-	55.926	-	-	-	-
- Past due (gross carrying value)	-	-	-	306.869	-	-	-	-
- Impairment (-)	-	-	-	(250.943)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-

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

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

26.2 Explanations on Risk Management (continued)

26.2.2 Liquidity Risk

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

31 December 2019

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**2.020.284**	**2.076.453**	**1.903.451**	**169.365**	**3.715**
Funds borrowed	2.005.131	2.060.201	1.892.485	167.716	-
Bonds issued	-	-	-	-	-
Factoring payables	10.600	10.600	10.600	-	-
Sundry creditors	4.553	5.652	366	1.649	3.715

31 December 2018

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	**2.260.230**	**2.338.234**	**1.800.250**	**414.557**	**123.427**
Funds borrowed	1.759.762	1.817.611	1.472.767	221.417	123.427
Bond issued	485.126	505.281	312.141	193.140	-
Factoring payables	15.342	15.342	15.342	-	-
Sundry creditors	-	-	-	-	-

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		**(187)**	**(187)**	**-**	**-**
Derivative cash inflows		92.771	92.771	-	-
Derivative cash outflows		(92.958)	(92.958)	-	-

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk

Foreign currency risk

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2019 and 31 December 2018.

Foreign currency assets and liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019 (TL equivalent)	**31 December 2018 (TL equivalent)**
A. Foreign currency monetary assets	445.667	518.521
B. Foreign currency monetary liabilities	(431.414)	(498.203)
C. Derivative financial instruments	-	(187)
Net foreign currency position (A+B+C)	**14.253**	**20.131**

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Currency Risk (continued)

The table below summarizes the Company's foreign currency position in detail as at 31 December 2019 and 31 December 2018. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2019	**USD**	**EURO**	**GBP**	**Total**
Assets				
Cash and cash equivalents	6.701	2.780	850	10.331
Financial assets at fair value through profit or loss	-	7	-	7
Factoring receivables (Net)	183.450	219.855	31.783	435.088
Other Assets (*)	223	12	6	241
Total assets	**190.374**	**222.654**	**32.639**	**445.667**
Liabilities				
Funds borrowed	186.216	201.503	26.810	414.529
Factoring payables	3.362	6.470	261	10.093
Sundry creditors and other liabilities	450	5.823	519	6.792
Total liabilities	**190.028**	**213.796**	**27.590**	**431.414**
Net foreign currency position	**346**	**8.858**	**5.049**	**14.253**
Net position	**346**	**8.858**	**5.049**	**14.253**

(*) Prepaid expense amounting to TL 72 that is presented in other assets is excluded from the table.

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

31 December 2018	**USD**	**EURO**	**GBP**	**Total**
Assets				
Banks	2.749	13.085	240	16.074
Financial assets at fair value through profit or loss	-	6	-	6
Factoring receivables (Net) (*)	216.708	260.635	24.808	502.151
Other assets (**)	49	241	-	290
Total Assets	**219.506**	**273.967**	**25.048**	**518.521**
Liabilities				
Funds borrowed	114.855	348.381	18.729	481.965
Factoring payables	2.682	10.144	278	13.104
Sundry creditors and other liabilities	1.204	1.888	42	3.134
Total liabilities	**118.741**	**360.413**	**19.049**	**498.203**
Net foreign currency position	**100.765**	**(86.446)**	**5.999**	**20.318**
Derivative financial instruments	(92.958)	92.771	-	(187)
Net position	**7.807**	**6.325**	**5.999**	**20.131**

(*) Includes the foreign currency indexed factoring receivables amounting to TL 33.719 that are presented in TL column on the balance sheet.

(**) Prepaid expense amounting to TL 71 and derivative financial liabilities amounting to TL 61 are excluded from the table.

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies as at 31 December 2019 results in an increase in profit before tax for the period amounting to TL 1.426 (31 December 2018: TL 2.013 increase). This analysis is made with the assumption that the other variables were held constant as at 31 December 2019 and 31 December 2018.

TL 31 December 2019	Profit/(Loss)
USD	35
EURO	886
GBP	505
Total	**1.426**

TL 31 December 2018	Profit/(Loss)
USD	781
EURO	632
GBP	600
Total	**2.013**

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019				31 December 2018			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
Assets								
Factoring receivables	5,79	3,59	4,41	16,30	10,03	5,20	3,31	31,04
Liabilities								
Marketable securities issued	-	-	-	-	-	-	-	23,81
Funds borrowed	3,98	1,01	2,73	15,86	7,68	2,32	1,29	23,80

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (Continued)

Interest Rate Sensitivity Analysis

The Company's financial instruments that have interest rate sensitivity as at 31 December 2019 and 31 December 2018 are as follows:

	Carrying Value	
Fixed Rate	**31 December 2019**	**31 December 2018**
Factoring receivables	2.090.406	1.655.762
Time deposit	5.940	-
Funds borrowed	1.621.732	1.586.693
Marketable securities issued	-	485.126
Floating Rate		
Factoring receivables	-	679.274
Funds borrowed	383.399	173.069

If interest rates of the floating rate instruments denominated in USD and EURO were 100 basis points higher/lower at the date of reissue and all other variables were constant as at 31 December 2019, net income for the period would decrease/increase by TL 3.834 (31 December 2018: TL 5.062) as a result of higher/lower interest expense from floating interest rate financial instruments.

Capital Risk Management

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

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

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

27 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 values of financial assets and liabilities at amortized cost including cash and banks, factoring receivables and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

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

27 FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Instruments Classification

The table below presents the fair value determination method of the financial instruments at fair value as at 31 December 2018. 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).

As at 31 December 2019, the Company does not have derivative financial assets and derivative financial liabilities.

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial liabilities	-	-	-	-
	-	-	-	-

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets held for trading	-	1	-	1
	-	**1**	**-**	**1**
Derivative financial liabilities held for trading	-	61	-	61
	-	**61**	**-**	**61**

28 EVENTS AFTER THE REPORTING PERIOD

None.