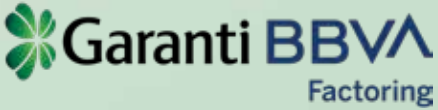


Growth with Garanti



Annual Report 2023



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We entered the sector in 1990 to provide industrial and commercial enterprises with factoring services. Since our establishment, we have conducted our activities backed by a strong corporate structure and an innovative and reliable service approach.

Through practices and investments that target continuous development, we consistently increase our transaction volume and the number of customers we reach, continuing our journey of growth in the sector.



50,585

Total number of
disbursements

TRUST WITH GARANTI

We continue to grow by supporting our customers in all unpredictable circumstances through our extensive experience in the sector, our customer-oriented service approach, and our specialized team. We closed 2023, a highly challenging year, with financial strength and reinforced the confidence of our stakeholders by reviving their commercial activities. Sustaining our steady growth, our asset size rose to TL 11.8 billion by the end of the year.







SUPPORT WITH GARANTI

We work hard to deliver greater support to our SMEs, which constitute the backbone of the Turkish economy.

By means of our strong financial structure and diversified funding sources, we maintain continuous funding to SMEs. By reaching out to more SMEs every day, we uphold our financial inclusion strategy.



9,547

Total number of
customers involved in
transactions

SATISFACTION WITH GARANTI

Since our establishment, we have strived to ensure the satisfaction of our customers.

Through our expertise and our digital transformation steps, we create a difference by swiftly responding to customer demand in times of need. We offer practical solutions to the financial and operational processes required by businesses, and we continue to make life easier for our customers.



Annual Report Compliance Opinion

(Convenience Translation of the Auditor's Audit Report Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT on the ANNUAL REPORT of the BOARD of DIRECTORS

To the General Assembly of Garanti Faktoring Anonim Şirketi

1) Opinion

We have audited the annual report of Garanti Faktoring Anonim Şirketi ("the Company") for the period of January 1, 2023 – December 31, 2023.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with published by Capital Markets Board and Independent Auditing Standards (InAs) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed unqualified opinion in our auditor's reports dated January 26, 2024 on the full financial statements of the Company respectively for the period of 1/1/2023-31/12/2023.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on "Communiqué on Principles Regarding Financial Reporting", published by Capital Markets Board, the management of the Company is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance.
 - The research and development activities of the Company.
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué on financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAs and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Damla Harman.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner
February 29, 2024
İstanbul, Türkiye

Statement of Responsibility Related to Acceptance of the Annual Report

Istanbul, 29.02.2024

BORSA ISTANBUL A.Ş. DIRECTORATE
Istinye / ISTANBUL

RESOLUTION OF THE BOARD OF DIRECTORS ON THE ACCEPTANCE OF THE ANNUAL REPORT
RESOLUTION DATE: 29.02.2024
RESOLUTION NUMBER: 06

STATEMENT OF RESPONSIBILITY AS PER THE 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD COMMUNIQUE NO.14.1 SERIES

- a) We have reviewed Garanti Faktoring A.Ş. (Company)'s annual report prepared as of 31.12.2023.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the annual report does not include any misleading disclosure on material matters or deficiencies that might cause misconception about the disclosure as of the date it was made.
- c) Within the framework of the information we obtained during our tasks and responsibilities at the Company, we hereby declare that the financial statements prepared as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1), fairly reflect the truth, the progress and performance of the business, the financial status of the Company, and the important risks and uncertainties.

Respectfully,

Annexes:

- 1- The Independently Audited Annual Report as of January 1-December 31, 2023

Şule FİRUZMENT BEKÇE
Executive Vice President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Audit Committee Member

Serkan ÇANKAYA
Audit Committee Member

About Garanti BBVA Factoring

Garanti BBVA Factoring is expanding its end-to-end digital solutions and continues to provide a unique financial experience to customers via its technology investments.

On June 4, 1990, Garanti BBVA Factoring was founded under the name of Aktif Finans Factoring Hizmetleri A.Ş. to provide factoring services to industrial and commercial companies. After joining the “Garanti” Group companies in 2002, 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 for 2001, held on 27 March 2002. At the General Assembly for 2013, held on 17 April 2014, its commercial title was changed to Garanti Faktoring A.Ş. (“the Company”).

The Company conducts its activities following “the Financial Leasing, Factoring and Financing Companies Law” No. 6361, “the Regulation on the Establishment and Activity Principles of Financial Leasing, Factoring and Financing Companies” issued by BRSA with the publication in the Official Gazette No. 28627 and the Capital Markets Law No. 6362.

Garanti BBVA Factoring delivers services in eight Turkish provinces with 11 branches and 121 employees. The Company develops innovative products and services in response to customer needs with its continuous investment in advanced technology infrastructure, client-oriented service approach and specialized workforce. Via a broad network established with BBVA synergy, Garanti BBVA Factoring provides financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing and blazes a trail by generating ideal solutions in customer relationship management.

Pursuing the principle of offering the best service to customers, Garanti BBVA Factoring stands behind its customers both in domestic and international trade transactions and provides fast and reliable solutions to SMEs, importer and exporter companies and the institutions with an extensive supplier and dealer network, by means of financing, guarantee and collection products.

Garanti BBVA Factoring creates added value for its customers and the industry with its customer-focused service approach and highly specialized workforce, leads the industry in the fields of product consultancy and product development, produces organization-specific solutions with its dynamic staff and makes difference through the operational transaction speed it achieves.

Garanti BBVA Factoring aims to expand its customer base and strengthen its relations with existing customers, maximizing the high growth potential of Türkiye while maintaining the risk-cost balance in its areas of focus. Focusing on disciplined and sustainable growth, the Company provides effective risk management of financial and non-financial risks through integrated management at global standards.

Garanti BBVA Factoring, consistently automating its operational processes to provide customers with ease of operation and leading solution suggestions, is expanding its end-to-end digital solutions and continues to provide a unique financial experience to customers via its technology investments. Thanks to artificial intelligence, machine learning and big data usage which made ground in its activities, Garanti BBVA Factoring speeds up the solution processes.



Garanti BBVA Factoring issued shares to the public in 1993 with the authorization of the Capital Markets Board ("CMB"); since that time, it has been listed on Borsa İstanbul (BIST). At present, 81.84% and 9.78% of the Company's shares are owned by Garanti Bank and Türk Eximbank, respectively. Some 8.38% of Garanti Factoring's free-floating shares are traded on Borsa İstanbul Main Market.

Garanti BBVA Factoring's ratings were updated on September 26, 2023 by Fitch Ratings and became long-term TL at B- / Stable Outlook and long-term foreign currency B- / Stable Outlook. Support rating for majority shareholder corresponded to B-.

In 2023, Garanti BBVA Factoring raised its grade in the Corporate Governance Principles Compliance Rating made by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. to 9.52.

Garanti Faktoring A.Ş. is registered with the Istanbul Chamber of Commerce under the registration No. 265852, and operates at:

Çamçeşme Mahallesi Tersane Caddesi No: 15
Pendik İstanbul
Telephone: +90 (216) 625 40 00
Fax: +90 (216) 625 40 01
Company's website in Turkish and English: www.garantibbvafactoring.com



Garanti BBVA Factoring at a Glance

Garanti BBVA Factoring, concluding 2023 with a success above expectations, continued to lead the industry by expanding its services to a growing number of customers each day.

9,547

Total number of customers involved in transactions

1.7

TL Billion Shareholders' equity

4,793

Number of customers with risk

11.8

TL Billion Asset size

1,045

TL Million Net profit for the period



54.8

TL Billion
Transaction volume

50,585

Total number of
disbursements

11

Number of
branches

121

Number of
employees

11.5

TL Billion
Factoring receivables

Developments in 2023

In 2023, Garanti BBVA Factoring continued to expand the share of SMEs in its balance sheet, as well as the number of its customers.

Employee satisfaction priority

Garanti BBVA Factoring Talent and Culture aims to build the most productive and engaged team and to maintain an ideal, inclusive work culture and environment for this team.

The Company undertakes to create and maintain a healthy work environment for its employees, both physically and mentally, taking necessary measures and organizing trainings for employees on Occupational Health and Safety (OHS) within the framework of legal regulations. In addition to other special trainings and measures taken for employees, Garanti BBVA Group operates the IYI (Work-Life Relationship) Program, which aims to balance professional and personal life in order to raise employee satisfaction and provide a more enriching working experience.

The campus keeping an eye on employees' wellbeing

Garanti BBVA Factoring conducts operations at the Pendik campus, which encompasses a total indoor area of 140,000 m2. Housing an auditorium, conference and training halls, a market, cafeterias, a sports center, a dining hall, an infirmary and a hair salon, the campus facilities enable employees to meet a wide array of needs on site. In addition, shuttle services to the Pendik campus are offered from many locations so that employees can enjoy a comfortable commute.

Employees' health is a priority at the new campus, where features such as fresh-air ventilation and air-conditioning at double the international standards, 10 air change recirculation per hour, and refreshing, technological and hygienic electrostatic filters have been implemented.

Increase in the number of customers and SME share on the balance sheet

In 2023, Garanti BBVA Factoring continued to increase the share of SMEs as well as the number of customers on its balance sheet. Surpassing the Company's corporate and commercial customer segments, the SME segment consists mainly of wholesale and retail trade, transportation, storage and communication under the service sector, and the textile and textile products, base metal and petroleum products industries under the manufacturing sector.



Garanti BBVA
Factoring carries
out operations
on its Pendik
campus.

Strong Shareholding Structure

Garanti BBVA responds to every financial need of more than 25 million customers with its 18,965 employees.

Türkiye Garanti Bankası A.Ş.

Established in Ankara in 1946, Garanti BBVA is Türkiye's second-largest private bank with a consolidated asset size of TL 2 trillion 202 billion as of December 31, 2023.

Garanti BBVA, which operates in all segments of the banking sector, including the corporate, commercial, SME, retail, private and investment banking, and payment systems, is an integrated financial services group with its financial subsidiaries in the fields of private pension and life insurance, leasing, factoring, investment, and portfolio management, in addition to its international subsidiaries in the Netherlands and Romania.

The custom-tailored solutions and the wide product range that Garanti BBVA offers to its customers have played a vital role in Garanti BBVA's reaching TL 1 trillion 614 billion worth of cash and non-cash loan portfolio. Garanti BBVA's disciplined and sustainable growth strategy by creating capital without compromising on its solid asset quality enables the Bank to move forward with strong steps. The Bank occupies a leading position in many core banking services:

- The largest private bank in TL Loans with a market share of 20.3%,
- The largest TL customer deposit portfolio among private banks with a market share of 21.0%,
- Almost 25 million retail customers and leadership in retail loans,
- Market share of 19.6% in TL business loans

Garanti BBVA aims to present the possibilities of today to everyone and to create value for all its stakeholders towards this purpose. The Bank provides tailor-made solutions and guidance to improve the customers' financial health in light of its strategic priorities.

Garanti BBVA attaches great importance to positively influencing the decision-makers and the sector regarding sustainability and making sustainability mainstream. In addition, the Bank supports positive change by creating shared value through social programs focusing on issues deemed primary by stakeholders and strategic partnerships and impact investment-oriented lending.

As Garanti BBVA continuously improves its business model and processes in line with a focus on operational excellence, it closely monitors financial and non-financial risks.

To accelerate and strengthen value creation, Garanti BBVA continues to reach more customers by being present where they are. As of December 31, 2023, the Bank responds to the financial needs of more than 25 million customers with a widespread distribution network consisting of 796 domestic branches, 8 overseas branches (7 in Cyprus and 1 in Malta), and one representative office and 22,016 employees including subsidiaries. With its conveniently integrated channels, Garanti BBVA offers uninterrupted experience in all channels through 5,511 ATMs with high-end technological infrastructure, an award-winning Call Center, and internet, mobile, and social banking platforms.

Strong Shareholding Structure

Continuous investment of Garanti BBVA in robust and reliable technology, makes it utilize advanced data analytics and artificial intelligence.

For Garanti BBVA, data and technology are primary factors in realizing its “best and most loyal team” strategy. Garanti BBVA has 15.0 million digital and 14.8 million mobile customers, and the share of digital sales in total sales has reached 90%. Continuous investment of the Bank in robust and reliable technology, makes it utilize advanced data analytics and artificial intelligence.

Investing in people is the basis of Garanti BBVA's approach to human resources. With the awareness that human resources are the engine driving all progress, the fundamental building blocks of the Company's system are to continuously recruit young and creative minds to Garanti BBVA, to train and develop them, to provide employees with environments where they can demonstrate their talents, and to offer opportunities, and see and reward their achievements.

The controlling shareholder of Garanti BBVA, which applies an advanced corporate governance model that supports the Bank's core values, is Banco Bilbao Vizcaya Argentaria S.A. (BBVA), which owns 85.97% of the Bank's shares.

Note: Market shares and rankings are based on the BRSA unconsolidated weekly data on private banks.

Note: The data regarding Branches, ATMs, and Customers do not contain subsidiaries subject to consolidation.

Banco Bilbao Vizcaya Argentaria S.A.

By the end of 2021, Banco Bilbao Vizcaya Argentaria S.A. (“BBVA”), which has been a shareholder of Garanti BBVA since 2011, made a voluntary share purchase offer for the shares it did not already hold. The voluntary share purchase offer was concluded on May 18, 2022, and BBVA's shareholding in Garanti BBVA rose to 85.97%.

Having been operating for more than 165 years, BBVA is a global group offering a wide range of financial and non-financial products and services and serves 71.5 million retail and commercial customers in more than 25 countries with more than 121,000 employees and 5,949 branches. In this new competitive environment, BBVA has the mission of “facilitating the opportunities of the age for everyone” through the customer-centric vision in its activities.

BBVA is the pioneer in South American market. It is the biggest financial institution in Mexico. The Group, based in Spain, maintains solid leadership in retail and commercial banking in this market. Adopting an innovative and customer- and society-oriented management approach, BBVA operates in insurance in Europe, and fields such as asset management, private banking, and investment banking in global markets apart from banking.

As of December 31, 2023, BBVA's assets amounted to EUR 775.6 billion, shareholders' equity to EUR 55.3 billion, and net profit for 2023 to EUR 8 billion.

As of December 31, 2023, BBVA's assets amounted to EUR 775.6 billion, shareholders' equity to EUR 55.3 billion, and net profit for 2023 to EUR 8 billion. BBVA's shares are traded on the Spanish, New York, London, and Mexican stock exchanges. As of December 31, 2023, the Group's shares have equal voting rights and there are approximately 742 thousand shareholders across the globe.

Türkiye İhracat Kredi Bankası A.Ş.

Since 1987, Türk Eximbank, as Türkiye's official export credit agency, has been providing credit and receivables insurance support to companies exporting goods and services, undertaking overseas projects, and producing and selling investment goods to increase their share in international trade. While meeting exporters' operating and investment financing needs, Eximbank also protects exporters from collection and market risks through receivables insurance and derivative products.

The Bank supports exporters, export-oriented manufacturers, contractors, and entrepreneurs operating abroad with short-, medium-, and long-term cash and non-cash loans, insurance, and guarantee programs. Since Türk Eximbank gathers all credit, guarantee, and insurance products under one roof, the integrity of services provided to exporters is greater than those offered by disparate official export credit agencies in developed countries.

As of year-end 2023, Türk Eximbank provided USD 19.6 billion in cash credit support and USD 22.4 billion in insurance/guarantees, totaling USD 42 billion in support to exports. The year-end asset size of the Bank corresponds to TL 608.5 billion. Paid-in capital went up from TL 13.8 billion to TL 20.6 billion through a cash capital transfer of TL 6.8 billion from the Treasury.

Türk Eximbank provides services through 23 branches and 6 liaison offices. Headquartered in Istanbul (Anatolian Side), the Bank has 23 branches including Central Anatolia, Marmara, and Aegean Regional Directorates and branches in Istanbul European Side, Istanbul Odakule, Istanbul İkitelli Organized Industrial Zone, Istanbul Central Branch, Gaziantep, İzmir, Denizli, Bursa, Kayseri, Konya, Ankara, Antalya, Adana, Gebze, Çorlu, Maltepe, Manisa, Mersin, Eskişehir, Trabzon, Kahramanmaraş, İskenderun and Diyarbakır; and 6 liaison offices in Samsun, Aydın, Erzurum, Istanbul Anatolian Side Organized Industrial Zone, Isparta and Balıkesir.

Company Capital and Shareholding Structure

Garanti BBVA Factoring's shares are traded on Borsa Istanbul with a free float of 8.38%.



Türkiye Garanti Bankası A.Ş.

81.84%



Türkiye İhracat Kredi Bankası A.Ş.

9.78%



Initial Public Offering

8.38%



As of December 31, 2023, Garanti BBVA Factoring's paid-in capital amounts to TL 79,500,000. Türkiye Garanti Bankası A.Ş. owns 81.84% of the registered shares. Türkiye İhracat Kredi Bankası A.Ş. has a share of 9.78%.

Garanti BBVA Factoring's 8.38% free float share is traded on the Primary Market under the ticker GARFA.

With the material disclosure dated 09.02.2024, as per the decision taken at the Board of Directors Meeting of our Company dated 09.02.2024 and numbered 2024/03; it has been announced that the issued capital of our Company, which is TL 79,500,000 - provided that it remains within the registered capital ceiling of TL 397,500,000 - has been decided to increase by 400% and to distribute the shares to be issued for TL 318,000,000 (Three hundred and eighteen million Turkish Lira) with a nominal value of 1 (one) Kurus for each share to the existing shareholders as dematerialized shares in proportion to their participation in the capital of our Company, and an application has been made to the Capital Markets Board and the Banking Regulation and Supervision Agency to obtain the necessary permissions and approvals in this regard.

Competitive Advantages of Garanti BBVA Factoring

Pioneer in Advanced Technology

Well-Qualified and Experienced Workforce

Customer-Oriented Innovative Products and Services

Corporate Governance Culture

Superior Data Warehouse and Management Reporting

Fast Operational Processes

Integrated Financial Services Offering

Solutions for the Best Customer Relations Management

Our Mission, Our Values, our Strategic Priorities

Our Mission

"To Facilitate the Opportunities of the Age for Everyone"

Our Values

Our Customers Are Our Priorities

- We understand our customers
- We are honest and accountable
- We offer solutions

We Think Big

- We inspire
- We innovate
- We exceed expectations

We Are One

- We are dedicated
- We work as a team
- Garanti BBVA Factoring is ours

Our Strategic Priorities

Garanti BBVA Factoring defines its strategic priorities as the following:

- Reaching More Customers,
- Best and Most Loyal Team,
- Operational Superiority,
- Data and Technology.

The Company aims to create value for all its stakeholders by working in line with these strategic priorities.

Reaching More Customers

- To expand our customer base by making greater use of our country's high potential and to deepen our relations with customers
- To be where our customers are, to effectively use new channels such as digital customer acquisition and partnerships
- To grow in consideration of the risk-cost balance in our focus areas

Best and Most Loyal Team

- To invest in our employees by focusing on their development, satisfaction and well-being in a manner that respects the work-life balance
- To create a results-oriented workforce that upholds our values and demonstrates common sense, team spirit and a strong sense of social responsibility, as well as the ability to "think big"
- A fair and transparent management policy based on performance, equal opportunity, diversity and internal promotion

Operational Superiority

- To continue to automate our processes and to offer ease of operation and leading solutions
- To increase end-to-end digital solutions and to provide customers with a unique experience through our investments in digital platforms
- To use our capital effectively and to maximize the value we create while focusing on disciplined and sustainable growth
- To continuously improve our business model and processes from an operational and environmental efficiency perspective, while considering cost and income synergies
- To manage financial and non-financial risks through integrated management at global standards and to ensure effective risk management

Data and Technology

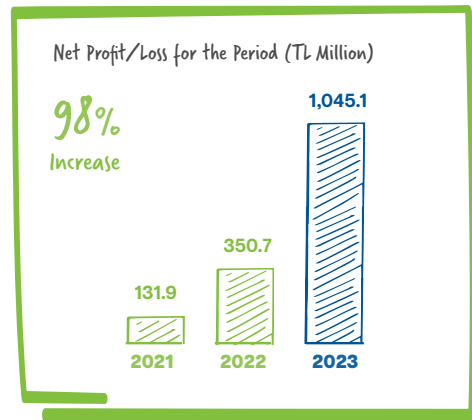
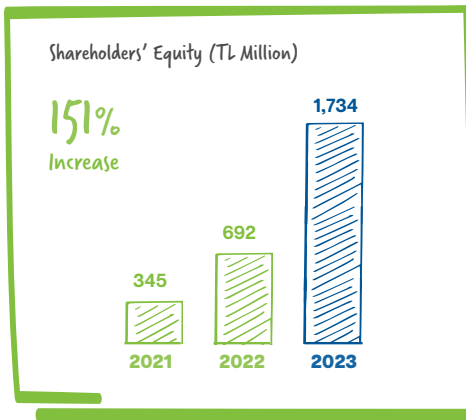
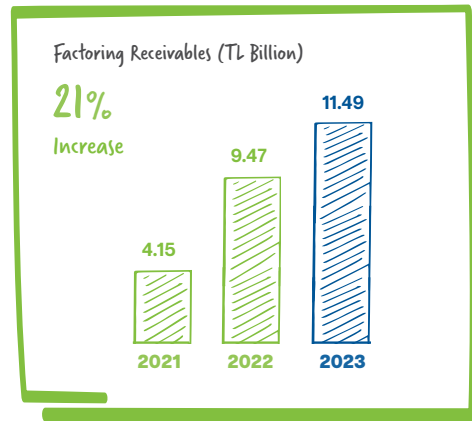
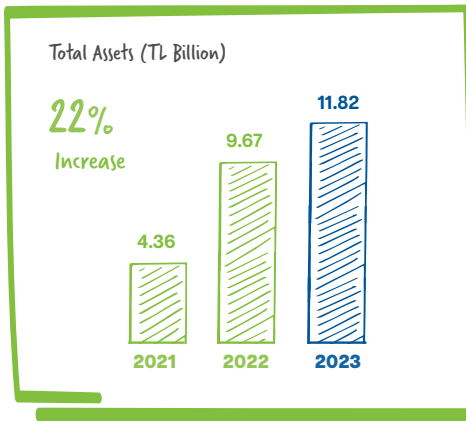
- To make our technological infrastructure and platforms stronger and more agile
- To accelerate our solution processes with the fewest errors by integrating artificial intelligence, machine learning and big data, which hold an important place in the Company's daily operations
- To focus on data analytics to offer our customers the right products



Financial Indicators and Ratios

Garanti BBVA Factoring increased its total shareholders' equity by 151% as a result of its successful performance in 2023.

Select Main Balance Sheet Figures and Ratios of Garanti BBVA



GARANTÍ BBVA FACTORING ANNUAL REPORT 2023

	2019	2020	2021	2022	2023
Return on Assets	1.16%	2.00%	3.62%	5.97%	9.06%
Return on Equity	14.95%	26.99%	47.48%	69.88%	88.13%
Non-Performing Loans Ratio (*)	13.98%	4.52%	1.63%	0.72%	0.60%

* Within the scope of the TFRS 9 standard, write-off transactions have been realized as of 2020.

Garanti BBVA Factoring Major Income Statement Items

TL Thousand	2019	2020	2021	2022	2023
Factoring Revenues	375,828	309,468	638,775	1,347,840	4,019,836
Interest Collected from Factoring Receivables	368,204	297,653	621,491	1,300,626	3,220,044
Fees and Commissions Collected from Factoring Receivables	7,624	11,815	17,284	47,214	799,792
Financial Expenses	(263,863)	(189,506)	(419,177)	(768,789)	(2,280,325)
Interest Paid for Utilized Loans	(176,025)	(161,436)	(320,305)	(566,176)	(2,052,090)
Interest Paid for Securities Issued	(80,449)	(26,190)	(95,800)	(183,162)	(123,937)
Fees and Commissions Paid	(6,825)	(757)	(1,314)	(18,077)	(102,404)
Other	(564)	(1,123)	(1,758)	(1,374)	(1,894)
Operating Expenses	(50,828)	(49,316)	(69,613)	(97,085)	(200,068)
Expenses on Personnel and Severance Pay Provisions	(30,039)	(30,838)	(41,324)	(67,286)	(143,820)
General Administrative Expenses	(20,671)	(18,378)	(27,798)	(29,799)	(56,248)
Other	(118)	(100)	(491)	-	-
Other Operating Income/Expenses (net)	35,595	92,015	64,292	45,923	66,036
Interest Collected from Banks	1,945	691	1,850	9,638	114,924
Interest Collected from Securities	-	1,689	6,006	-	-
Capital Markets Operations Profit (Net)	-	345	180	-	-
Profit/Loss from Derivative Transactions (Net)	2,705	5,287	4,005	-	(167,919)
Profit/Loss from Foreign Exchange Transactions (Net)	21,423	72,329	28,503	19,953	49,552
Other	9,522	11,674	23,748	16,332	69,479
Provision Expenses	(65,701)	(97,990)	(47,251)	(63,390)	(122,340)
Gross Profit/Loss	31,031	64,671	167,026	464,499	1,483,139
Tax Expenditure for the Period	(6,593)	(14,521)	(35,090)	(113,757)	(438,055)
Net Profit for the Period	24,438	50,150	131,936	350,742	1,045,084

Financial Situation and Performance Assessment in 2023

Garanti BBVA Factoring conducts domestic and international factoring transactions via an extensive network while maintaining its focus on customer needs.

Garanti BBVA Factoring provides services to a broad customer base primarily consisting of SMEs, import and export companies, and other enterprises that have a wide supplier and dealer network. Possessing an extensive branch network, Garanti BBVA Factoring delivers its products and services across the country.

Operating 11 branches across Türkiye, Garanti BBVA Factoring provided guarantee, collection and financing services to 9,547 customers in 2023.

Through a correspondent factoring network established by virtue of its strong relations management, Garanti BBVA Factoring delivers first-class collection, guarantee and financing services for its clients' overseas operations with an innovative and customer-oriented approach. The Company creates a difference reinforced by its expert staff and its strength in international factoring, offering tailored solutions to customers. The building blocks of Garanti BBVA Factoring's success are its strong balance sheet structure, proficient staff and robust risk management policies, its innovative perspective, digitalization investments and the agile processes brought by these investments, and the Company's long-term, trust-based relations with customers and correspondents, and financial consultancy service.

Market Share of 13.42% in Correspondent-Guaranteed Export Factoring Transactions

Serving a vast number of customers in export factoring with the advantage of being a factoring company with an extensive branch network, in 2023, Garanti BBVA Factoring held a 13.42% market share among the 16 companies in Türkiye operating in correspondent-guaranteed export factoring transactions, according to data from Factors Chain International (FCI). As the global representative body for factoring and financing of open account domestic and international trade receivables, FCI is the authorized organization in export factoring,

with a membership of approximately 400 factoring companies across 90 countries.

Thanks to its high-quality service, innovative products and achievements, Garanti BBVA Factoring was named the "World's Best Export Factoring Company" five times. In the evaluation conducted by FCI, with around 400 factoring companies worldwide as members, Garanti BBVA Factoring became the first company in FCI's history to achieve this score for four consecutive years, receiving a "100% full score" in all criteria of service quality, correspondent network and export volume.

In 2024, Garanti BBVA Factoring aims to continue acquiring new customers in the correspondent-guaranteed export factoring segment and enhancing its service quality for existing customers.

Digitalization and Mobile

In 2024, the Company intends to transfer its current operational activities into a digital environment in order to raise the number and volume of transactions, primarily for SME companies, and to offer more effective and faster solutions to customer demands. It is expected that the Garanti BBVA Factoring Mobile app will boost the number and volume of transactions, particularly in the SME segment.

Garanti BBVA Factoring also plans to continue making capital investments in systems infrastructure and human resources. The Company targets improving operational efficiency while striving to realize its set performance objectives.

A pioneer among factoring companies in terms of product consultancy and development, Garanti BBVA Factoring designs specialized products and solutions for enterprises with its strong and experienced workforce. Thanks to its innovative products, the Company stands out among its counterparts and creates added value for customers.

In 2023, Garanti BBVA Factoring had a market share of 5.53% with a total asset size of TL 11.82 billion.

Stepping up its social media activity to further support customer communications, Garanti BBVA Factoring launched a website to serve as an application channel. Via the Garanti BBVA internet branch, customers can view the products in their accounts and the details on these products. In addition, checks can be sent over the internet branch for factoring. Thus, operating in the digital environment enables shorter process times and greater efficiency in internal processes.

Collection Guarantee

“Collection Guarantee,” a safe instrument for companies seeking to acquire new customers and enter new markets, also drew great interest in both domestic and export transactions in 2023.

Garanti BBVA Factoring will complete the technological investments made for Supplier Financing and Commercial Collection Management, which were added to the product range in 2020, and the system improvements, thereby offering additional solutions to customers.

Financing Opportunity Under Favorable Conditions

Highly regarded on an international level for its strong relations management skills, Garanti BBVA Factoring provided cost-effective funding in the volatile environment of 2023 by diversifying funding sources according to market conditions.

Focusing on the factoring facilities of domestic and overseas trade to meet customer needs, the Company deepened its relationships with partner banks and obtained financing for customers under favorable terms.

During the year, Garanti Factoring expanded the number of its partner banks and strengthened its relations while creating the opportunity to fund its balance sheet under the most favorable terms and conditions possible.

In 2023, Garanti BBVA Factoring issued discounted bonds with a two- to seven-month maturity and a total nominal amount of TL 2,915 million to be offered only to qualified investors without a public offering and redeemed its bonds with a nominal amount of TL 1,179 million.

Despite a volatile interest and foreign exchange rate environment, the Company plans to pursue its current business strategy and prioritize bond issues in 2024 as well.

Factoring Receivables

In 2023, Garanti BBVA Factoring had a 5.83% market share in the sector with factoring receivables of TL 11.49 billion.

Asset Size

In 2023, Garanti BBVA Factoring had a market share of 5.53% with a total asset size of TL 11.82 billion.

Transaction Volume

In 2023, Garanti BBVA Factoring had a 6.68% market share in the sector with a total transaction volume of TL 54.8 billion (USD 2.3 billion).

Domestic transaction volume of TL 45.9 billion (USD 1.6 billion), export transaction volume of TL 7.2 billion (USD 248 million), and import transaction volume of TL 1.7 billion (USD 59 million)

Number of Customers

Having 11 branches across Türkiye, Garanti BBVA Factoring provided financing, guarantee, and collection services to a total of 9,547 customers in 2023.

Financial Situation and Performance Assessment in 2023

Garanti BBVA Factoring's Transaction Volume and Factoring Receivables on a Sector Basis as of the year-end 2023 (TL million)

MANUFACTURING INDUSTRY	19,685,584
Textile and Textile Products Industry	4,911,433
Transportation Vehicles Industry	1,875,366
Food, Beverage and Tobacco Industry	1,507,687
Main Metal Industry and Processed Material Manufacturing	1,447,361
Nuclear Fuel, Petroleum Prod. Industry	1,383,278
Machinery and Equipment Industry	1,373,118
Other Mines Excluding Metals Industry	1,318,296
Electrical and Optical Devices Industry	1,242,638
Chemistry and Chemical Products and Artificial Fiber Industry	1,015,828
Rubber and Plastic Products Industry	991,102
Electrical Gas and Water Resources	587,576
Extraction of Non-Energy Minerals	538,738
Wood and Wood Products Industry	462,990
Manufacturing Industry Not Elsewhere Classified	460,919
Paper Raw Material and Paper Products Printing Industry	407,497
Leather and Leather Products Industry	152,572
Extraction of Energy Minerals	9,185
SERVICE INDUSTRY	34,857,302
Wholesale and Retail Trade Mot. Veh. Services	25,066,029
Transportation, Warehousing, and Communication	3,941,987
Real Estate Agency, Leasing and Business Administration Activities	2,224,141
Construction	1,770,682
Other Public, Social and Private Services	1,330,057
Hotels and Restaurants (Tourism)	432,360
Healthcare and Social Services	69,992
Education	12,393
Financial Institutions	5,492
Defense and Public Administration Compulsory Social Security Institutions	4,169
GRAND TOTAL	54,801,490

Sectoral Distribution of Factoring Receivables (TL million)

	TL Million	Ratio
AGRICULTURAL INDUSTRY	96	0.84%
Agriculture, Livestock, Forestry	94	0.82%
Fishery	2	0.02%
MANUFACTURING INDUSTRY	3,114	27.18%
Transportation Vehicles Industry	677	5.91%
Textile and Textile Products Industry	414	3.61%
Other Mines Excluding Metals Industry	267	2.33%
Food, Beverage and Tobacco Industry	252	2.20%
Main Metal Industry and Processed Material Manufacturing	239	2.08%
Chemistry and Chemical Products and Artificial Fiber Industry	197	1.72%
Machinery and Equipment Industry	166	1.45%
Rubber and Plastic Products Industry	165	1.44%
Electrical and Optical Devices Industry	152	1.33%
Wood and Wood Products Industry	149	1.30%
Extraction of Non-Energy Minerals	128	1.12%
Electrical Gas and Water Resources	99	0.86%
Paper Raw Material and Paper Products Printing Industry	88	0.77%
Manufacturing Industry Not Elsewhere Classified	71	0.62%
Leather and Leather Products Industry	47	0.41%
Nuclear Fuel, Petroleum Prod. Industry	2	0.02%
Extraction of Energy Minerals	1	0.01%
SERVICE INDUSTRY	8,254	72.00%
Wholesale and Retail Trade Mot. Veh. Services	6,020	52.51%
Transportation, Warehousing, and Communication	608	5.30%
Construction	513	4.47%
Other Public, Social and Private Services	379	3.31%
Real Estate Agency, Leasing and Business Administration Activities	375	3.27%
Financial Institutions	277	2.42%
Hotels and Restaurants (Tourism)	62	0.54%
Healthcare and Social Services	10	0.09%
Education	9	0.08%
Defense and Public Administration Compulsory Social Security Institutions	1	0.01%
GRAND TOTAL	11,464	100.00%

Information on GARFA Shares

The total trading volume in GARFA between January 1-December 31, 2023 was TL 4,716 million.

Garanti BBVA Factoring shares are traded on Borsa Istanbul (BIST) since 1993, under the ticker "GARFA". Borsa Istanbul A.Ş. As per the announcement of the Board of Directors dated 14.12.2023, GARFA shares are traded at the Main Market as of 02/01/2024 based on the results of the evaluation made for the determination of the markets where the shares will be traded.

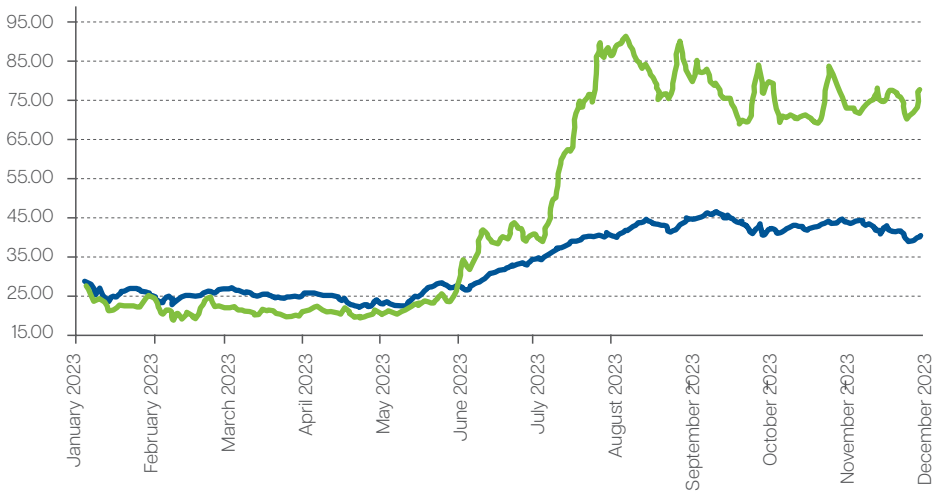
Between January 1 and December 31, 2023, with a total trading volume of TL 4,716 million, GARFA ended the year with a closing price of 76.85.



Share Performance

BISTTUM closing prices are indexed to GARFA price.

○ Garfa ○ XTUMY



Lowest price for the year 2023 18.70

Highest price for the year 2023 96.60

The closing price for the year 2023 was realized as 76.85.

Credit Ratings

Garanti Faktoring A.Ş. receives rating services from the international credit rating company Fitch Ratings.

Fitch Ratings updated the Company's grades and outlook on September 26, 2023 as follows.

Foreign Currency

Long Term	B- / Stable Outlook
Short Term	B

Turkish Lira

Long Term	B / Stable Outlook
Short Term	B

Principal Shareholder Support Grade	B-
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Information on the rating grades can be accessed on the Garanti BBVA Factoring website (www.garantibbvafactoring.com) in the section "Credit Ratings" under "Investor Relations."

Corporate Governance Principles Compliance Rating

Garanti BBVA Factoring places great importance on internalizing and implementing the Corporate Governance Principles throughout the organization. It is among a small number of companies that undergo Corporate Governance Principles compliance rating evaluations in the factoring industry. The Company's "Corporate Governance Principles Compliance Rating" study for 2023 was completed on August 17, 2023.

Following the rating study conducted by KOBİRATE A.Ş., the Company's CMB Corporate Governance Principles Compliance Rating for the period August 17, 2023 - August 17, 2024 has increased to 9.52.

This result shows that Garanti BBVA Factoring complies with the Corporate Governance Principles published by the Capital Markets Board to a great extent and deserves to be included in the BIST Corporate Governance Index at a high level.

Public disclosures and transparency are superior at Garanti BBVA Factoring. The rights of the shareholders and stakeholders are protected reasonably. The structure and working conditions of the Board of Directors greatly comply with the Corporate Governance Principles. Possible risks for the Company have been identified and can be controlled.

The detailed report prepared by Kobirate is disclosed to the public on the Company's website (www.garantibbvafactoring.com) in the section "Corporate Management Principles Compliance Rating Reports" under "Investor Relations."

Board of Directors

Recep Bařtuę

Chairman of the Board of Directors

Recep Bařtuę graduated from ukurova University, Faculty of Economics, and started his career at the Garanti BBVA Inspection Board in 1989. Mr. Bařtuę worked as a Corporate Branch Manager from 1995 to 1999, as a Commercial Regional Manager from 1999 to 2004, and as a Commercial Banking Marketing Coordinator from 2004 to 2012. From 2013 to 2018, he served as the Executive Vice President in charge of Commercial Banking and Consumer Finance. After assuming various positions on the board of directors of one of Trkiye's largest industrial groups for a short period, on September 6, 2019, Mr. Bařtuę was appointed as the General Manager of Garanti BBVA. Mr. Bařtuę also serves as a member of the Board of Directors of Garanti BBVA and is the Chairman of the Board of Directors of Garanti BBVA International, Garanti BBVA Romania, Garanti BBVA Investment, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Leasing, Garanti BBVA Payment Systems and a member of the Board of Directors of Garanti Holding B.V. and G Netherlands B.V. In addition to these roles, Mr. Bařtuę holds office as a Board Member of the Banks Association of Trkiye and as a Member of the Board of Trustees of the Teachers Academy Foundation. Mr. Bařtuę has 33 years of experience in banking and business administration.

Murat Atay

Vice Chairman

Murat Atay graduated from the Middle East Technical University, Department of Political Science and Public Administration. He earned his master's degree in Accounting at Yeditepe University and his doctorate in Banking and Finance at Istanbul Okan University. Mr. Atay started his career as a corporate and credit analyst at Garanti BBVA. Apart from duties as Corporate Branch Manager from 2000-2009 and General Manager at Garanti BBVA S.A. Romania from 2009-2012, he served as the Chairman of the Board of Directors in Motoractive, Ralfi, and Domenia companies. Working as the General Manager of Garanti BBVA Mortgage between 2012 and 2020, Mr. Atay was assigned as the Executive Vice President in charge of Credit Risk Management as of January 1, 2021. Mr. Atay serves as Vice Chairman of the Board of Directors at Garanti BBVA Leasing and Garanti BBVA Factoring, Board Member at Garanti BBVA Investment, Garanti BBVA Romania, Board Member at BBVA Pension, and Member of the Board of Trustees at the Teachers Academy Foundation. With a 28-year work experience in banking and business administration, Mr. Atay is responsible for Corporate and Special Credits and Commercial Credits within the Credit Risk Management Group, and for Risk Strategies, Credit Policies Implementation and Analysis, Consumer and SME Credits Assessment, Corporate and Commercial Credits Structuring; Risk Planning, Monitoring and Reporting, Regional Credits Coordination, Risky Projects and Credit Risk Management Advanced Analytics within the Consumer and SME Credits Risk Management Group.

Aydın Güler

Board Member

Aydın Güler graduated from Istanbul Technical University, Department of Mechanical Engineering, and joined the Garanti BBVA Fund Management Department in 1990. After working at various Head Office departments for 10 years, he was appointed as Senior Vice President responsible for Risk Management and Management Reporting in 2000. Between 2001 and 2013, Mr. Güler served as the Unit Manager responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was assigned as the Executive Vice President in charge of Finance and Treasury. He is also a Board Member of Garanti BBVA Fleet, Garanti BBVA Leasing, Garanti BBVA Mortgage, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Investment and Garanti BBVA Pension and Provident Fund Foundation, and a Member of the Board of Trustees of the Teachers Academy Foundation. Having 32 years of work experience in banking and business administration, Mr. Güler is responsible for Investor Relations, Financial Management, Cost Management and Efficiency, Financial Data Performance Management and Budget Planning, Financial Reporting and Accounting, Tax Management, Assets & Liabilities Management, Finance Projects, Finance Operational Risk and Control Expertise, Purchasing, Credit Cards and Member Merchant Coordination.

Kaya Yıldırım

General Manager/Member of the Board of Directors

Kaya Yıldırım graduated from Istanbul University, Department of Economics in 1987, which he started in 1983. He joined Garanti BBVA in 1989, and after working in various departments and branches at Garanti BBVA, he served as Regional Manager since 2004. Since August 1, 2018, Mr. Yıldırım has been serving as a Member of the Board of Directors and General Manager of Garanti BBVA Factoring and also served as a Member of the Board of Directors of the Association of Financial Institutions from August 1, 2018 until July 5, 2019. Since May 2022, he has been a member of the Factoring Sector Representative Board at the Association of Financial Institutions.

Osman Bahri Turgut

Member of the Board of Directors/Corporate Governance Committee Member

He graduated from Marmara University, Department of Economics in 1990. The same year, Mr. Turgut started his professional career at T. Garanti Bankası A.Ş. as Assistant Bank Examiner and served as Branch Manager, Vice Chairman of the Inspection Board, Commercial Credits Unit Manager, Internal Control Center Manager, and the Head of Internal Audit and Control. He Garanti Bankası A.Ş. serves as the Chairman of the Garanti BBVA Inspection Board. Holding CMB Level 3 (Advanced Level) and Corporate Governance and Derivative Financial Instruments License, Mr. Turgut is also a member of the Board and Audit Committee of Garanti BBVA Leasing and Garanti BBVA Fleet; a member of the Board and Corporate Governance Committee of Garanti BBVA Factoring; Board member of Garanti Bankası A.Ş. Pension Fund Foundation; as a member of the Audit Committee at Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Payment Systems; as a member of the Board of Directors and the Audit Committee at Garanti Pension and Life; as a member of the Board of Trustees and the Audit Committee at the Teachers Academy Foundation; as a member of the Board of Directors at the IIA Türkiye-Turkish Institute of Internal Auditors Association; and as a member of the Audit Committee at WWF Türkiye-The World Wildlife Fund. Besides, Mr. Turgut currently gives lectures on "Risk Management in Financial Markets" to graduate students as a Visiting Lecturer at Istanbul Ticaret University Finance Institute, and "Ethical Leadership" lectures to students of various universities at the Ethical Values Center Association.

Board of Directors

Cemal Onaran

Board Member

Cemal Onaran graduated from the Middle East Technical University, Department of Public Administration in 1990 and started his career as Assistant Inspector in Garanti BBVA at the Inspection Board in the same year. Between 2000 and 2007, he worked as the Regional Manager in various regions for Garanti BBVA in İstanbul. After the establishment of Garanti BBVA Mortgage in October 2007, he was appointed as General Manager at Garanti BBVA Mortgage. After serving as the General Manager at Garanti BBVA Pension & Life from 2012, Mr. Onaran was assigned as the Executive Vice President of Garanti BBVA SME Banking on January 17, 2017. He started to hold office as the Executive Vice President in charge of Commercial Banking in February 2021. With 33 years of experience in banking and business administration, Mr. Onaran is in charge of Commercial Banking İstanbul Marketing and Commercial Banking Anatolia Marketing. His other roles include Garanti Bank S.A. Board Member, Garanti Fleet Chairman of the Board of Directors, Garanti Financial Leasing Board Member, Garanti Factoring Board Member, Garanti Pension and Life Board Member, Garanti Housing Finance Consulting Services - Vice Chairman of the Board of Directors, Garanti BBVA Officers and Employees Retirement and Support Fund Foundation Member of the Board of Directors and Board of Trustees of the Teachers Academy Foundation.

Sibel Kaya

Board Member

Sibel Kaya started her career as a Management Trainee at Garanti BBVA in 1997. Between 1998 and 2005, she held managerial positions in the Commercial Banking Department, and between 2005 and 2016, she served as Branch Manager and Commercial Branch Manager in various branches, between 2016 and 2018 as Aegean Regional Manager, and between 2018 and 2021 as Human Resources Director. On February 2, 2021, Sibel Kaya was appointed as Garanti BBVA Assistant General Manager in charge of Small and Medium Enterprises (SME) Banking and is responsible for SME Banking Marketing and SME Banking Field and Performance Management. She is also the Deputy Chairperson of the Board of Directors of Garanti BBVA Payment Systems and a Board Member of Garanti BBVA Pension and Life, Garanti BBVA Leasing, Garanti BBVA Fleet, Garanti BBVA Factoring and Garanti BBVA Pension and Support Fund Foundation. Sibel Kaya graduated from Middle East Technical University, Faculty of Architecture, Department of Urban and Regional Planning, and has been working in banking and business administration for 26 years. Ms. Kaya is a member of the Board of Directors and the Board of Trustees of the Teachers Academy Foundation.

Nihat Karadağ**Independent Board Member**

Nihat Karadağ graduated from Ankara University, Faculty of Political Sciences, Department of Economics – Finance, and obtained his Master's degree from Istanbul University, Faculty of Political Sciences, Department of Money and Banking. Nihat Karadağ started his career as an Inspector at T.C. Ziraat Bank and served as the Executive Vice President at Koç Consumer Financing and Card Services, Oyakbank, Ing Bank, and OYAK. From 2009-2016, he served as a Board Member and Chairman at Akdeniz Kimya San. ve Tic. A.Ş., Ereğli Demir ve Çelik Fabrikaları T.A.Ş., İskenderun Demir ve Çelik Fabrikaları A.Ş., Hektaş Ticaret T.A.Ş., Oyak Yatırım Menkul Değerler A.Ş., Tukaş Gıda San. ve Tic. A.Ş., Halk Leasing Finansal Kiralama A.Ş., Atterbury SA (Luxembourg), Chemson Polymer Additives AG (Austria), Almatris B.V. (the Netherlands) and Orfin Finansman A.Ş.. Mr. Karadağ is currently General Manager and Board Member of Quick Finansman A.Ş. Nihat Karadağ's book titled "Issuance of Asset-Backed Securities by Consumer Finance Companies" was published by the Capital Markets Board under publication number 84. Mr. Karadağ also holds a Certified Public Accountant and Financial Advisor Certificate.

Serkan Çankaya**Independent Board Member**

Prof. Dr. Serkan Çankaya graduated from Istanbul University, Department of Business Administration, and holds a postgraduate degree in Business Administration Informatics from the same university. He completed his Master's degree at the University of West Georgia, USA, and holds a Ph.D. in Finance and Banking from Kadir Has University. Mr. Çankaya started his academic career at Kadir Has University and currently serves as the Head of the Finance and Banking Department in English and as a Board Member of the Economy and Finance Practices and Research Center at Istanbul Ticaret University. In addition to his main area of expertise, Behavioral Finance, Mr. Çankaya also lectures in Financial Mathematics, Investment Analysis, and Asset Management, and conducts research activities in the area of Sustainable Finance.

Committees and Attendance at Committee Meetings

Audit Committee

The Audit Committee was established with the aim of helping the Board of Directors to fulfill its overseeing duties regarding the functioning and effectiveness of the internal control system. To achieve compliance with the accounting system, financial reporting, public disclosure, internal control system, independent external audit, laws, regulations and code of ethics, the Committee monitors and evaluates the Company's systems, processes and activities, and advises the Board of Directors if required. Committee convenes at least four times every year and anytime necessary.

The Audit Committee is composed of the Independent Members of the Board, Mr. Nihat Karadağ and Mr. Serkan Çankaya.

The tasks of the Committee are as follows:

Internal Control System:

- To evaluate whether the Company management shares the importance of the internal control with the Company employees, or not, and whether the Company adopts a suitable "control culture," or not,
- To get information about the periodical and process-oriented audit results performed by the Internal Control Unit regarding implementation faults and deficiencies,
- Similarly, to receive regular information on Company activities from units specialized in compliance and risk management,
- To monitor deficiencies in the audit activities performed by the T. Garanti Bankası A.Ş. Audit Board and other institutions, and inform the Company's Board of Directors about non-recovered findings, to oversee whether or not the Internal Control Unit fulfills its obligations stipulated in the Internal Regulations,

- To review the annual control plan prepared by the Internal Control Unit and the revisions made in these plans before the Board's approval,
- To approve the appointments of the Internal Control Unit personnel,
- To review the Internal Control Unit Regulation before the approval of the Board,
- To make the performance assessment of the Internal Control Unit and, when necessary, to receive the opinions of the Company General Manager in this regard,
- To monitor the decisions of the top management and the related units about the issues detected in the Internal Control reports,
- To evaluate the Internal Control Unit activity report on the control activities and the reports submitted to the Committee containing the results and assessments of the activities, pursuant to the provisions of Article 13/4 of the Regulation on Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies,
- To monitor the proficiency of the Internal Control Unit's staff structure and the current training, competency and expertise levels of the control personnel, and to take necessary measures to develop the control unit personnel efficiently in theory and practice.

Financial Reporting and Independent External Audit:

- To oversee whether the Company's financial reports include all the information that is correct and that must be reflected whether they are prepared in compliance with the law and other relevant legislation and, moreover, to ensure that the detected faults and/or irregularities are corrected,
- To select the independent audit firm, to prepare the audit agreements and to start the independent audit process, as well as to supervise the independent audit firm's auditing activities at all stages.



Compliance with the Law, Regulation and Code of Ethics:

- To oversee the functioning of the internal systems, accounting and reporting systems within the framework of the law and relevant regulations, and the integrity of the information produced,
- To review the consistency of the Company's activities with the laws and regulations through the units reporting to itself,
- To oversee whether the Company's internal policies and implementation procedures approved by the Board of Directors are complied with and make suggestions to the Board of Directors regarding the necessary measures to be taken.

The Audit Committee convened 8 (eight) times in 2023. In these meetings, the Committee discussed the results of the periodic control activities conducted by the Internal Control and Compliance Unit, and the Compliance Officer provided the information on compliance activities across the Company. Moreover, the audit activities about the deficiencies detected during the audit activities by the T. Garanti Bankası A.Ş. Audit Board and other institutions.

Moreover, information was provided to the members of the Audit Committee regarding the results of the audit activities – performed by the independent audit firm (E&Y) – regarding the Company's financial data dated 31 December 2022, 31 March 2023, 30 June 2023 and 30 September 2022, 31 December 2022 and 30 June 2023 and regarding the prepared management recommendation letter.

Corporate Governance Committee

The Corporate Governance Committee was established with the aim of determining: i) whether the Corporate Governance Principles are implemented or not within the framework of the Corporate Governance Principles of the Articles of Association, legislation and the Capital Markets Board, and ii) the existence of possible conflict of interests in the Company.

Corporate Governance Committee President is Nihat Karadağ and the members are Osman Bahri Turgut and Serap Çakır.

Under the structuring of the Board, the Corporate Governance Committee was established to perform the duties of the Nomination Committee and the Compensation Committee, as well. It undertook the tasks of these committees.

The tasks of the Committee are as follows:

- Monitoring the Company's compliance with the Corporate Governance Principles,
- Carrying out improvement activities on this issue and providing suggestions to the Board of Directors,
- Detecting conflicts of interest arising from non-compliance with the Corporate Governance Principles,
- Overseeing the activities of the Investor Relations Department.

Committees and Attendance at Committee Meetings

Acting as the Nomination Committee:

- Creating a transparent system for the determination, assessment and training of the nominees of the Board of Directors and determining a policy on this issue,
- Evaluating the efficiency of the Board of Directors' structure,
- Determining and overseeing the approaches, principles and practices on the issue of performance evaluation and career planning of the Members of the Board and the senior executives,
- Submitting suggestions to the Board of Directors regarding changes that can be made regarding the Board of Directors' structure and efficiency.

Acting as the Compensation Committee:

- Preparing proposals about the compensation principles of the Members of the Board and the Executive Directors,
- Determining the criteria that can be used regarding the performance of the Company and the Members,
- Submitting proposals to the Board about the compensation of the Members of the Board and the Executive Directors.

The Corporate Governance Committee convened 3 (three) times in 2023.



Early Detection of Risk Committee

As per the Corporate Governance Communiqué II-17.1 published by the Turkish Commercial Code n. 6102 and the Capital Markets Board, the aim of the Committee carrying out its activities within the structure of the Board of Directors is to early diagnose the risks that may endanger the existence, progress and continuity of the Company, to take necessary measures regarding the detected risks and to carry out activities with the purpose of risk management.

The Committee is composed of the Independent Members of the Board, Mr. Nihat Karadağ and Mr. Serkan Çankaya.

The tasks of the Committee are as follows:

- In accordance with the risk management strategies, determining the risk management policies, implementation methods and systems in line with the opinions of the Board; and designing the effective internal control systems to ensure the implementation and compliance of these policies,
- Implementing necessary measures regarding the detected risks, carrying out activities for risk management and monitoring risk management practices,
- Requesting information, opinion and reports from the relevant units if deemed necessary, with the aim of performing the risk monitoring function effectively,
- Reviewing and evaluating the risk management system at least once a year,
- Informing the Board of Directors periodically regarding risk management practices,
- Fulfilling other duties that are assigned or that will be assigned to the Committee through relevant legal legislation.

Since its establishment in 2014, the Committee submits its report to the Board of Directors every two months.

Early Detection of Risk Committee convened 6 (six) times in 2023. In these meetings, the Committee shared the reports – with the Members of the Board of Directors – that it prepared regarding the issues such as; compliance with standard ratio and the 376th Article of TTK (Turkish Commercial Code), status of the Company's foreign exchange position, status of the problem factoring receivables, cost-yield and maturity composition of the balance sheet, assets & liabilities composition and status of operational expenses (OPEX).

The tasks of the Committee and its working principles were determined and publicly announced on the Company website in the "Investor Relations Corporate Governance" section.

Assets and Liabilities Committee

Assets Liabilities Committee consists of senior management, unit and regional managers.

The Assets Liabilities Committee is responsible for the improvement of the Company's balance sheet and monitors the achievement level of the budget targets by evaluating the Company's interest rates, currency risks, liquidity risks and operational risks. It regularly monitors the achievement of budget targets and ensures that the decisions to be executed by the relevant units are taken.

In 2023, the Committee was convened 50 (fifty) times by the General Manager in order to discuss and assess the specified issues weekly.

Credit Committee

The Credit Committee is composed of Murat Atay (Credit Committee Member) and Kaya Yıldırım (Member of the Board and the General Manager). Although Osman Bilgin (Executive Vice President) and Gülçin Işcan (Executive Vice President) are not the members of the Credit Committee, they may attend the meetings in order to present their opinion regarding loan proposals.

Committees and Attendance at Committee Meetings

Garanti BBVA Factoring Board has transferred a certain part of its authorizations for loan allocation to the Credit Committee and Company General Manager. Loan proposals that are submitted to the Headquarters by the regions but that exceed the authorization of the headquarters are presented to the Credit Committee which convenes once a week.

The Credit Committee examines the loan proposals and concludes the ones that are within the scope of its authorization. The Committee submits the loan proposals that exceed its authorization limit to the Board for finalization.

Credit Processes Committee

The Credit Processes Committee is composed of Kaya Yıldırım (General Manager), Osman Bilgin (Executive Vice President), Şule Firuzment Bekçe (Executive Vice President), Gülçin İşcan (Executive Vice President) and related business line unit managers. Regional sales managers also may attend the meetings if required, even though they are not members of the committee.

IT Committee

The IT Committee is comprised of Kaya Yıldırım (Board Member and General Manager), Gülçin İşcan (Executive Vice President), Şule Firuzment Bekçe (Executive Vice President) and related unit managers.

If deemed necessary, company managers and employees may attend the meeting although they are not the Committee member.

The IT Committee was established to develop the Company's information technology road map by prioritizing IT needs and to monitor and evaluate deviations from approved priorities.

The committee convened 2 (twice) in 2023.

In the meeting held in 2023, the Committee evaluated the ongoing projects and the projects with deadlines. Open projects with no planning are discussed to determine their priorities.

Corporate Assurance Committee

Corporate Assurance Committee consists of senior management and unit and regional managers.

Corporate Assurance Committee aims to inform the senior management about the internal control problems which may prevent the relevant business units and/or the Company from achieving its objectives due to their existing or potential effects, evaluations on the new and changing legislative headings, potential and actual risk and loss issues and to enable the senior management to perform the necessary studies and guidance for the solution of these significant control issues.

The Corporate Assurance Committee is in charge of ensuring standardization and top-level coordination for the development requirements of the internal control system with a focus on the risks and controls that needs ultimate monitoring, and providing the necessary coordination in case of a need for the contribution from different departments. Furthermore, it discusses the internal control issues/problems within its agenda and area of responsibility, and tracks mitigation of risks to a desired level by assessing the proposed measures and actions and examining the action plans.

In 2023, the Committee convened 4 (four) times under the chairmanship of the General Manager to discuss and assess the specified issues.

Board Risk Committee

The Risk Committee consists of two Board Members authorized by the Board of Directors.

In general, the purpose of the Risk Management Committee is to develop the strategies, policies, procedures, and infrastructures required to identify, assess, measure, plan, and manage the material risks faced by the Bank in the ordinary business processes within the scope of the authority delegated by the Board of Directors.

The Risk Committee convened 2 (two) times in 2023.

Ethics and Integrity Committee

The Ethics and Integrity Committee comprises senior management, compliance officer, and Internal Control Unit.

The purpose of the Ethics and Integrity Committee is to contribute to ensuring the integrity of Garanti BBVA Factoring's Corporate Ethics and Integrity.

The Committee is responsible for encouraging and monitoring the efforts for creating a shared culture of ethics and integrity within the Company, tracking that the Principles of Ethics and Integrity are implemented homogeneously and formulating and disseminating descriptive notes in this context when needed, and applying the exclusion criteria for compliance with certain provisions of the principles.

The Committee notifies the issues assumed to conflict with the disciplinary rules to the Disciplinary Committee, gets information about the ongoing examination procedures and the actions taken for the issue, and immediately reports the incidents and cases that may pose a substantial risk, to Senior Management and the persons in charge of preparing financial statements.

The Ethics and Integrity Committee convened 2 (two) times in 2023.

Sustainability Committee

The Sustainability Committee was established with the decision of the Board of Directors dated 22.06.2023 in accordance with the Corporate Governance Communiqué, which requires publicly traded companies to share the basic principles of the Sustainability Principles Compliance Framework with stakeholders while conducting Environmental, Social, and Corporate Governance activities. In accordance with the Sustainability Compliance framework, this Committee is responsible for following the update requirements of documents such as policies, regulations, etc., ensuring their timeliness and execution. The Committee convenes at least once a year and reviews the activities carried out within the scope of the policies and submits any necessary or desired changes to the Garanti Factoring Board of Directors.

The Committee is comprised of Kaya Yıldırım (Board Member and General Manager), Gülçin İşcan (Assistant General Manager), Osman Bilgin (Assistant General Manager), Şule Firuzment Bekçe (Assistant General Manager) and related unit managers.

The Committee convened 3 (three) times in 2023. During these meetings, relevant policies were prepared within the scope of compliance with the sustainability framework, submitted to the Board of Directors for approval, and published under the <https://www.garantibbvafactoring.com/tr/yatirimci-iliskileri/politikalar> section, and internal studies were carried out within the scope of Sustainability Reporting.

Senior Management

**Kaya Yıldırım**

General Manager and Member of the Board of Directors

His resume is on page 33.

**Şule Firuzment Bekçe**

Executive Vice President

She is a graduate of Koç University Economics and Administrative Sciences Faculty Department of Economy. With a 17 years business experience in Deloitte audit and consultancy company, Şule Firuzment Bekçe had the latest position as Audit Partner. Joining Garanti BBVA in 2017, she has served respectively as Director in Consolidation and International Accounting and Finance Operational Risk and Control Expertise. Since June 1, 2021, she has been working as Executive Vice President of Garanti BBVA Factoring.



Gülçin İşcan
Executive Vice President

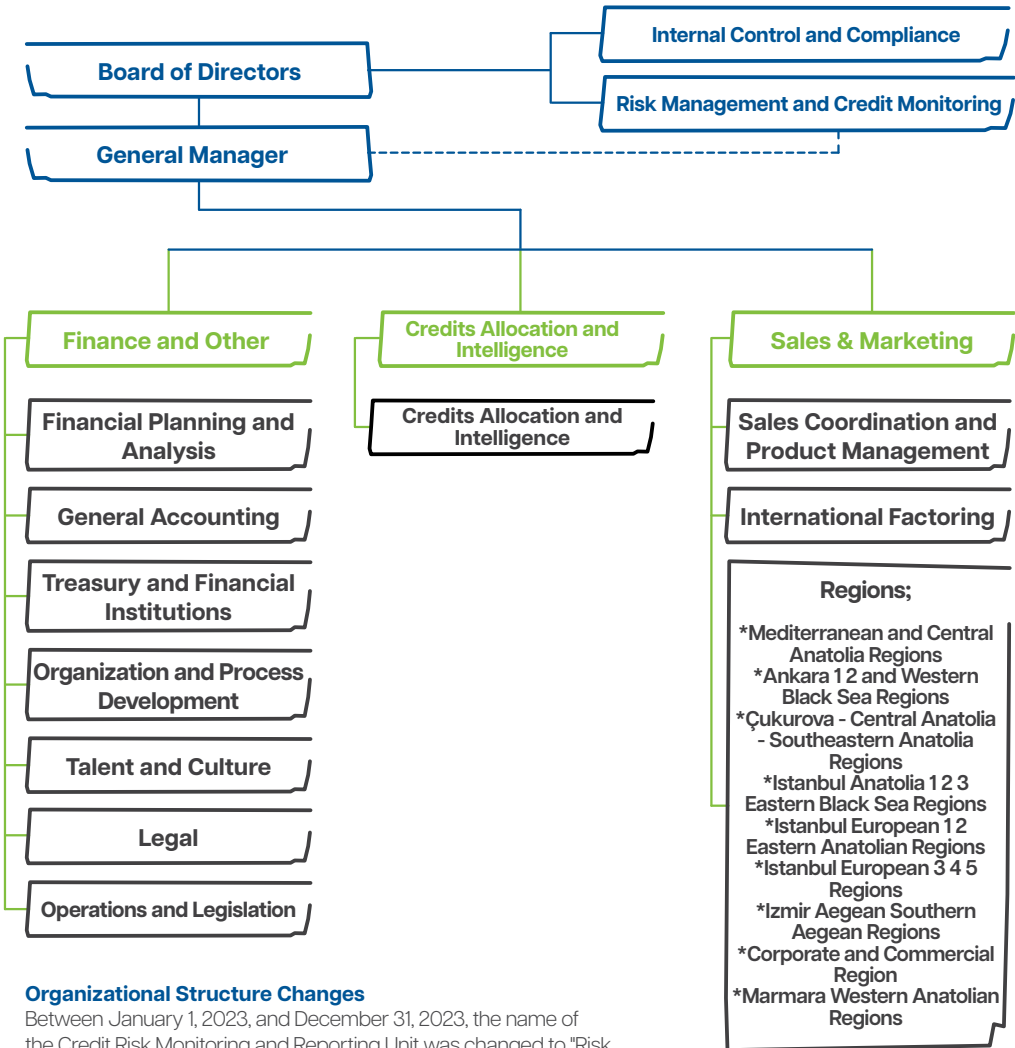
Graduating from Dokuz Eylül University, Faculty of Business Administration, Department of Economy and receiving an Executive MBA from Fordham University, Gülçin İşcan started her career in 2003 as Manager Candidate in Garanti BBVA. She has served as Manager in Risk Management Market Risks Division between 2003-2010 and in the fields of Strategy, Planning and Performance Analytics in Commercial Management Marketing Directorate between 2010-2021. Appointed as Executive Vice President on May 10 2021, Gülçin İşcan is responsible for Sales, Marketing and International Factoring.



Osman Bilgin
Executive Vice President

Born in 1971, Osman Bilgin graduated from Atatürk University, Department of Economics. In his career, starting as Teller Assistant at Garanti BBVA in 1996, he has served mainly in commercial marketing teams in Branch Sales/Marketing points, and was appointed as Branch Manager in 2003. After Branch Manager experience in different branches, he has joined the credit family in 2009 and worked as Regional Credits Manager since 2012. His last position was Istanbul European Side 2 Credits Regional Manager. As of February 1, 2022 he is continuing his duty as Executive Vice President of Garanti BBVA Factoring.

Organizational Structure and Organizational Structure Changes



Organizational Structure Changes

Between January 1, 2023, and December 31, 2023, the name of the Credit Risk Monitoring and Reporting Unit was changed to "Risk Management and Credit Monitoring" with new job descriptions added.





Chairman's Assessment

We continued to stand by the real sector, providing uninterrupted support to the economy by facilitating financial access.

Recep Bařtuđ

Chairman of the Board of Directors

Chairman's Assessment

We continue to digitalize our sales channels by investing in remote identification and electronic contracts in accordance with the legislation.

Esteemed Stakeholders,

The past year was dominated by geopolitical uncertainties in the global economy and persistently high inflation. Peak annual inflation in the US and the Eurozone led to a global economic recession as central banks continued their tight monetary policies. However, the recent improvement in the outlook has brought signals that monetary tightening is coming to an end. In 2024, global growth is expected to remain at 3%, similar to 2023.

In Türkiye, growth was prioritized in the period leading up to the May elections. Following the elections, we observed a gradual normalization in monetary policy and steps towards simplification in the macroprudential framework, with a focus on combating inflation. We expect a more stable macro environment in the upcoming period as normalization continues.

Considering these developments, the factoring sector had a successful year thanks to strong credit demand. Transaction volume in the sector grew by 103% to TL 820 billion.

Garanti BBVA Factoring's transaction volume reached TL 54.8 billion, with growth across all segments. We continued to stand by the real sector and provide uninterrupted support to the economy by facilitating financial access. We provided fast, accessible financing and collection solutions for SME-sized companies, especially for their asset-critical receivables portfolios. In this manner, and in addition to continuously supporting the working capital of these companies, we significantly reduced their operational burden and enabled them to focus on their core business activities. Furthermore, we are intensifying our focus on export factoring with our extensive correspondent network.

While transforming our service model, at the center of our investments, digitalization also constitutes the focal point of our strategies and targets for the future. We continue to digitalize our sales channels, investing in remote identification and electronic contracts in accordance with the legislation.



As Garanti BBVA, we develop and diversify our contribution to the finance sector every day. Although factoring is expanding its share in the total financial sector day by day, it still holds significant growth potential compared to developed economies. In this framework, we are planning a year in which we continue to contribute to the development of the sector and prioritize strong, broad-based growth. We aim to introduce our factoring products to more new customers while deepening our existing customer base.

We believe that the greatest share in our Company's steady growth and achievement of its targets belongs to all our stakeholders, especially our employees, who made a difference with their commitment throughout the year. I hereby express my sincere thanks to all.

Respectfully,

Recep Baştuğ
Chairman of the Board of Directors





General Manager's Assessment

We ended 2023 with a net profit for the period of TL 1,045 million, a return on assets of 9.1%, and a return on equity of 88%, bringing our trading volume to TL 54.8 billion.

Kaya Yıldırım

General Manager

General Manager's Assessment

Throughout the year, Garanti BBVA Factoring continued to stand by its customers, particularly in the SME segment, and steadfastly supported the Turkish economy.

Esteemed Stakeholders,

We closed a challenging year in which central banks continued their monetary tightening cycles due to high inflation, growth in the global economy remained relatively slow, and global trade lost strength as a result of ongoing geopolitical tensions.

As inflation, which has been increasing worldwide, entered a downward trend in the second half of the year, we are observing an economic recovery process that began with the end of the interest rate hikes in the last part of the year.

In Türkiye, we experienced the adverse effects of both geopolitical developments and February's disastrous earthquake on commercial life and the economy throughout the year; meanwhile, the year's hottest topic for the national economy was the rapidly increasing inflation. With the interest rate hike decisions taken in the second half of the year, and the decisive monetary policy tightening steps, a positive recovery trend has started. We expect that in 2024, with indications that this normalization process will continue, a more predictable and stable macroeconomic structure and investment environment will be established, which will positively affect the economy.

A successful year with a strong equity structure

In a general economic environment driven by high inflation and shaded by uncertain conditions, Garanti BBVA Factoring continued to stand by its customers, particularly in the SME segment, supporting the Turkish economy throughout the year with its robust infrastructure, a corporate approach that prioritizes digitalization, and its qualified employees.

In terms of financial results, as of year-end 2023, we reached total assets of TL 11.8 billion and factoring receivables of TL 11.5 billion. Our shareholders' equity amounted to TL 1.7 billion. We ended the year with a net profit for the period of TL 1,045 million, a return on assets of 9.1%, and a return on equity of 88%, bringing our trading volume to TL 54.8 billion. These figures represent a growth of 22% in asset size, 21% in total factoring receivables, and 73.4% in transaction volume.

The key factors contributing to this success were the continuous increase in transaction volume recorded in all segments throughout the year, particularly in SMEs; the minimum level of entries into the non-performing loan portfolio in line with our existing risk policies; and our solid collection performance. Our Company had a successful year by maintaining its strong equity structure despite the increased funding costs as a result of tightening monetary policies, especially during the second half of the year.



Efficient, accessible and customer-oriented technological infrastructure

Over the last years, we have made our processes and information systems infrastructure as agile as possible, in line with our priorities to contribute to our business results in the most efficient and operational risk-free manner possible. We moved the credit systems and processes that we have long used to a new technological infrastructure in order to renew both technology and user experience and to increase operational efficiency, and we ensured that the entire end-to-end credit process operates accordingly. Additionally, we enabled the automatic generation of loan offers based on the outputs of the currently used check-scoring model to improve transaction speed in loan processes.

Anticipating that the competition will intensify in the field of technology, we prioritize and continue our technological transformation in a seamless manner. We continue to work on remote identification and electronic contracting in accordance with the legislation and, additionally, we have also started to renew the Garanti BBVA Factoring mobile app in line with our digital transformation goals. These technological developments contribute significantly to making the factoring sector more efficient, accessible and customer oriented.

We have responsibilities to our country

Garanti BBVA Factoring continues to work with an awareness of its social responsibilities while fulfilling its corporate responsibilities. We regard our support in this area to be as important as our financial goals, and consider it our duty towards our country and people. During 2023, we continued our responsibility projects with the Community Volunteers Foundation (TOG) and the Teachers Academy Foundation (ÖRAV). As part of the ongoing scholarship fund project with TOG, we supported the education of 13 students. We have donated to ÖRAV for the purpose of "conducting face-to-face and distance education programs and activities to support the professional and personal development of teachers and education supervisors."

High expectations for 2024

In 2024, we aim for a period of strong asset growth that is sustainable and above inflationary expectations, a period in which we deepen our existing customer base and introduce more new customers to our factoring services. We will also maintain our strong equity structure and shape our efforts to ensure stable and secure balance sheet management, without compromising on our asset quality, by adopting an effective risk policy.

I am confident that we will achieve our goals in the upcoming period together, and I would like to express my gratitude to our employees and all our stakeholders for making us the leading, strong and innovative company in the sector.

Respectfully,

Kaya Yıldırım
General Manager

Factoring Sector Overview

Based on the factoring sector data for December 31, 2023, 49 factoring companies provided service to 71,617 customers with 4,000 employees.

Factoring in Türkiye

Factoring transactions in Türkiye began in the 1980s and were initially conducted by banks. Today, factoring companies are regulated by the Financial Leasing, Factoring and Financing Companies Law No. 6361 published in Official Gazette No: 28496 on December 13, 2012, and the "Regulation on the Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies No: 28627 issued by the Banking Regulation and Supervision Agency ("BRSA") on 24 April 2013. Based on the data for December 31, 2023 published by the Banking Regulation and Supervision Agency (BRSA), asset size of the sector reached TL 213,646 billion. In the sector, 49 factoring companies provided service to 71,617 customers with 4,000 employees.

Factoring is a financial transaction in which companies that sell products and services through forward contracts transfer their accounts receivable to a third-party financial company to ensure cash flow and secure their receivables. Factoring is basically defined as financing, guarantee and collection services.

In Türkiye, a significant portion of domestic trade is forward transactions, while the cash against goods (open account transaction) payment method is widely used for export sales. Due to payment habits and methods in the Turkish market, trading companies rely on factoring to meet their needs for cash and payment guarantee.

The factoring sector developed quickly in the country, especially during the second half of the 2000s in terms of transaction volume and customer numbers. After the Banking Regulation and Supervision Agency (BRSA) began to supervise and inspect factoring companies in 2006, the industry became more institutionalized and transparent. In recent years, factoring has become an essential instrument in financial markets due to the increased popularity of factoring products as well as more access channels to customers.



Factoring Worldwide

Since the 1950s, factoring companies that are servicing in a modern sense have been established in many countries. Factoring, which did not develop notably until the 1970s, became a reliable financing method after the oil crisis in 1973 for many enterprises who were seeking to expand their operations internationally under more challenging global trade conditions.

In line with widespread economic growth, a rebound in trade, better risk analysis, and more aware customers, factoring has today become a modern financing method for companies around the world. In parallel with the expansion of factoring into new industries and regions, the rapid rise in computer usage and technology advancements, the merger of independent organizations with large commercial banks, and the increased competition within the sector, the global factoring volume is increasing rapidly.

Today, we have a well-established factoring industry in more than 50 countries, particularly in Europe and the USA. Europe has a weight in factoring transactions with a ratio of 68%. Europe is followed by Asia and America with ratios of 24% and 6%, respectively.

The factoring industry in Türkiye grew by an average rate of 18% for the last 20 years whereas annual growth average of the global factoring industry for the same period corresponds to 9%.



Research and Development

In 2023, Garanti BBVA Factoring implemented projects to improve internal processes, consolidating within the Garanti BBVA Group, and aligning with industry operations.

In order to increase customer satisfaction and productivity, Garanti BBVA aims to develop the internal organizational structures and business manner so that they can function more productively.

With the implementation of various projects in 2023, Garanti BBVA Factoring aims to improve the internal processes and comply with the functioning of the sector and with the Garanti-BBVA consolidation procedures. The Company has integrated productivity into its vision, which is to be one of the pioneers in the sector.

In order to renew both technology and user experience and to increase operational efficiency, long-standing credit screens and processes were developed with new technological infrastructure, and the entire end-to-end credit process was carried out accordingly. Additionally, we have enabled the automatic generation of credit offers based on the results of the check scoring model, which is currently calculated in order to increase transaction speed in credit processes.

In 2024, in line with the Company's digitalization targets, the Garanti BBVA Factoring mobile app will be upgraded. Within this scope, in accordance with the Regulation on Remote Identification Methods to be Used by Financial Leasing, Factoring, Financing and Savings Financing Companies and Establishment of Contractual Relationship in Electronic Environment, published in the Official Gazette in January 2022, the Company aims to complete the necessary systematic work on the Company's mobile app for remote customer acquisition and electronic transactions.

Investments

In 2023, Garanti BBVA Factoring purchased intangible assets (software) amounting to TL 22.8 million for system improvements.

Risk Management Policies

In credit risk management, there are methods mainly focused on the pre-allocation and monitoring processes.

Financial Risk Management Objectives and Policies

The main principles are detecting and analyzing the risks according to the volume, characteristics and complexity of Garanti BBVA Factoring's activities; complying with the international and local legal regulations; maintaining the financial strength by monitoring and controlling risks in order to limit the impacts of potential adverse market conditions on the capital and revenues; creating a risk culture within Garanti BBVA Factoring by creating risk transparency and awareness; ensuring the Company to assess the potential risks caused by newly developed products or services.

As part of the Risk Management activities, the Company periodically reviews its existing risk management models and organization. Existing policies are reviewed in light of changing economic conditions, risk appetite and institutional practices and new policies are introduced.

Thanks to defined risk appetite, Garanti BBVA Factoring determines risk levels that are acceptable and safe in order to realize the goals and strategies of the Board. The Company closely and regularly monitors risk appetite indicators and risk-based limits related to capital and profitability, which are also determined within the framework of risk appetite.

The Board Risk Committee, founded to monitor the policies and action plans, meets regularly during the year in accordance with the working principles.

Credit Risk

Garanti BBVA Factoring faces credit risks as per its subject of activity. In credit risk management, there are methods mainly focused on the pre-allocation and monitoring processes. The Company has an existing credit policy. Companies that lack credit allocation criteria cannot start a credit relationship with Garanti Factoring. The Credit Committee regularly meets, and all credit requests are considered on their own individual merit. There are also early warning systems in place, to monitor allocated credits. Within this framework, regular activities are carried out including customer credibility measurement. The Company has subcommittees in charge of credit processes and NPL management to ensure effective monitoring of credit risk.

Activities performed in the allocation and monitoring stage of credit risk management can be summarized as follows:

During the credit allocation process, the Garanti BBVA Factoring Credit Committee gathers weekly, evaluates requests and makes decisions in accordance with the asset allocation limits. Additionally, other authorities with the delegation of allocation can perform credit allocations within the scope of their authority. The rating of receivables and the credibility of the seller, as well as the content of the trade, are prioritized during the analysis. There is a "limit expiry date" in the allocation of the current credit limits. The allocated limit is valid for a maximum of 1 (one) year. The decision-making authority reserves the right to amend the expiry date to a period of less than 1 (one) year for control purposes. During credit allocation analyses, there are two methods of credit risk determination and management:

Risk Management Policies

In the credit monitoring phase, there are also early warning systems in place to monitor allocated credits.



Criteria-based limit allocation: A limit allocation is made to the appropriate buyer/seller side borrower companies that comply with the criteria which are determined and approved by Garanti BBVA Factoring 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. In the assessment of credit risk, credit analysis is performed by scoring method for SME qualified customers. 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.

Standard analysis process: Credit allocations are made through the analysis made by the Credit Department within the scope of their limit.

In the credit monitoring phase, there are also early warning systems in place to monitor allocated credits. Related works and customer creditability measures are performed in each period. To this

end, bad checks, overdue factoring receivables and invoices are monitored daily. If deemed necessary, customers undergo additional screening and intelligence processes.

With regard to undue allocated checks, buyer-based risk control is performed monthly on the total depositary as part of the intelligence process; certain buyers are inspected in terms of the concentration level. The Credit Allocation Unit analyzes the relevant inspection results and considers the new risk limits for the related companies.

The tracking of macro credits is reported weekly to the Assets Liabilities Committee, whereas the tracking of the customer/group, sectoral and geographical concentrations are monitored periodically and presented to the members of the Risk Management Committee.



Market and Structural Interest Rate Risk

Garanti BBVA Factoring uses hedging instruments in accordance with changing market conditions; meanwhile, market risks are managed via derivative transactions and risk-mitigating positions in line with treasury transaction limits approved by the Board.

The interest rates of the allocated credits, which are the main cost element of the Company, are subject to the impact of market fluctuations. Therefore, the senior management supervises and manages the maturity of debts in accordance with expectations for changes in market interest rates. Factoring receivables as well as cash flow and liquidity risks are managed by monitoring maturities of bank credits and deposit accounts. Daily situation reports are compiled and submitted to the senior management together with the end-of-day open treasury transactions.

The risks of exchange rate fluctuations are also managed under the treasury transaction limits in accordance with defined limits for end-of-day open positions, and the senior management is provided with situation reports for these positions.

Liquidity Risk

The purpose of liquidity risk management is to avoid cases in which the Company fails to fulfill payment obligations due to a lack of funding.

During the liquidity management process, measures and implementations are defined in accordance with the usual economic conditions and stress conditions.

The liquidity management policy of Garanti BBVA Factoring is to sustain the current funding and to provide adequate funding that will meet claims for the financing of receivables and any potential liquidity shortage.

Garanti BBVA Factoring builds the risk management system as an essential part of its risk management strategy. The Risk Committee considers the Company's situation, and the global economy and legal environment while achieving its defined objective.

Among the risk management system components of Garanti BBVA Factoring, there is the general risk framework, consisting of risk levels and types that the Company can undertake to maintain its strategic plans with no essential deviation even during stressful periods.

Garanti BBVA Factoring has a liquidity and funding risk monitoring framework that comprises qualitative and quantitative elements. The Risk Committee ensures that the defined metrics are the key elements of the decision-making process in liquidity and funding risk management.

Risk Management Policies

To establish an efficient internal control system, Garanti BBVA Factoring conducts the required organizational arrangements, implements viable communication and information systems, and establishes the supervisory function.

The essential metrics are as follows:

Liquidity and Funding Risk Limit: This metric aims to reduce the dependence on short-term funding and markets with a more sensitive risk perception through a proper diversification in the wholesale funding structure. This aim is set by defining the maximum level for net short-term funding.

Prospective Metrics: These metrics are established to detect potential threats in advance, and to take preventive management actions to control these threats when applicable. Prospective metrics are as follows:

- **Stress Test:** It is crucial to project the metrics in different scenarios to assess the solidity of the liquidity profile. Predictions for liquidity and funding structures help the Bank identify the potential deviations from the strategic plans and limits. Stress test analyses are utilized for the development of the Liquidity Urgent Action Plan, as well as the identification of measures to reduce the risk.
- **Early Warning Signals:** These key indicators ensure the detection and prevention of potential liquidity stress conditions.

Operational Risk

All the operational risks within the Company are managed under the supervision of the Board, Audit Committee, Risk Committee and Early Detection of Risk Committee. The aim is to define, assess, monitor and control/reduce the risk elements. Each Unit is accountable for the monitoring and control of operational risks within that Unit and is responsible for reducing the risks by taking necessary actions. The ultimate responsibility lies with the relevant Senior Management.

To establish an efficient internal control system, the Company conducts the required organizational arrangements, implements viable communication and information systems, and establishes the supervisory function. In the Company, operational risks are managed with a triple line of defense. The first line comprises the units of experts conducting the activity. The second line of control functions is in charge of monitoring and proposing controls, as well as developing and implementing the relevant monitoring/control instruments. The third line is the Garanti BBVA Directorate of Audit Board.

Emergency and Business Continuity Management procedures are adopted to protect the reputation of the Company, to fulfill its legal obligations, and to fulfill customers' needs even under adverse conditions. Persons responsible for the implementation of the emergency and contingency plan are also designated.

As part of anti-money laundering and combating the financing of terrorism measures, activities are carried out within the jurisdiction of the Compliance Officer to ensure conformity with national and international regulations.

The Garanti BBVA Directorate of the Audit Board and Internal Control Department conducts monitoring regularly. The aim is to assess whether the internal control system is functioning smoothly and that the operational risks are effectively taken under control. Systems controls, controls performed by the employees in ordinary work processes, organizational structure, allocation of authorizations and responsibilities, which all together make up the Company's internal control system, as well as the control environment related to the general risk management approach, are evaluated.

Operational risks are reported to the Audit Committee and, if necessary, to the Early Detection of Risk Committee, by the Internal Control Department.

Monitoring activities can be conducted in a computer-aided manner utilizing the Company's system infrastructure located at its headquarters or these activities can be performed conventionally via 'site visit inspections' at the location where the operational risk has occurred.

In performing legal risk management, transactions performed by the Company are inspected parallel to the laws and the Company's internal policies and rules and confirmed to comply or not.

Systematic or procedural limits are applied to enhance the control environment on activity fields. These limits are set to restrict operational risks by considering certain matters, such as the importance of the work for the Company, the risk involved and the size of the loss it may cause, and the qualifications of the employee in charge of the transaction. These limits are evaluated periodically and updated in accordance with needs. The operational risk-related limits are managed by identifying and approving the non-conformities of the following authorities with the credit allocation process and competences: the signatory list authorities, the payment and transfer authorities, the accounting transaction authorities, and the purchase, sales and expense related authorities. Additionally, the operational risk losses/gross income indicator, which is one of the risk management metrics, helps to monitor the actual losses. The Risk Committee reports potential exceeding to the Board.

Operational risks are reported to the Audit Committee and, if necessary, to the Early Detection of Risk Committee, by the Internal Control Department. In addition, the relevant lines of business and units are responsible for reporting the operational risks of their activities to the relevant Senior Management and the Risk Committee.

Reputation Risk

All employees of the Company and, ultimately, the Board, are responsible for the protection of the Company's reputation. The Human Resources Department, the Compliance Officer and the Internal Control and Compliance Department define the ethical principles that regulate the behaviors and business relations of employees and monitors the compliance thereof. The Company avoids any transaction and activity that may pose a reputation risk in the eye of the authorities, customers and other market players, and acts with the utmost care for the benefit of society, environment and humanity. The Company carries out all transactions and activities in full compliance with applicable laws and regulations, Corporate Governance Principles as well as social, ethical and environmental values and principles.

The documents, "Ethics and Integrity Principles" and "Prevention of the Abuse and Unethical Behaviors Policy," are shaped by input from the Human Resources Department and the Garanti Bank Compliance Department. These documents aim to regulate the behaviors and business relations of the Company's employees. The company puts maximum importance in realizing the Corporate Governance Principles. The annual report and website are updated per the Corporate Management Principles.

Management of Climate-Related Financial Risks (High Risk of Change)

As the visible effects of the climate crisis on social life become more widespread, Garanti BBVA Factoring began to focus on environmental, social and governance risks in its risk management and governance mechanisms. Garanti BBVA Factoring has started to analyze the resilience of its portfolio against transition risks and physical risks arising from climate change.

Assessment of the Internal Control and Risk Management Systems by the Audit Committee

The Company's fundamental and essential principles include the following: the active supervision by the Board and Company's senior management; the establishment and monitoring of the relevant Company policies; the measurement, assessment and reporting of the risks in a timely, accurate and impartial manner; and the establishment of a sufficient and effective internal control system.

In this regard, within the scope of the Internal Control and Compliance Unit's Control Activities; the Unit has conducted the control activities to ensure that the Company's activities are carried out in a regular, efficient and effective manner in compliance with the legal regulations and the strategies and policies set by the Board.

Within the scope of the control plan in 2023, the Unit has performed the control actions to measure the efficiency of the internal control systems and regularly reported the results to the Company Senior Management and Audit Committee.

In 2023, the Audit Committee and the Board supervised the sufficiency and efficiency of internal control and risk management systems. These systems including the accounting and reporting systems have been also monitored within the framework of the applicable regulations.

In 2024, the Audit Committee and the Board will continue to supervise the sufficiency and efficiency of risk management and internal control systems in line with the Company strategies and activities.

Nihat Karadağ
Board Member
Member of Audit Committee

Serkan Çankaya
Board Member
Member of Audit Committee

Information on Direct and Indirect Subsidiaries and Respective Share Ratios

Garanti Faktoring A.Ş. has neither direct or indirect subsidiaries nor any respective share ratios as of December 31, 2023.

Information on Acquired Shares

As of December 31, 2023, Garanti Faktoring A.Ş. has not acquired any of its own shares.

Information on Private Audit and Public Audit

The Company did not undergo any private audits in 2023.

Lawsuits Filed Against Garanti Faktoring A.Ş.

During fiscal year 2023, there were no lawsuits brought against Garanti Faktoring that may affect the financial position and operations of the Company.

Information on Administrative or Legal Penalties Imposed on Garanti Faktoring and/or Board Members

There were no administrative and judicial sanctions imposed on the Members of the Governing Body. The Banking Regulation and Supervision Agency imposed an administrative fine of TL 167,182.5 on our Company pursuant to the third paragraph of Article 44 of the Financial Leasing, Factoring, Financing and Savings Finance Companies Law No. 6361.



Previous Period Budget and Performance Assessment

In 2023, the sector's factoring receivables rose by 54.7% to TL 196.9 billion, while Garanti BBVA Factoring's total factoring receivables rose by 21.3%.

Compared to the previous year, total assets in the sector increased by 57.5%, while Garanti BBVA Factoring's total assets increased by 22.3%.

By the end of 2023, the coverage ratio was 133.1% (1st, 2nd, 3rd stage factoring receivables) and the NPL ratio was realized as 0.60%.

In 2023, despite the high volatility in domestic markets due to uncertainties in global trade arising from the war economy, regulatory decisions, the earthquake disaster that hit nine provinces at the beginning of the year, and the general election environment in the second quarter, Garanti BBVA Factoring continued to increase its efficiency thanks to its robust financial structure, favorable funding composition, asset quality, and effective risk management policies.



Assets (TL million)

	2022	2023
Cash and Banks	109	245
Factoring Receivables	9,467	11,487
Other	94	91
Total Assets	9,670	11,823

Liabilities (TL million)

	2022	2023
Funds Borrowed	8,304	7,791
Bond Issuance	495	2,037
Other	179	262
Shareholder's Equity	692	1,734
Total Liabilities	9,670	11,823

Net Profit (TL thousand)

	2022	2023
Net Interest Income	559,552	1,062,155
Other Income	(111,725)	184,194
Operating Expenses	(97,085)	(201,265)
Net Profit	350,742	1,045,084

Profitability Ratios (%)

	2022	2023
Average Return on Assets	5.97	9.06
Average Return on Equity	69.88	88.13
Operating Income/Average Assets	22.9	27.7
Operating Expenses/Average Assets	1.66	1.72
Net Interest Margin	5.66	9.14
NPL Coverage Ratio(stage-3)	89	98.1
NPL Ratio	0.72	0.60

Growth Rates (%)

	Garanti BBVA Factoring	Factoring Industry
Average Assets	61.3	70.6
Average Factoring Receivables	90.6	85.7
Average Equity	136.2	87.5
NPL Balance	-0.3	22.7
Number of Factoring Employees	-0.83	-0.2

Donations and Aid Granted in 2023 - Social Responsibility Projects



As per its corporate social responsibility principles, Garanti BBVA Factoring provides aid and donations to, but not limited to, individuals, non-governmental organizations, associations and foundations, state institutions and organizations in the fields of education, culture, art, the environment and sports, within the scope of the following principles.

In line with its mission, policies and Code of Ethics, the Company provides aid and donations in areas that will enhance both individuals and society. The Company may also provide in-kind or cash donations to natural or legal persons, including customers, for the promotion of its corporate identity or in recognition of factoring activities.

In compliance with the Financial Leasing, Factoring and Financing Companies Law No. 6361, Donations and Aids Policy principles and the governing legislation codes, the Company submits all donations and aid for the relevant period to the General Assembly Meeting within the relevant year as a separate agenda item and shares this information with the public in the Annual Report.

Garanti BBVA Factoring donated a total of TL 291,461. Of those funds, TL 159,705 was donated to the Community Volunteers Foundation, TL 106,456 to the Teachers Academy Foundation (ÖRAV), TL 25,000 to the Disaster and Emergency Management Authority (AFAD) and TL 300 to the Turkish Educational Foundation.

In 2023, the Company also provided scholarships to 13 students via the Garanti BBVA Factoring Scholarship Fund, formed within the Community Volunteers Foundation.

Information on Group Companies

a) Garanti Faktoring A.Ş.'s Legal Transactions With the Holding Company or an Affiliated Company of the Holding Company or For the Sake of the Holding Company or an Affiliated Company through the Guidance of the Holding Company, and all the Other Measures Taken or Avoided in Previous Year of Activity For the Sake of the Holding Company or Affiliated Company are as follows:

Transactions realized with the parent company and its subsidiaries are ordinary commercial activities; there is no transaction, or any measure taken or avoided in favor of the holding company or its subsidiaries, with or without the direction of the parent company.

The Commercial activities with the controlling and affiliated companies are explained starting from page 190 of this report with the footnote n.23 of the Financial Statements of Garanti Faktoring A.Ş. as of December 31, 2023.

b) As for Garanti Faktoring A.Ş.; When the Legal Transactions are Done or the Measures are Taken or Avoided; Whether There were any Appropriate Counter-Action in Each Legal Transaction As Per the Terms and Conditions to the Best of Their Knowledge; Whether the Measures Taken or Avoided Has Damaged the Company; If Any, Whether It has Been Compensated or not:

Accordingly, there was the counter-action for the legal transactions within the scope of the commercial activities defined in appendix No. (1) of sub-clause (a); however, there were no measures taken or avoided, thus, no damage was present.

Amendments to the Articles of Association

There is no Articles of Association change within 2023.

Regulations on Factoring Legislation

The legal regulation regarding the factoring industry adapted for the period January 1-December 31, 2023 is as follows;

"Communiqué Amending the Communiqué on Securities Registration" was published in the Official Gazette dated 31.12.2022 and numbered 32060. Pursuant to the provisional Article 8 added to the relevant communiqué, TL-denominated factoring receivables of factoring companies operating in Türkiye with an asset size of more than TL 1 billion, of which the annual compound interest rate is more than 2.7 times the annual compound reference rate announced by the Central Bank (27.84 percent according to the current reference rate), are subject to securitization at a rate of 90 percent.

"Communiqué Amending the Communiqué on Securities Registration" was published in the Official Gazette dated 27.10.2023 and numbered 32352. The provisional Article 8 of the Communiqué has been repealed by the relevant communiqué amendment. The practice of establishing securities related to the loans extended by factoring companies was terminated.

The "Law on the Imposition of Additional Motor Vehicle Tax for the Compensation of Economic Losses Caused by the Earthquake Occurred on 06.02.2023 and Amendments to Some Laws and the Decree Law no. 375" (Law no. 7456), which was published in the Official Gazette dated 15.07.2023 and numbered 32249, came into effect. According to this law, the corporate tax rate has been set at 30% to be applied to the corporate earnings of banks, companies covered by Law no. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies for the taxation period of 2023 and beyond.

Important Events that Occurred After the End of the Operating Year

No developments of special importance took place after the end of the operating year.

Remuneration of Board Members and Key Executives

The net payment amount provided/to be provided to the key managers of Garanti BBVA Factoring in the fiscal period expired on December 31, 2023 is TL 10,895 (thousand).

Garanti Faktoring A.Ş. Profit Distribution Policy and Information Regarding Profit Distribution

The Profit Distribution Policy of Garanti Faktoring A.Ş. (Company) has been determined within the framework of the Turkish Commercial Code, the Law on Financial Leasing, Factoring, Financing, and Savings Finance Companies, the Capital Markets Law and the legislation, regulations, and decisions issued by the Capital Markets Board and the relevant provisions of the Tax Procedure Law; in line with Corporate Governance practices, the Company's strategies and financial plans, considering the state of the national economy and the sector, and by maintaining the delicate balance between the shareholders' expectations and the Company's requirements.

Within this framework, the amount of dividend to be distributed, the dividend distribution ratio, and the form of dividend payment (cash and/ or bonus shares) are determined in accordance with the relevant legislation and decisions taken by the General Assembly within the framework of company strategies and financial plans, taking into account the state of the national economy and the sector and by maintaining the delicate balance between the shareholders' expectations and the Company's requirements.

The issues regarding the Company's dividend distribution are detailed in Articles 25 and 26 of the Articles of Association. Upon the proposal of the Board of Directors, the General Assembly of the Company decides on the distribution of dividends, and the manner and timing of dividend distribution.

There are no privileges in the Company's dividend distribution, and without per diem deduction, the dividend is distributed to all shares equally as of the date of distribution.

Dividends can be paid in equal or varying installment amounts provided that a decision is taken at the General Assembly Meeting that decided to make a dividend distribution. No regulation in the Company's Articles of Association stipulates the distribution of advance dividends.

In case the Board of Directors proposes to the General Assembly not to distribute any profit, information regarding the reasons for this situation and the method to use the non-distributed profit is included in the agenda item on profit distribution and is submitted for the shareholders' approval at the General Assembly Meeting. This information is also publicly announced in the annual report and the Company's website.

In case an amendment is made to the dividend distribution policy, the policy will be presented to the approval of the shareholders at the General Assembly Meeting, and the Board of Director's decision and reasons regarding this amendment are publicly announced within the framework of the regulations of the Capital Markets Board Communiqué on "Disclosure of Material Matters" on the Company's website.

Prepared as part of compliance with Garanti BBVA Group ("Group") policies within the framework of internal regulations, "Garanti BBVA Factoring Dividend Distribution Policy" was approved by the Board of Directors decision dated December 29, 2023, and numbered 60 and will be submitted for approval at the first General Assembly to be held in 2024.

According to the financial statements of the Company for the accounting period January 1, 2022 - December 31, 2022, prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the mandatory formats determined by the CMB as part of the Capital Markets Board's Communiqué with Serial no. II.14.1. "Communiqué on Principles Regarding Financial Reporting in Capital Markets" and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and in accordance with the letter dated 21.02.2023 of the Banking Regulation and Supervision Agency on "Dividend Distribution" sent to the Association of Financial Institutions;

Considering the ongoing economic instability and recession expectations worldwide, it is necessary to maintain a prudent policy to keep the equity structures of companies strong,

In this framework, it has been concluded that refraining from distributing dividends in a manner that would result in cash outflows from equity, including profits and reserves held as equity which were earned before 2022 and not made subject to distribution, alongside profits earned in 2022, would be beneficial. However, possible dividend distribution requests can be evaluated considering the precautionary principle and the special circumstances of companies, especially the standard ratio.

Considering these aspects;

In accordance with the principle of "determining and distributing profit" in the Company's Articles of Association, it was decided to set aside the tax provisions from the 2022 profit of TL 464,500,501.56 and transfer the remaining net period profit of TL 350,742,453.56 to the legal and extraordinary profit reserves account, taking into consideration also the impact of net deferred tax of TL 113,758,048.00 that was calculated from the 2022 period profit, and to keep it within the Company.

Transactions with Related Parties

Garanti BBVA Factoring's related party transactions are specified in footnote no. 23 of the financial statements of Garanti BBVA Factoring as of December 31, 2023, on pages 190 and onwards.

Corporate Governance Principles Compliance Report

OVERVIEW OF THE CORPORATE GOVERNANCE

Corporate Governance Principles Compliance Statement

Garanti Faktoring A.Ş. (Garanti BBVA Factoring), (Company) is the follower and implementer of the Corporate Governance Principles published by the Capital Markets Board (CMB). The Company has adopted full compliance with the Corporate Governance Principles stipulated in the Law and has got a corporate governance approach based on transparency, equality, responsibility, and accountability. The Company complies with the compulsory Corporate Governance Principles stipulated in the Corporate Governance Communiqué no. II-17.1 and adopts the principle of implementing the non-compulsory Corporate Governance Principles that would not have an impact on the Company's competitive power, trade secrets, and the information that will create opportunity inequalities between the shareholders and stakeholders.

The Company renewed a one-year contract with KOBİRATE Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (KOBİRATE A.Ş.) on June 21, 2023, to register the Company's compliance with Corporate Governance Principles.

Following the 10th-period rating study conducted by KOBİRATE A.Ş., the Company's CMB Corporate Governance Principles Compliance Rating for the period August 17, 2023 - August 17, 2024 has increased to "9.52" (95.24).

This result shows that Garanti BBVA Factoring has largely complied with the Corporate Governance Principles published by the Capital Markets Board. Possible risks for the Company have been identified and can be controlled. Public disclosures and transparency are superior. The rights of the shareholders and stakeholders are protected reasonably. The structure and working conditions of the Board of Directors greatly comply with the Corporate Governance Principles.

A review of Garanti BBVA Factoring's activities for the last year shows that it has maintained its compliance with Corporate Governance Principles. This grade indicates that the Company highly deserves to be included in the BIST Corporate Governance Index.

The details of the Corporate Governance Principles rating scores in major topics are given below in comparison to the previous periods:

		8 th Period	9 th Period	10 th Period	11 th Period	12 th Period
CMB Corporate Governance Principles Compliance Rating	Weight	94.15	94.40	94.71	94.71	95.24
Shareholders	25%	92.70	92.70	92.70	93.85	93.85
Public Disclosure and Transparency	25%	99.00	99.00	99.00	98.64	99.32
Stakeholders	15%	96.98	96.98	96.98	94.84	95.71
Board of Directors	35%	90.52	91.22	92.10	92.43	93.13

On the Noncompliant Principles

Despite the intent for full compliance with the Corporate Governance Principles, non-conformity has been achieved due to the differences between the following principles and the sector and the organizational structure of the Company. No conflict of interest has been caused between the Company and stakeholders due to non-compliance with the Corporate Governance Principles.

There is no compliance with the principle no. 1.3.11. Shareholders or their proxies are allowed to attend the General Assembly Meetings. Shareholders are allowed to attend the Ordinary General Assembly Meeting in-person physically or electronically as well as through their proxies. The shareholders who will not be able to attend the meetings in person or electronically are required to issue their powers of attorney for their proxies in accordance with the sample to be obtained from the Company headquarters and the website www.garantibbvafactoring.com and submit the signed and notarized copy as per the CMB's "Communiqué on Voting By Proxy and Proxy Solicitation" no. II-30.1.

There is no compliance with the principle no. 3.2.1. No written internal regulation or practice is available in terms of employee participation in the management.

There is no compliance with the principle no. 4.5.5. Each member of the Board is assigned to more than one committee due to the number of the Board members.

There is no compliance with the principle no. 4.6.1. The presentations related to the activities of the committees in which the Board members participated are discussed and evaluated in the Board meetings. The matters, such as the actions to be taken, areas to be improved, etc., are determined in the Board meetings and are followed up. No further performance assessment is carried out in addition to the specified matters.

On the Partially Complied Principles

There is partial compliance with the principle no. 1.5.2. There is the following provision in Article No. 17 of the Articles of Association: "The minority rights shall be exercised by the shareholders holding at least one-twentieth of the capital. The shareholders holding at least one-twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per Article 411 of Turkish Commercial Code, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude." All shareholders are equally informed without any discrimination, and investor relations practices are equally conducted.

There is partial compliance with the principle no. 3.1.3. Some parts of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/Corporate Governance section.

There is partial compliance with the principle no. 3.2.2. The Company organizes vision meetings including the General Manager presentation with the participation of all employees every year. With periodical regional budget and performance meetings and weekly Assets/Liabilities committee meetings, information on the Company's progress is provided, suggestions are communicated and developments are followed.

There is partial compliance with the principle no. 4.3.9. There is one female member (ratio 11%) on the Company's Board of Directors. To raise the ratio of female members to at least 25%, Executive Vice Presidents and General Managers of the principal shareholder, T. Garanti Bankası A.Ş. who serve in the fields related to the activities of Garanti BBVA Factoring are also chosen as the Board Member of the Company. Also in the coming period, the selection of the members of the Board of Directors will be shaped in accordance with this policy and a target policy will be set.

Corporate Governance Principles Compliance Report

There is partial compliance with the principle no. 4.6.5. The annual wages paid to the Independent Board Members are detailed in the annual report. The other members of the Board of Directors are not given any honorarium. The wages paid to the Board Members and the executives with managerial responsibilities are shared as a cumulative sum in the general assembly meetings and annual reports.

Within the scope of the Garanti BBVA Factoring Sustainability Compliance Framework

As part of the Communiqué (II-17.1.a) on the Amendment of the "Corporate Governance Communiqué (II-17.1)" published in the Official Gazette dated October 02, 2020, the Company, which carries out its policies and procedures regarding sustainability in parallel with T. Garanti Bankası A.Ş. which is a pioneer in this field, started its Environmental, Social, and Corporate Governance studies. In order to carry out activities within the scope of the Sustainability Principles Compliance Framework, the Sustainability Committee was established with the decision of the Board of Directors dated June 22, 2023. The activities of the Committee are detailed on page 41 of this Annual Report.

To present the opportunities of the age to everyone in Türkiye and to strengthen its mission to continuously and distinctly increase the value it adds to its customers, shareholders, employees, society, and the environment with its effectiveness, agility, and organizational efficiency; Garanti BBVA Factoring acknowledges the importance of conducting its activities responsibly and aims to determine the principles that will guide all its efforts in this regard.

These principles support Garanti BBVA Factoring in effectively defining and addressing the major sustainability risks and opportunities it faces in Türkiye.

Building on the Bank's core values, Garanti BBVA Factoring defines sustainability as a commitment to build a strong and successful business model for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, employees, shareholders, and all communities where it operates.

Garanti BBVA Factoring aims to implement its business plans and practices with a sound environmental and social risk assessment developed within the scope of technological innovations, its activities' environmental footprint management system, and risk management system.

Policies to be implemented throughout the Garanti BBVA Group, which are updated and approved by the Board of Directors, are as follows:

Policies and Procedures on Prevention of Laundering Proceeds of Crime and Financing of Terrorism, April 2019,

Garanti BBVA Supplier Code of Conduct, June 2019,

Garanti Faktoring A.Ş. Personal Data Retention and Destruction Policy, August 2020,

Corporate Social Responsibility Policy, July 2021,

Environmental Policy, December 2022,

Principles of Ethics and Integrity, January 2023,

Corporate Governance Policy, March 2023,

Sustainability Policy and Environmental and Social Credit Assessment Procedure, June 2023,

General Policy on Business Continuity, July 2023,

Occupational Health and Safety Policy and Anti-Corruption Policy, November 2023,

In addition, these policies are also published on <https://www.garantibbvafactoring.com/tr/yatirimci-iliskileri/Politikalar> and disclosed to the Company employees via the web portal (intranet).

Environmental Impacts of Our Activities

And as part of its direct effects, Garanti BBVA Pendik Technology Campus Building, where Garanti BBVA Factoring has been operating since March 2020, has the Gold certificate of LEED, one of the green building rating systems developed by the U.S. Green Building Council (USGBC).

Operating in buildings belonging to Garanti BBVA; Garanti BBVA Factoring achieved a significant reduction in carbon density over the years as a result of Garanti BBVA's long-term efforts conducted within the scope of its carbon footprint.

Since the implementation of the ISO 14001 Environmental Management System in 2012, Garanti BBVA's carbon density has decreased by 97%.

Garanti BBVA Factoring will continue to improve its environmentally sensitive and pioneering activities in the years ahead and will continue to contribute to both social and environmental benefits.

A. RELATIONS WITH SHAREHOLDERS

Company Capital and Shareholding Structure

As of December 31, 2023, the capital of Garanti BBVA Factoring amounted to TL 79,500,000 and it has been fully paid. The shareholding structure of the Company is detailed below:

Shareholder	Share Ratio (%)	Capital Amount (TL)	Unit Share Amount (Number)
T. Garanti Bankası A.Ş.	81.84	65,065,635.07	6,506,563,506.71
Privileged Share	42.81	34,036,063.87	3,403,606,387.22
Non-Privileged Share	12.59	10,010,607.01	1,001,060,701.14
Share in Free Float	26.44	21,018,964.18	2,101,896,418.34
T. İhracat Kredi Bankası A.Ş.	9.78	7,772,941.90	777,294,190.43
Privileged Share	7.56	6,006,364.21	600,636,420.76
Non-Privileged Share	2.22	1,766,577.70	176,657,769.67
Other Public Offering	8.38	6,661,423.03	666,142,302.86
Total	100.00	79,500,000.00	7,950,000,000.00
Group A (Privileged) Shares	50.37	40,042,428.08	4,004,242,807.98
Group B (Non-Privileged) Shares	49.63	39,457,571.92	3,945,757,192.02

With the material disclosure dated 09.02.2024, at the Board of Directors Meeting of our Company dated 09.02.2024 and numbered 2024/03, it was announced that the issued capital of our Company, which is TL 79,500,000, will be increased by TL 318,000,000 to TL 397,500,000 with an increase of 400% - provided that it remains within the registered capital ceiling of our Company, i.e. TL 397,500,000 - with a nominal value of 1 (one) Kurus for each share, all of which is covered by the undistributed profit amount transferred to the Extraordinary Reserves account and 16,016,971,595.116 privileged and 15,783,028,404.884 non-privileged shares, each with a nominal value of 1 (one) Kurus, representing the increased capital will be issued and the shares to be issued for TL 318,000,000 (Three hundred and eighteen million Turkish Liras) added to the capital will be distributed to the existing shareholders as bonus shares in the form of dematerialized shares in proportion to their participation in the capital of our Company, and an application has been made to the Capital Markets Board and the Banking Regulation and Supervision Agency to obtain the necessary permissions and approvals in this context.

Corporate Governance Principles Compliance Report

Türkiye Garanti Bankası A.Ş. owns 55.40% of the registered shares. The Bank has acquired the remaining 26.44% of the Company's shares, which are traded on BIST. Garanti BBVA Factoring's 8.38% free float shares are traded on the BIST Main Market.

As per Article 7 of the Articles of Association, the shareholders who want to transfer the Group A registered shares are entitled to primarily acquire the equivalent rate of the shares of the registered shareholders within the same group through the current market value.

As per Article 9 of the Articles of Association, the Members of the Board of Directors are selected from among the candidates nominated by the Group A shareholders.

General Assembly Meetings

General Assembly Meetings are held in conformity with the regulations specified in the Company's Articles of Association and "Garanti BBVA Factoring Incorporation Internal Directive on General Assembly's Working Principles and Procedures" that entered into effect upon the approval of the Ordinary General Assembly Meeting held on March 29, 2013.

The 2022 Ordinary General Assembly Meeting of Garanti BBVA Factoring was held electronically on March 29, 2023 at the Company Headquarters situated in Çamçeşme Mahallesi Tersane Caddesi No: 15 Pendik/İstanbul in accordance with the Turkish Commercial Code, Regulation of the Banking Regulation and Supervision Agency, Communiqués of the Capital Markets Board and the announcement and invitation procedures of the Company's Articles of Association.

The Ordinary Meeting of the General Assembly was held with the participation of Garanti Bankası A.Ş. and Türk İhracat Kredi Bankası A.Ş. (Turkish Export Credit Bank Inc.) by proxy and two shareholders in person. The meeting quorum was 91%.

General Assembly meetings were held with the decision of the Board of Directors. Within the framework of the legal timeframe and general provisions, shareholders were informed about the call for the meeting, meeting date, meeting location, and agenda items in conformity with the relevant procedures. Shareholders and stakeholders were simultaneously informed with the material disclosure made via the Electronic General Assembly System (EGKS) and Public Disclosure Platform (www.kap.gov.tr) and the announcement made on our website www.garantibbvafactoring.com.

Before the General Assembly Meeting, agenda items, power of attorney sample, informative document, balance sheet, profit-loss statements, independent audit report and its footnotes, auditor's report, Board's decision regarding dividend distribution, Annual Report, and decision regarding the election of the Independent Audit Company, were prepared and made available for the review of shareholders before the meeting date on our website www.garantibbvafactoring.com under the "Investors Relations" section and via the Electronic General Assembly System (EGKS).

The agenda items are discussed in the General Assembly meetings and are put to the vote of shareholders through EGKS simultaneously. Shareholders are allowed to address any questions or opinions and to make any suggestions regarding the agenda items. The questions raised by the shareholders are assessed and answered within the framework of the Corporate Governance Principles and the rules and principles determined in the Turkish Commercial Code. Any suggestions are submitted for the approval of the General Assembly and if it is approved by adequate quorum, the suggestion is turned into a decision.

Simultaneously, it was publicly announced via Public Disclosure Platform (www.kap.org.tr/en/). Furthermore, General Assembly Meeting minutes and attendance lists were made available for shareholders' and stakeholders' review on the website www.garantibbvafactoring.com under the "Investors Relations > General Assembly Meetings" section.

Dividend Right

There are no privileges in profit sharing. Dividend distribution methods and processes are stipulated in the Turkish Commercial Code, Capital Markets Board regulations, and the Company's Articles of Association.

At the end of the activity period, upon the Board of Directors' decision on dividend distribution, the issue is publicly announced via material disclosure (www.kap.org.tr/en/). The Board of Directors' decision on dividend distribution is submitted for the approval of the General Assembly and the dividend amount determined by the General Assembly is distributed to the shareholders, within the timeframe stipulated and within the framework of the Capital Markets Board Communiqué on Dividends (II-19.1).

Prepared within the scope of compliance with Garanti BBVA Group ("Group") policies within the framework of internal regulations, "Garanti BBVA Factoring Dividend Distribution Policy" was approved by the Board of Directors decision dated December 29, 2023, and numbered 60 and will be submitted for approval at the first General Assembly to be held in 2024.

Garanti Faktoring A.Ş. Dividend Distribution Policy

Garanti Faktoring A.Ş. Dividend Distribution Policy was determined; within the framework of the Turkish Commercial Code, Capital Market Law, and Capital Markets Board legislation, regulations and decisions and the relevant provisions of the Tax Procedure Law; and in line with the Corporate Governance practices, the Company's strategies and financial plans; and by considering the economic situation of the country and the sector and by maintaining the delicate balance between the shareholders' expectations and the Company's requirements.

The Company determines the dividend amount, dividend distribution ratio, and dividend payment method (cash and/or scrip issue), within the framework of the relevant legislation and provisions of the Articles of Association and in line with the General Assembly decisions.

There is no privilege in the Company's dividend distribution and without per diem deduction dividend is distributed to all shares equally as of the date of distribution.

Dividends can be paid in equal or varying installment amounts provided that a decision is taken at the General Assembly Meeting that decided to make a dividend distribution. No regulation in the Company's Articles of Association stipulates the distribution of advance dividends.

In case the Board of Directors proposes to the General Assembly not to distribute any profit, information regarding the reasons for this situation and the method to use the non-distributed profit is included in the agenda item on profit distribution and is submitted for the shareholders' approval at the General Assembly Meeting. Likewise, this information is included in the annual report and on the corporate website and shared with the public.

Corporate Governance Principles Compliance Report

In case an amendment is made to the Dividend Distribution Policy, the policy will be submitted for the approval of the shareholders at the General Assembly Meeting, and the Board of Directors' decision and reasons regarding this amendment are publicly announced within the framework of the regulations of the Capital Markets Board Communiqué on Material Matters (II-15.1) on the corporate website www.garantibbvafactoring.com.

Prepared as part of compliance with Garanti BBVA Group ("Group") policies within the framework of internal regulations, "Garanti BBVA Factoring Dividend Distribution Policy" was approved by the Board of Directors decision dated December 29, 2023, and numbered 60 and will be submitted for approval at the first General Assembly to be held in 2024.

Dividend Distribution Chart

Garanti Faktoring A.Ş. Dividend Distribution Policy and Information on Dividend Distribution are detailed under the Investor Relations Department section.

Within the Company, the Investor Relations Department's activities are carried out by the General Accounting Unit.

Authorized persons are listed in the table below:

Name and Surname	Title	License Number / Type	Telephone	E-Mail
Şule Firuzment Bekçe	Executive Vice President	-	(216) 625 40 09	SFiruzmentBekce@garantibbvafactoring.com
		701222 / Corporate Governance Rating Specialist License		
		208344 / Capital Markets Active Level 3 License		
		305653 / Derivative Instruments License		
		602587 / Credit Rating License		SCakir@garantibbvafactoring.com
Serap Çakır	Unit Manager		(216) 625 40 22	
Müge B. Güngörmez	Supervisor	525739/Capital Markets Activities Level 1 License	(216) 625 40 21	MGungormez@garantibbvafactoring.com

Main Responsibilities of the Department

- To answer the written and verbal information requests of shareholders and investors,
- To carry out relations with shareholders and investors, keeping records of the written and verbal information requests and documents up-to-date and secure,
- As per the Capital Markets Board Communiqué on Material Matters, to fulfill the obligation making public disclosure by announcing the information (that must be publicly disclosed) via the Public Disclosure Platform (www.kap.org.tr/en/) and on www.garantibbvafactoring.com in the "Investor Relations" section,
- To prepare and issue financial reports in conformity with the Capital Markets Board Communiqué on Capital Markets' Financial Reporting Principles (II-14.1) published in the Official Gazette no.28676 (Date: 13 June 2013), and to announce them via Public Disclosure Platform (www.kap.org.tr/en/) and on the corporate website www.garantibbvafactoring.com,
- To prepare annual and interim annual reports in accordance with the principles set out in the communiqués and regulations issued by the Capital Markets Board and the Ministry of Customs and Trade, to disclose these reports on the Public Disclosure Platform (www.kap.org.tr/en/) and to publish them on the corporate website at www.garantifactoring.com,
- To publish the information on the website www.garantibbvafactoring.com under the "Investors Relations" section as part of the Capital Markets Board Communiqué on Corporate Governance, and also publishing in the "Information Society Service" section within the scope of the Ministry of Customs and Trade's "Regulation on the Websites of the Capital Companies" and keeping it up to date,
- To hold the Company's General Assembly Meetings in compliance with the Articles of Association and Garanti BBVA Faktoring A.Ş. Internal Directive on General Assembly's Working Principles and Procedures,
- To coordinate rating efforts and relations with rating companies,
- To perform the Company's capital increase transactions and to enable shareholders & investors to exercise rights offering and scrip issues arising from the capital increase,
- To make changes to the Company's Articles of Association in conformity with the relevant legislation,
- Performing dividend distribution transactions in accordance with the 26th Article of the Articles of Association in case the General Assembly decides to distribute dividends,
- To prepare and revise policies and procedures within the scope of Capital Markets Board Communiqués and other regulations in order to increase the Company's compliance with Corporate Governance Principles,
- To keep track of and report stock price and volume movements, and present reports to the top management,
- To present reports to the Corporate Governance Committee and the Board of Directors.

Corporate Governance Principles Compliance Report

Investor Relations Activities

In 2023, thirty shareholders were contacted by phone and e-mail, and two investor meetings were held to fulfill their information requests. Information presentations were prepared for the Qualified Investors in Borsa Istanbul as part of bond issue transactions. Fifty-six special circumstances and other issues were disclosed. These disclosures were published on the Company's website at www.garantibbvafactoring.com under the "Investor Relations" section. "Corporate Governance Principles Compliance Rating" activities were carried out eleventh time this year between our Company and Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (KOBİRATE A.Ş.).

B. PUBLIC DISCLOSURE AND TRANSPARENCY

The Company's information policy entered into effect with the Board of Directors decision taken on 16.12.2013 in order to promptly, completely, accurately, and comprehensibly inform its shareholders, investors, and all stakeholders including the public about all information and developments regarding the Company's activities and relevant previous period performance and future expectations. Within the framework of the Capital Markets Board "Communiqué on Material Matters (II-15.1)," our Company's information policy was revised with the Board of Directors' approval (19.08.2014) and announced via Public Disclosure Platform (KAP), and on the website www.garantifactoring.com.

Corporate Website and Its Content

The website of the Company is available in Turkish and English as part of the Corporate Governance Principles and the address is www.garantibbvafactoring.com.

On the website www.garantibbvafactoring.com; under the "Investor Relations" section, the information specified within the scope of the Corporate Governance Principles and under the "Information Society Services Garanti Faktoring A.Ş." section, the issues required to be published within the scope of the relevant regulation of the Ministry of Customs and Trade are regularly updated and made available to shareholders and the public.

Annual Report

The Company's annual reports are prepared and issued in "Turkish" and "English" in conformity with the provisions of the Capital Markets Board Communiqué on "Corporate Governance Principles" and the Ministry of Customs and Trade Regulation on "Determining the Minimum Content of Annual Reports of the Companies" published in the Official Gazette no.28395 (date: 28.08.2012). Annual reports are submitted for the approval of the Board of Directors and publicly announced via the Public Disclosure Platform (www.kap.gov.tr) and on the website www.garantibbvafactoring.com in the "Investor Relations" section under the heading of "Annual Reports."

C. STAKEHOLDERS

Informing the Stakeholders

The Company accepts the principle of protecting all stakeholders' rights concerning the activities of the Company and informing them about the corporate policies and procedures.

Garanti BBVA Factoring regularly informs the stakeholders via material disclosures on the Public Disclosure Platform, on the Information Security Services portal, and with press releases, social media announcements, and internal announcements. Stakeholders' information requests are answered by the Executive Vice President in charge of the Investor Relations Department, Investor Relations Department, and Sales Marketing and Coordination Department. Written information requests sent via the corporate website by using GFYatirimcilliskileri@garantibbvafactoring.com and info@garantibbvafactoring.com e-mail addresses are answered within the timeframes stipulated in the Corporate Governance Communiqué.

The Company aims to measure employee satisfaction and employee loyalty through employee engagement research, and internal customer satisfaction surveys and to increase them with the actions taken according to the results.

Garanti BBVA Factoring conducts an Employee Engagement Survey every year to obtain the opinions of its employees on work-private life balance, performance management, compensation, training, and development opportunities. With the 360 Degree Evaluation and Feedback process, it is aimed to spread the culture of receiving and giving feedback by taking the opinions of employees about themselves, their colleagues, managers, and the team members they work with.

In the vision meetings held every year with the presentation of the General Manager, the current status of Garanti BBVA Factoring and its strategies, goals, and objectives for the next year are shared with all employees. In addition, employees are instantly informed about all procedures, policies, and announcements posted on the internal portal.

Stakeholders can contact the Corporate Governance Committee or Audit Committee through the communication method of their choice.

Pursuant to Article 3.1. "Prevention of Conflicts of Interest" of "Garanti BBVA Factoring Ethics and Integrity Principles" procedure, the procedures to be followed by the Company employees in the event of a conflict of interest are stated in the "Ethics Notification Hotline Procedure." When acts are witnessed contrary to applicable law and ethical principles, employees can report the situation to the Ethics Notification Hotline via the e-mail address "Etikbildirim@garantifactoring.com or the phone number +(90) 216 625 40 88," both of which are under the responsibility of the Compliance Department.

Possible conflicts of interest between the Company and suppliers that provide it various services are avoided through contractual agreements.

Participation of Stakeholders in the Management of the Company

Company affairs and management is carried out by the Board of Directors elected by the General Assembly. There are no efforts concerning the participation of stakeholders in management.

Human Resources Policy

The aim of the Garanti BBVA Factoring human resources policy is to be a corporation; (i) that is managed with the Company's code of ethics adopting international human rights without making any language, religion, race, or gender discrimination, and (ii) where success is rewarded by means of transparent and measurable performance criteria, in a success and efficiency-oriented environment that is open to continuous progress, and (iii) where employees are happy and everyone is the leader of his/her job.

Corporate Governance Principles Compliance Report

There are career paths determined with objective and transparent criteria in Garanti BBVA Factoring where all our employees get training to improve their technical, professional, and individual skills. In addition to the importance it attaches to training on the road to success, Garanti BBVA Factoring has adopted the principle of providing its employees with all kinds of social opportunities within the Company's means.

Garanti BBVA Factoring believes that the most important factor behind the success that creates a difference in the sector is the qualified human resources, and thus uninterruptedly continues to invest in increasing employees' potential and performances.

There is no human resources representative appointed to carry out relations with the employees. Because of being a medium-scale subsidiary and having 121 staff members in Türkiye, Human Resources personnel carry out all tasks and responsibilities of human resources management, within the framework of the general functions of human resources.

Regarding the issue of recruiting personnel, relevant criteria are specified in Article 20 of the Human Resources Regulation under the heading of Recruitment Terms and Conditions.

There haven't been any discrimination complaints. All processes of human resources management are evaluated by the Human Resources Unit and shared, if necessary, with the top management to find a solution as soon as possible.

In line with the needs and demands, some of the unit functions and regions are restructured within the Company. Activities such as establishing new units regarding the organizational structure that will support the Company's progress, changing the unit names, structuring new regional offices, and creating employees' job descriptions, are carried out by the Organization and Process Development Unit and Human Resources Unit and regularly announced on the Company web portal (intranet) where Company employees can easily access.

The performance and awarding process carried out by the Human Resources Unit is clearly explained to the Company employees on the company web portal while employees are informed about their performances. Policies and regulations about promotion, job rotation, and EVA premium systems that will be associated with performance results, are announced on the company web portal (intranet).

Ethical Rules and Social Responsibility

"Garanti BBVA Faktoring A.Ş. Code of Ethics and Rules" policy document is shared with the public under the section "Corporate Governance" on www.garantibbvafactoring.com. Within the policy, the Garanti BBVA Factoring Ethics and Integrity Committee was established as an internal body that operates in line with the provisions of the Ethics and Integrity Principles (Ethical Principles) approved by the Board of Directors.

In line with its vision, mission, and strategic targets, Garanti BBVA Factoring pursues the following principles in its sector:

- Having a corporate approach that targets to achieve reliability and efficiency;
- Being respectful, accountable, elucidative, honest, fair, and transparent towards all persons and entities it has relations with;
- Being fair, and trustworthy towards its employees, as well as guiding them in their development;
- Respecting people, environment, and work performed;
- Taking all laws and regulations as the basis for all activities.

It is the responsibility of all managers and employees of the Company to practice the code of ethics and maintain their sustainability and durability by improving them in parallel to the developing conditions.

Protecting the Company's prestige, and meticulously fulfilling all necessities of its field of business establishes the basis of this responsibility.

In all its transactions, Garanti BBVA Factoring pays utmost attention to environmental and social awareness and makes sure that its business relations' environmental impacts and customer requests are clearly evaluated. All transactions and customer activities within this scope are monitored to see if they meet the social and environmental standards necessitated by the Company policies and legislation. In order to manage its environmental and social impacts, the Company has put its Environmental and Social Lending Policies into effect with the Board of Directors Decision dated 19.08.2014 and numbered 2014/53.

Social responsibility projects and the donations and aids made in 2023 are provided on page 68 of this report under the heading "Donations and Aids Made in 2023 - Social Responsibility Projects."

Environmental Practices

To support recycling within the Company, garbage bins were removed from the desks in the Head Office and separate waste bins for paper, plastic, and other wastes were placed at specific locations on the floors.

TRAINING SOLUTIONS FOCUSED ON COMPETENCY DEVELOPMENT

Garanti BBVA encourages a continuous learning culture that will enable employees to prepare themselves better equipped for both today's and future competencies in line with their needs.

Garanti BBVA received a total of 4 awards from TEGEP and Brandon Hall in 2023. At the Excellence Awards organized by the Brandon Hall Group this year, the "We Carry Development to the Future" program was awarded the gold prize in the "Best Learning Strategy Creation" category, while the "Talent Development Programs" program was awarded the silver prize in the "Best High Potential Employee Development Solution" category. At the 2023 Learning and Development Awards organized by TEGEP, the Company won the "Best Award" in the "Talent Development Program" category with its Talent Development Programs and the "Best Training and Development Program" category with its MT Program.

Corporate Governance Principles Compliance Report

To create a development culture in which all employees will direct their own development over time, in 2023;

- It was aimed at developing sustainable training systems to enrich the training ecosystem,
- Providing an environment to support employees to take more responsibility and initiative in their own development,
- Gamifying the digital training platform,
- Increasing learning from each other and personalized learning experiences,
- Improving the learning experience of employees by making more use of training data and technologies such as artificial intelligence.

Garanti BBVA has continued to improve the learning experience with new features added to its digital learning platform. With these features, the employees;

- Can spend the points they earned from digital training on training accompanied by an instructor for their own professional and personal development,
- Have the opportunity to receive prioritized digital training for their development as well as training suitable for their personal preferences,
- Can benefit from different training solutions such as podcasts,
- Can recognize and complete mandatory training easily,
- Can access the resources that reinforce the training easily,
- Can share their favorite training with each other interactively,
- Can follow the training programs and steps easily with the new development journey plan.

Digital Education Platform and Accessibility

- In 2023, 138 new digital education packages were added to the digital education platform. Garanti BBVA Factoring planned 93 GETS Class (Webinar) trainings with 158 participants.
- The ratio of digital training in terms of hours in all training was 62%.
- In 2023, we continued to add enriching content to two e-book platforms that offer resources in both Turkish and English.
- Employees continued to be provided with enhanced training content and data-driven "smart training recommendations" as one of the main focuses of ensuring talent development and retaining critical talent.
- With the addition of podcasts to the digital learning platform integrated into the Garanti BBVA employee mobile app "Connect," employees were encouraged to access development through different methods from anywhere.
- In 2023, 211.96 hours of training were completed through the mobile app, including 5.26 hours of podcast training.

In order to increase participation in face-to-face training and interactive training, which decreased with the pandemic,

- the number of in-class training was increased in 2023 and the first training of special programs was held in class. A total of 52 employees participated in 36 in-class trainings.

In order to support employees to learn from one another and exchange information, and

- to empower the culture of learning from each other within the company, the Company planned the event "Let's Ask Someone Who Saw It."
- A Part-time Internal Trainer program was developed to share expertise and experience with other employees.

To familiarize every new Garanti BBVA employee with the company, ensuring they feel themselves as a Garanti BBVA employee from day one and supporting the development of the employee,

- For the first 3 months of their employment, employees continue to take part in the orientation program.
- In 2023, one-day "Welcome to Our Team" events, designed to increase loyalty and a sense of belonging, to become one team, to increase communication and interaction with the teams within the Company, and to make employees feel that they are in the right place where their talents flourish, were started to be organized quarterly.

New Competences and Skills

- All employees participated in elective training designed to improve themselves in different fields in addition to their job-specific training.
- Garanti BBVA attaches great importance to supporting all Affiliate employees in their journey of continuous learning and self-improvement. With this awareness, the Company supports the postgraduate education of its employees, helping them achieve their career goals and increasing the company's expertise and innovation capacity. Within this scope, 1 employee was enrolled in master's degree programs.

In order to raise awareness on sustainability,

- Within the scope of the development of new skills in the field of sustainable development; digital training and elective training that are open to participation throughout the year were offered to all employees. In 2023, 56 employees participated in training organized to raise individual and corporate awareness of sustainability.
- Employees participated in training and seminars on individual habits for a sustainable world on "Sustainability Day," which was celebrated simultaneously in all countries where BBVA operates. Within the scope of the event, online training on topics such as reducing carbon footprint, climate change, zero waste, etc. was delivered by expert trainers. For Environment Day in June 2023, the Bank organized a "Waste-Free Life" training open to general participation and a Sustainability Simulation training, which has attracted bank-wide interest and encouraged a group of employees to participate by giving them an award.
- In line with Garanti BBVA's strategic priority in Data and Technology, the Data Education programs continued in 2023 to train competent professionals in Engineering, Data, and Information Security.
- In 2023, two talents participated in the Field Talent Development Programs.

Corporate Governance Principles Compliance Report

Value Creating Trainings in Challenging Times

In challenging times, Garanti BBVA aims to strengthen employees and the organization. In this respect, Garanti BBVA organizes training sessions that empower its employees to overcome the challenges they face, making them stronger and more resilient.

- The "Healing by Learning" training program was designed to support employees in situations of natural disasters such as earthquakes. As part of this program, it is aimed to prepare employees both physically and psychologically in case of natural disasters. A total of 155 employees participated in the 6 training sessions organized within the scope of the "Healing by Learning" program.
- "United for the Future"; to heal the wounds of earthquakes and contribute to youth employment, the "United for the Future" development, support, and employment program was initiated. As part of the program, first and second-year university students are provided with opportunities for self-improvement and are given the chance to gain experience in fields that match their talents.

Foreign Language and Personal Interests

- The A1 & A2 Spanish training added to the digital learning platform contributed to the development of beginners and the Eat & Speak Spanish language training program contributed to the improvement of employees who want to develop their foreign language skills.
- Collaborations with external platforms and institutions for Spanish and English language development continued, supporting employees' language improvement through live and online courses. Additionally, content from the GETLingo portal continued to be provided to employees.

In order to provide employees with different perspectives and new skills, blending their interests with their work to enhance both their personal development and strengthen their customer relationships,

- From art history to yoga, and motorcycle riding to home chocolate making, GETKültür training, which covers a wide range of topics, supported the cultural development of all employees in 2023. In 2023, 70 employees watched a total of 25 hours of GETKültür training sessions, and these sessions received overwhelmingly positive feedback from the employees.
- In the Let's Talk events, employees gathered each month with experts on different themes. In 2023, a total of 8 Let's Talk events were organized.

D. BOARD OF DIRECTORS

Board of Directors' Structure and Formation

Board is elected from among the candidates nominated by the Group (A) shareholders. The number and qualifications of the independent members of the Board of Directors are determined in accordance with the regulations regarding the Capital Markets Board's mandatory Corporate Governance Principles. The independent members of the Board of Directors are elected in conformity with these regulations.

In the 7th Article of Garanti BBVA Factoring Articles of Association; Board's duties and term of office, Board Meetings and remuneration of the members are specified.

In case a member position in the Board of Directors becomes vacant, the Board of Directors elects a legally qualified temporary member – to be submitted to the approval of the first General Assembly that will be held – from among the same group of shareholders. Members elected in this manner will serve until the General Assembly Meeting and complete the term of office of their predecessors in case the General Assembly approves the election. In case an independent member position becomes vacant in the Board of Directors regulations regarding Capital Markets Board's compulsory Corporate Governance Principles are applicable.

Garanti BBVA Factoring's Board of Directors is composed of nine members. Chairman of the Board of Directors of the Company is Recep Baştuğ. General Manager is Kaya Yıldırım.

Board of Directors' executive members are Recep Baştuğ, Murat Atay, Kaya Yıldırım; Non-executive members; Osman Bahri Turgut, Cemal Onaran, Sibel Kaya and Aydın Güler; Independent members are Nihat Karadağ and Serkan Çankaya.

Duties & Tasks Assumed by the Members of the Board of Directors and their Term of Office

As per article 9 of the Articles of Association, the duty term of the Board of Directors was determined as three years. A member whose duty term terminates at the end of the period can be reelected.

In the 2022 Ordinary General Assembly meeting held on March 29, 2023, the decision on the continuation of the Board Members' duties for three years was approved.

Duties & Tasks Assumed by the Members of the Board are given below.

- Chairman of the Board of Directors is Recep Baştuğ; Vice Chairman of the Board of Directors is Murat Atay.
- Board of Directors' independent members, Nihat Karadağ and Associate Prof. Serhan Çankaya are members of the Audit Committee.
- Within the scope of Capital Markets Board Communiqué on Corporate Governance Principles; a Corporate Governance Committee was established within the structure of the Board of Directors.
- Our Board of Directors did not establish a Nomination Committee or a Compensation Committee, and thus the tasks of these committees are carried out by the Corporate Governance Committee.
- As per the Capital Markets Board's Communiqué on Corporate Governance Principles, and the Turkish Code of Commerce n.6102, the Early Risk Detection Committee was established within the structure of Board of Directors. Committee Members are Nihat Karadağ and Assoc. Prof. Serkan Çankaya who are the Independent Board Members. Mr. Nihat Karadağ is the Chairman of the Committee.

Resumes of the Members of the Board of Directors and Tasks Assumed Outside the Company

Resumes of the Members of the Board of Directors and tasks assumed outside the company are included on pages 32-35 of the annual report.

Corporate Governance Principles Compliance Report

Independence Statements of the Independent Members of the Board of Directors;

08/03/2022

STATEMENT OF INDEPENDENCE AS PER THE CORPORATE GOVERNANCE COMMUNIQUE OF GARANTİ FAKTORİNG A.Ş.

I do declare that I am a candidate for assuming the role of an "independent member" in the Board of Directors of Garanti Faktoring A.Ş. (Company), within the criteria stipulated in the legislation, the Articles of Association, and the Capital Markets Board's Corporate Governance Communiqué, and in this context;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past five years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established,

b) In the past five years, I was not a shareholder (5% and above) or an employee in executive positions to assume material duties and responsibilities, particularly including roles in Company audits (tax audit, legal audit and internal audit), ratings, and consultancy, nor did I serve as a board member, in the companies to and from which the Company extensively sold or purchased services or products as per the contracts signed, and during periods where products or services were purchased or sold,

c) I have the educational background, knowledge, and experience necessary for me to duly perform the tasks I will assume as an independent Board Member,

ç) I do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the Lecturer position at universities in line with applicable laws,

d) I am considered a resident in Türkiye according to the Income Tax Law no.193 dated 31/12/1960,

e) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I will make sufficient time for keeping track of the company's activities and for fully performing my duties on behalf of the Company,

g) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

ğ) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies controlled by the shareholders who control the management of the Company and in more than a total of five of the companies publicly traded in Borsa Istanbul,

h) I have not been registered and announced for the legal person which has been elected as a member of the Board of Directors,

I hereby declare the above-mentioned matters.

Nihat Karadağ

Serkan Çankaya

Independence statements of the Independent Members of the Board of Directors are shared with the public under the sections "Investor Relations" and "General Assembly Meetings" on the Company website at www.garantibbvafactoring.com.

With a General Assembly decision, Members of our Board of Directors are allowed to assume duties outside the Company as per articles 395 and 396 of the Turkish Code of Commerce and, Capital Markets Board's Corporate Governance Principles.

No specific rules are binding the Members of the Board of Directors to assume duties outside the Company.

Responsibilities and Activities of the Board of Directors

Board of Directors Meetings are held in accordance with the procedures of the "Internal Regulation Regarding the Procedures and Principles of the Board of Directors Meetings" prepared within the framework of the Articles of Association, Turkish Commercial Code and Capital Markets Board's Corporate Governance Principles.

Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members attending the meeting. Members of the Board of Directors do not have a weighted right to vote and/or negative veto rights. Members may vote "accept" or "decline" in the Board of Directors. They cannot vote "abstain." Members who vote "decline" shall write their reason under the ballot.

Board of Directors decisions taken as a result of the discussions made at the Board of Directors Meetings, are recorded in the Board of Directors Decision Book. As per the relevant Article of the New Turkish Commercial Code, Board of Directors' Decision Book openings and closings shall be notarized and completed within the specified timeframes.

In 2023, 36 Board of Directors Meetings were held with the attendance of the majority of the total number of members. As a result of the Board of Directors Meetings, 61 pages of meeting minutes were issued. The Board of Directors took 60 decisions by either making meetings or by reviewing files. At the meetings held throughout the period, there were no issues that included opposition of any of the Board Members that would need to be recorded in the decision minutes. The Board Members do not have a weighted right to vote and/or negative veto rights.

Number, Structure, and Independency of the Committees Established under the Board of Directors

In accordance with the Capital Markets Corporate Governance Principles, the Board of Directors established an Audit Committee and a Corporate Governance Committee under the Board of Directors. The Board of Directors did not establish a Nomination Committee or a Compensation Committee due to its structure. Tasks of these committees are carried out by the Corporate Governance Committee. Within the framework of relevant legislation provisions, the Board of Directors may establish other necessary or required committees. Committees' working principles are determined by the Board of Directors, and committee members are elected by the Board of Directors. Tasks and duties, working principles and names of the members of the committees are publicly announced via Public Disclosure Platform (www.kap.gov.tr) and Company website.

Corporate Governance Principles Compliance Report

The CEO and the General Manager did not assume any tasks or duties in the committees. Due to our Company's Board of Directors structure, the number of the Independent Members in Board of Directors is 2 (two). Due to the fact that at least the chairmen of the established committees and all members of the Audit Committee must be independent members, we were not able to comply with the principle stipulating that the members of the Board of Directors cannot assume tasks in more than one committee. One of the independent members of the Board of Directors has to assume tasks in two separate committees.

Information on the Committees and attendance to committee meetings can be found starting from page 36 of the annual report.

E. RISK MANAGEMENT AND INTERNAL CONTROL

For the Company, building an effective risk management system and creating a strong internal control environment is the most important factor behind sustainable growth and development. Our Company continuously monitors its risks via its technological infrastructure and business processes; and makes reporting to management staff to give clues about strategic and daily decisions. The Company analyzes value at risk and maturity in order to measure market and liquidity risks. Our Company's foreign currency position is daily monitored and reported to the relevant units and the top management in order to manage it within the allocated limits.

As per the Board of Directors' Decision No. 2014/15 dated 07.04.2014, Garanti BBVA Faktoring A.Ş. Risk Management Strategy, Policy and Implementation Procedures have been approved and entered into force. With this policy, Garanti BBVA Faktoring aims to measure the risks within the framework of risk management strategy and Company activities and to distribute the capital optimally by maintain the risk-return balance and to achieve growth within the framework of this balance. Within this scope, main principles are; (i) Detecting and analyzing the risks in line with the volume, characteristics, and complexity of the Company activities; (ii) Complying with international and local legal regulations; (iii) Protecting the financial strength by monitoring and controlling risks to limit the impacts of potential adverse market conditions on the capital and revenues; (iv) Creating a risk culture within the Company by creating transparency and risk awareness.

Internal control mechanisms were built for all Company personnel to comply with and to practice to; (i) carry out Company activities in conformity with the legislation in force and within the framework stipulated by the Board of Directors, and (ii) to maintain the integrity and reliability of the accounting and reporting systems.

Via Audit Committee, the Internal Audit Unit functions under the Board of Directors. Within the scope of the annual audit plan prepared according to risk assessments, Internal Audit Unit audits the effectiveness and efficiency of the internal control and risk management systems in a manner covering the entire Company.

F. STRATEGIC OBJECTIVES OF THE COMPANY

The strategic targets of Garanti BBVA Factoring can be found on page 20 of the annual report.

G. FINANCIAL RIGHTS

The Remuneration Policy issued and approved by the Board of Directors regarding all kinds of rights, benefits, and wages provided to the members of the Board of Directors and senior executives and the criteria used in their determination and the principles of remuneration are publicly disclosed under the "Investor Relations > Corporate Governance" section of the website at www.garantibbvafactoring.com.

The financial rights provided to the Board Members and senior executives were included as agenda item number eight at the Ordinary General Assembly meeting held on March 29, 2023. It was decided to submit the annual gross fee of TL 240,000 for each independent member of the Board of Directors paid as attendance fee in 2022 as TL 360,000 gross per annum and TL 30,000 gross per month for each independent member of the Board of Directors for 2023 within the scope of Garanti Faktoring A.Ş. remuneration policy for the approval of the General Assembly. The decision was unanimously adopted at the General Assembly.

In accordance with the remuneration policy of the Company, which is presented in the Investor Relations section of the Company's website and which sets out the principles of remuneration of the members of the Board of Directors and senior executives as per the Corporate Governance Principles of the Company, a net remuneration of TL 10,895 thousand was paid / will be paid to the members of the Board of Directors and senior executives in the accounting period ending on 31.12.2023.

The Company does not lend money or extend credit to any Board Member or executives, nor does it provide loans or act as a guarantor for personal loans under any circumstances through a third party.

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
1.1. Facilitating the Exercise of Shareholders Rights						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.		X				
1.2. Right to Obtain and Review Information						
1.2.1-Management did not enter into any transaction that would complicate the conduct of special audit.		X				
1.3. General Assembly						
1.3.2-The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.		X				
1.3.7-Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Assembly Meeting.					X	

Compliance Status					
Yes	Partial	No	Exempt	Not applicable	Description
	X				1.3.8-Members of the Board of Directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Assembly Meeting.
	X				1.3.10-The agenda of the General assembly meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.
			X		1.3.11- The General Assembly Meeting was held open to the public, including the stakeholders, without having the right to speak.
1.4. Voting Right					
	X				1.4.1 - There is no restriction or practice preventing shareholders from exercising their voting rights.
	X				1.4.2 - The Company does not have shares that carry privileged voting rights.
				X	1.4.3 - The Company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
1.5. Minority Rights						
1.5.1- The Company pays maximum diligence to the exercising of minority rights.	X					
1.5.2 - The Articles of Association extend the exercising of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.		X				There is the following provision in Article No. 17 of the Articles of Association: "The minority rights shall be exercised by the shareholders holding at least one-twentieth of the capital. The shareholders holding at least one twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude." All shareholders are equally informed without any discrimination; and investor relations practices are equally conducted.
1.6. Dividend Right						
1.6.1- The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2- The Dividend Distribution Policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.		X				

Compliance Status						
	Yes	Partial	No	Exempt	Not applicable	Description
1.6.3-		X				The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.
1.6.4-		X				The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the Company.
1.7. Transfer of Shares						
1.7.1-		X				There are no restrictions preventing shares from being transferred.
2.1. Corporate Website						
2.1.1-		X				The Company website includes all elements listed in Corporate Governance Principle 2.1.1.
2.1.2-		X				The shareholding structure (names, privileges, number and ratio of shares of real person shareholders owning more than 5% of the issued share capital) is updated on the website at least every 6 months.
2.1.4-		X				The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
2.2. Annual Report						
2.2.1-The Board of Directors ensures that the annual report represents a true and complete view of the Company's activities.	X					
2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. Company Policy Regarding Stakeholders						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fide principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the corporate website.			X			Some parts of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/Corporate Governance section.
3.1.4 - A whistleblowing programme is in place for reporting illegal and unethical issues.	X					
3.1.5-The Company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
3.2. Encouraging Stakeholders to Take Part in the Management of the Company						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in the management.			X			
3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		X				Garanti Factoring, every year organizes a General Manager presentation and vision meetings with the participation of all company employees. With periodical regional budget and performance meetings and weekly assets/liabilities committee meetings, information on Company's progress is provided, suggestions are communicated and developments are followed.
3.3. Human Resources Policy						
3.3.1-The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				
3.3.2-Recruitment criteria are documented.		X				
3.3.3-The Company has a policy on human resources development, and organizes trainings for employees.		X				

Corporate Governance Principles Compliance Report

	Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Description
3.3.4-Meetings have been organized to inform employees on the financial status of the Company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees in detail, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment at the Company.	X					
3.3.8-The Company ensures freedom of association and supports the right for collective bargaining.					X	

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
3.3.9- A safe working environment for employees is maintained.	X					
3.4. Relations with Customers and Suppliers						
3.4.1- The Company measured customer satisfaction, and operated to ensure unconditional customer satisfaction.	X					
3.4.2- Customers are notified of any delays in handling their requests.	X					
3.4.3- The Company complies with the quality standards with respect to its products and services.	X					
3.4.4- The Company has adequate controls in place to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. Code of Ethics and Social Responsibility						
3.5.1- The Board of the Company has adopted a code of ethics and disclosed on the corporate website.	X					
3.5.2- The company has been mindful of its social responsibility. Has adopted measures to prevent corruption and bribery.	X					

Corporate Governance Principles Compliance Report

	Compliance Status				Description
	Yes	Partial	No	Exempt	
4.1. Role of the Board of Directors					
4.1.1 - The Board of Directors has ensured that strategy and risks do not threaten the long-term interests of the Company, and an effective risk management is in place.		X			
4.1.2- The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategic targets, ensured resources were adequately allocated, and monitored company and management performance.		X			
4.2. Board of Directors' Principles of Activity					
4.2.1 - The Board of Directors documented its activities and reported to the shareholders.		X			
4.2.2 - Duties and authorities of the members of the Board of Directors are disclosed in the annual report.		X			

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.2.3-The Board has ensured the Company has an internal control framework adequate for its size and complexity of activities.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5-The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes between the Company and shareholders and communicating with shareholders.	X					
4.2.8-The Company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital with respect to the loss caused by the fault of its members during their assignment.	X					The Main Shareholder, T. Garanti Bankası procured a Directors' Liability Insurance with a coverage of USD 100 million in respect of the Company including its subsidiaries.

Corporate Governance Principles Compliance Report

		Compliance Status				Description
		Yes	Partial	No	Exempt	
4.3. Structure of the Board of Directors						
4.3.9 - The Board of Directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			As for the determination of the members for the Company's board of directors; the members of the Board consist of the related Executive Vice Presidents and General Manager of the principal shareholder, namely, T. Garanti Bankası A.Ş. Therefore, the senior managers of T. Garanti Bankası A.Ş., who are in charge of the selections and changes of the Company's board members, are also designated as the member of the Company's board. This is the Company policy as for the determination of the Board Members. In the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy as well. There is one female member among our Board of Directors members.
4.3.10-At least one member of the audit committee has five years of experience in audit/accounting and finance.			X			
4.4. The Format of Board of Directors' Meetings						
4.4.1-Each Board Member attended the majority of the board meetings in person.			X			

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all Board Members.		X				
4.4.3-The opinions of Board Members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.		X				
4.4.4-Each member of the board has one vote.		X				
4.4.5-The Board has a charter/written internal rules defining the meeting procedures of the board.		X				
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.		X				
4.4.7-There are limits to external commitments of Board Members. Shareholders are informed of board members' external commitments at the General Assembly Meeting.		X				

Corporate Governance Principles Compliance Report

	Compliance Status				Description
	Yes	Partial	No	Exempt	
4.5. Committees Established Under the Board of Directors					
4.5.5-Board Members serve in only one of the Board's committees.			X		Each member of the Board is assigned to more than one committee due to the number of the Board members.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X				
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	X				
4.5.8-Minutes of all committee meetings are kept and reported to the Board Members.	X				
4.6. Financial Rights of the Board Members and Executive Directors					
4.6.1- The Board of Directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X		The presentations related to the activities of the committees in which the Board Members participated are discussed and evaluated in the Board meetings. The matters, such as the actions to be taken, areas to be improved, etc., are determined in the Board meetings and are followed up. No further performance assessment is carried out in addition to the specified matters.

	Compliance Status				Description
	Yes	Partial	No	Exempt	
4.6.4-The Company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title via third parties or provided guarantees such as surety in favor of them.		X			
4.6.5-The individual remuneration of Board Members and executives is disclosed in the annual report.			X		The annual wages paid to the independent members of the board are detailed in the annual report. The other Board Members are not paid any honorarium. The wages paid to the senior management and the executives with managerial responsibilities are shared as a cumulative sum in the general assembly meetings and annual reports.

Corporate Governance Information Form

	Description 1	Description 2	Description 3
1. SHAREHOLDERS			
1.1. Facilitating the Exercise of Shareholders Rights			
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	0		
1.2. Right to Obtain and Examine Information			
The number of special auditor requests	0		
The number of special auditor requests that were accepted at the general assembly meeting	0		
1.3. General Assembly			
The link of the announcement made in the Public Disclosure Platform (PDP) that includes the information requested under the principle 1.3.1 (a-d)		https://www.kap.org.tr/tr/Bildirim/1129228	
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously	No		
The links of the announcements made on PDP associated with the transactions that are not approved by the majority of independent members or by unanimous votes of present Board Members in the context of Principle 1.3.9.	-		
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)		https://www.kap.org.tr/tr/Bildirim/1243116	
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)			

	Description 1	Description 2	Description 3
The heading of the section on the corporate website that contains the policy regarding donations and aids	Investor Relations / Corporate Governance/ Donations and Aids Policy		
The link of the announcement made on PDP with the minutes of the General Assembly Meeting where the donation and aid policy has been approved	https://www.kap.org.tr/tr/Bildirim/1129228		
The number of the article in the Articles of Association governing stakeholders' attendance at the general assembly	Article 17		
Information regarding the stakeholders who attend general assemblies	-		
1.4. Voting Rights			
Whether there are any privileged voting rights	N/A		
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.			
Shareholding rate of the majority shareholder	81.84%		
1.5. Minority Rights			
Whether the scope of minority rights is expanded (in terms of content or percentage) in the Articles of the Association	Yes		
If yes, specify the relevant article number of the articles of association.	Article 17		
1.6. Dividend Right			
Name of the section on the corporate website that demonstrates the dividend distribution policy	Investor Relations/Corporate Governance/ Dividend Distribution Policy		

Corporate Governance Information Form

	Description 1	Description 2	Description 3
<p>Minutes of the General Assembly agenda item stating the reasons and the use of the undistributed profit in the event that the Board of Directors proposes to the General Assembly not to distribute the profit</p>	<p>To be resolved at the Ordinary General Assembly Meeting of our Company for 2022,</p> <p>Pursuant to the financial statements of our Company for the accounting period January 1, 2022-December 31, 2022 prepared in compliance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/IFRS) and the mandatory formats determined by the CMB within the scope of the "Communiqué on Principles Regarding Financial Reporting in Capital Markets" numbered II.14.1 of the Capital Markets Board and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi and pursuant to the decision of the Banking Regulation and Supervision Agency dated 21.02.2023 regarding dividend distribution,</p> <p>"Regarding the distribution of profits obtained in 2022 and profits and reserves obtained before 2022 but were not subject to distribution;</p> <p>considering the ongoing economic instability and stagnation expectations around the world, it is deemed necessary to maintain the prudent policy to keep the equity structures of the companies strong; in this framework, it will be beneficial for the shareholders not to subject the profits obtained in 2022 and the profits and reserves obtained before 2022 but were not subject to distribution and kept as equity to profit distribution in a way that will cause cash outflow; however, possible profit distribution requests may be evaluated by taking into account the precautionary principle and the special circumstances of the companies, especially the standard ratio" and by considering these issues;</p> <p>In accordance with the principle of "determination and distribution of profit" regulated in the Articles of Association of our Company, it has been decided that the net period profit of TL 350,742,453.56, remaining after setting aside the tax provision from the 2022 year profit of TL 464,500,501.56, along with the net tax effect of TL 113,758,048.00 calculated from the 2022 period profit, be transferred to legal and extraordinary profit reserves and held within the Company, and that the value increase amounting to a total of TL 21,379,823.76, consisting of TL 5,289,758.55 calculated as a result of the revaluation of depreciable assets in the Company's balance sheet pursuant to Temporary Article 32 of the Tax Procedure Law No. 213, and TL 16,090,065.21 calculated as a result of the revaluation within the scope of subparagraph (c) of the repeated Article 298, be transferred from the Extraordinary Reserves Account to a special fund account and recorded under the Extraordinary Reserves Account, with the majority vote of those participating, with a nominal value of TL 72,838,577.97 (Seventy-two million eight hundred and thirty-eight thousand five hundred and seventy-seven Turkish Liras, Ninety-seven Kurus) positive votes and negative votes with a nominal value of TL 16,040.</p>		

	Description 1	Description 2	Description 3
The link to the PDP announcement containing the minutes of the relevant General Assembly meeting should the Board of Directors propose to the General Assembly not to distribute profits	https://www.kap.org.tr/tr/Bildirim/1129228		
General Assembly Meetings			
General Assembly Date	29.03.2023		
Number of additional explanation requests submitted to the Company regarding the General Assembly agenda	0		
Attendance rate of shareholders at the General Assembly	91.64%		
Percentage of shares directly represented	0		
Percentage of shares represented by proxy	91.62%		
The name of the section on the Company's corporate website that includes the minutes of the general meeting, showing the positive and negative votes for each agenda item	https://www.kap.org.tr/tr/Bildirim/1129228		
The name of the section on the corporate website that includes all questions asked at the General Assembly meeting and the answers provided to them	Investor Relations/General Assembly Meetings		
The article or paragraph number of General Shareholders' Meeting minutes regarding related parties	-		
Number of people who have privileged access to shareholder information who report to the Board of Directors (Insider list)	93		
Link to the General Assembly disclosure published on PDP	https://www.kap.org.tr/tr/Bildirim/1129228		

Corporate Governance Information Form

	Description 1	Description 2	Description 3
2. PUBLIC DISCLOSURE AND TRANSPARENCY			
2.1. Corporate Website			
Names of the sections on the corporate website that contain the information required by the Corporate Governance Principle numbered 2.1.1.	Investor Relations	https://www.garantibbvafactoring.com/en/investor-relations	
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	Investor Relations/Shareholding Structure	https://www.garantibbvafactoring.com/tr/yatirimci-iliskileri/ortaklik-yapisi	
Languages in which the corporate website is presented	Turkish, English		
2.2. Annual Report			
Page numbers or section names where the information specified in the Corporate Governance Principle numbered 2.2.2. is included in the annual report			
a) Page number or section name in the annual report that presents Board Members' and executives' external commitments, and Board Members' independence statements	Board of Directors		
b) Page number or section name of the information regarding the committees formed within the Board of Directors	Committees and Attendance at Committee Meetings		
c) Page number or section name in the annual report that includes the number of board meetings held throughout the year, and the members' attendance status	Board of Directors		

	Description 1	Description 2	Description 3
ç) Page number or section name of the sections in the Annual Report that demonstrate the information on amendments in the legislation that may significantly affect the activities of the company	Significant Improvements in Company Operations		
d) Page number or section name of information about significant lawsuits brought against the company and their possible consequences	Significant Improvements in Company Operations		
e) Page number or section name of the information on conflicts of interest between the Company and the institutions that provide services such as investment consultancy and rating, and the measures taken to prevent them	None		
f) Page number or section name in the annual report that includes information on cross-holding cases where direct shareholding exceeds 5%	None		
g) Page number or section name in the annual report that demonstrates the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that bear social and environmental consequences	Our Mission, Our Values and Our Strategic Priorities		
3. STAKEHOLDERS			
3.1. Company Policy Concerning the Stakeholders			
The name of the section on the corporate website that demonstrates the compensation policy	Investor Relations/Policies/Severance and Notice Compensation Policy		
The number of finalized judicial decisions against the Company due to violation of employee rights	None		

Corporate Governance Information Form

	Description 1	Description 2	Description 3
Title of the official related to the reporting mechanism	Human Resources Unit Manager		
Contact information for the Company's whistleblowing mechanism	In the case of any illegitimate and unethical transactions of the Company, employees may notify the "Ethics Notification Line" under the responsibility of the Internal Control and Compliance Unit through the e-mail address "etikbildirim@garantibbvafactoring.com" or the telephone number "+(90) 212 286 77 03".		
3.2. Encouraging Stakeholder Participation in the Management of the Company			
Name of section on the corporate website, demonstrating the internal regulations on the participation of employees in the managing bodies	None		
Managing bodies where employees are actually represented	None		
3.3. Human Resources Policy of the Company			
The role of the Board in the development of a succession plan for key executive positions	None		
The role of the Board in the development of a succession plan for key executive positions	None		

	Description 1	Description 2	Description 3
	<p>Garanti Faktoring A.Ş. determines its annual manpower needs during the budget period, considering strategic plans and position gaps that may arise due to mobility, and transforms them into budget and activity plans. In case of need for recruitment to a position for which a budget is not allocated, the approval of the Human Resources Department and the General Manager is required for the recruitment process to be initiated. Open positions within Garanti Faktoring A.Ş. are advertised on various recruitment portals by the Human Resources Department and, when necessary, announced on the Company's website. Candidates who are deemed suitable among the submitted applications undergo job recruitment tests and interview stages. If deemed necessary and with the candidate's consent, references from previous employers may be obtained regarding the candidate.</p> <p>Persons who fail to successfully complete the necessary exams and interviews are not given any privileges in recruitment. A job offer based on the Company's hierarchy and salary system is made to the candidate, who is deemed suitable for recruitment, under the agreed terms. The employees of Garanti Faktoring are the leaders of their careers. At the end of the competence and performance evaluations, our employees define, plan, and manage their career goals together with their managers. Having adopted this process, Garanti Faktoring attaches importance to promoting managers from within the Company.</p>		
The name of the section on the corporate website that demonstrates the human resources policy covering equal opportunities and hiring principles. Also, provide a summary of relevant parts of the human resources policy	Acting in accordance with the principle of equal opportunity, the Company does not discriminate among its employees. The main criterion for recruiting or promoting a person or changing his/her position is whether he/she is the most suitable person for the job.		
Whether there is a plan to grant shares to employees	None		

Corporate Governance Information Form

	Description 1	Description 2	Description 3
	<p>Our employees act in a way that ensures the establishment of a professional working environment within the boundaries of courtesy and respect.</p> <p>Employees do not have another employee do their work in breach of their duties, powers, and responsibilities.</p> <p>Employees do not verbally attack or say cursing words to each other and avoid any form of ill-treatment, such as physical assault and violence inside or outside the workplace.</p> <p>Regardless of their position, each of our employees maintains their relationship with each other in a way that will not be perceived as sexual harassment, discrimination, or ill-treatment inside or outside the workplace, and behave in a way that does not disrupt the working climate.</p> <p>The managers take the necessary measures to prevent any acts of ill-treatment, discrimination, or sexual harassment in the workplace, and notify the Human Resources Department in case of suspicion. Our employees may report their complaints to their superiors or directly to the Human Resources Department. Such complaints are not used against the complainant and they are addressed and resolved seriously. The Company imposes severe sanctions in respect of all forms of ill-treatment, discrimination, or sexual harassment as well as attempts to conceal such acts.</p>		
<p>The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatment and the measures to prevent them. Also, provide a summary of relevant parts of the human resources policy.</p>			

	Description 1	Description 2	Description 3
3.5. Ethical Rules and Social Responsibility			
The name of the section on the corporate website that demonstrates the ethical rules policy	Investor Relations/Ethical Principles and Rules		
	Measures taken to combat all forms of corruption, including extortion and bribery Investor Relations/Corporate Governance In all its transactions, Garanti Factoring pays utmost attention to environmental and social awareness and makes sure that its business relations' environmental impacts and customer requests are clearly evaluated. All transactions and customer activities within this scope are monitored to see if they meet the social and environmental standards necessitated by the Company policies and legislation.		
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social, and corporate governance issues	Garanti Factoring does not finance activities that are prohibited and restricted by national legislation and international conventions to which Türkiye is a party and, regardless of the amount, any activities/projects covering the following topics without carrying out environmental and social impact assessments. Garanti Faktoring A.Ş. The Anti-Corruption Policy was approved by the Board of Directors on September 24, 2020, and came into effect. The policy was updated on March 31, 2023		
4. BOARD OF DIRECTORS-I			
4.2. Board of Directors' Activity Principles			
The date of the last Board performance assessment conducted	None		
Whether the Board performance assessment was externally facilitated	No		
Whether all Board Members are discharged	Yes		
Names of the Board members with specific delegated duties and authorities, and descriptions of such duties	Recep Baştuğ - Chairman of the Board of Directors Murat Atay- Vice Chairman of the Board of Directors		

Corporate Governance Information Form

	Description 1	Description 2	Description 3
Number of reports presented by the Internal Audit Unit to the Audit Committee or any relevant committee of the board	6		
The name or page number of the section in the annual report where the assessment of the effectiveness of the internal control system is included		Committees and Attendance at Committee Meetings	
Name of the Chairman	Recep Baştuğ		
Name of the Chief Executive Officer / General Manager	Kaya Yıldırım		
The link to the announcement made on the Public Disclosure Platform stating the rationale for the Chairman of the Board of Directors and the Chief Executive Officer/General Manager being the same person	-		
Link to the PDP announcement regarding the insurance of the damages that may be caused by the members of the Board of Directors during the execution of their duties with an amount exceeding 25% of the Company's capital	-		
Name of the section on the corporate website that provides information on the diversity policy to increase the proportion of female Board members	-		
The number and ratio of female board members	1	11%	

Structure of the Board of Directors

Name/ Surname of the Member of the Board of Directors	Executive Duty or Not	Independent Board Member or Not	Date of First Election to the Board of Directors	Link to the PDP Disclosure of Statement of Independence	Whether the Independent Member Has Been Evaluated by the Nomination Committee	Whether There Are Members Losing Independence or Not	Having At Least 5 Years of Experience in Auditing, Accounting, and/or Finance or Not
Recep Baştuğ	Yes	No	15.10.2019	-	-	-	Yes
Murat Atay	Yes	No	15.02.2021	-	-	-	Yes
Cemal Onaran	No	No	13.03.2017	-	-	-	Yes
Osman Bahri Turgut	No	No	23.03.2016	-	-	-	Yes
Sibel Kaya	No	No	15.02.2021	-	-	-	Yes
Aydın Güler	No	No	30.03.2020	-	-	-	Yes
Kaya Yıldırım	Yes	No	1.08.2018	-	-	-	Yes
Nihat Karadağ	No	Yes	26.03.2019	https://www.kap.org.tr/tr/Bildirim/1015394	Evaluated	No	Yes
Serkan Çankaya	No	Yes	26.03.2019	https://www.kap.org.tr/tr/Bildirim/1015394	Evaluated	No	Yes

Corporate Governance Information Form

	Description 1	Description 2	Description 3
4. BOARD OF DIRECTORS-II			
4.4. Format of the Board Meetings			
The number of physical Board of Directors meetings during the reporting period.	36		
Average attendance rate to the Board of Directors meetings	100%		
How many days in advance of a meeting the information and documents are presented as per the operating principles of the Board of Directors	3		
Name of the section on the corporate website that includes information on internal regulations of the Company specifying the rules for Board of Directors meetings	None.		
The maximum limit specified in the policy that restricts the members from assuming other duties outside the Company	None.		
4.5. Committees Established Under the Board of Directors			
Page number or the name of the relevant section in the annual report that contains information about the committees of the Board of Directors		Committees and Attendance at Committee Meetings	
Link to the PDP announcement with the board committee charters		https://www.kap.org.tr/tr/Bildirim/224354	

Committees of the Board of Directors-I

Names of Board Committees	Name of Committee Specified as "Other" in the First Column	Names and Surnames of Committee Members	Whether They are Committee Chairs	Whether They are A Board Member
Audit Committee	-	Nihat Karadağ	Yes	Board Member
	-	Serkan Çankaya	No	Board Member
Corporate Governance Committee	-	Nihat Karadağ	Yes	Board Member
	-	Osman Bahri Turgut	No	Board Member
Early Detection of Risk Committee	-	Serap Çakır	No	Not a board member
	-	Nihat Karadağ	No	Board Member
Risk Committee	-	Serkan Çankaya	No	Board Member
	-	Murat Atay	No	Board Member
	-	Aydın Güler	No	Board Member

	Description 1	Description 2	Description 3
4. BOARD OF DIRECTORS-III			
4.5. Committees Established under the Board of Directors-II			
Specify where the activities of the Audit Committee are presented in the annual report or corporate website (Page number or section name)	Investor Relations/ Committees		
Specify where the activities of the Corporate Governance Committee are presented in the annual report or corporate website (Page number or section name)	Investor Relations/ Committees		
Specify where the activities of the Nomination Committee are presented in the annual report or corporate website (Page number or section name)	Investor Relations/ Committees/Corporate Governance Committee		
Specify where the activities of the Early Detection of Risk Committee are presented in the annual report or corporate website (Page number or section name)	Investor Relations/ Committees		
Specify where the activities of the Remuneration Committee are presented in the annual report or corporate website (Page number or section name)	Investor Relations/ Committees/Corporate Governance Committee		
4.6. Financial Rights Provided to the Board Members and Executive Directors			
The page number or the name of the section in the annual report where information on operational and financial performance goals, and whether they have been achieved, is presented	Previous Period Budget and Performance Assessment		
Specify the corporate website section where the remuneration policy for executive and non-executive directors is presented.	Investor Relations / Remuneration Policy		
Specify where the individual remuneration and other benefits for Board members and senior executives are presented in the annual report (Page number or section name)	Compensation and Benefits Granted to Board Members and Executives with Administrative Responsibility		

Committees of the Board of Directors-II

Names of Board Committees	Name of Committee Specified as "Other" in the First Column	Ratio of Non-Executive Managers	Ratio of Independent Members in the Committee	Number of Face-to-Face Meetings Held by the Committee	Number of Reports Presented to the Board of Directors on the Activities of the Committee
Audit Committee	-	100	100	8	-
Corporate Governance Committee	-	100	33	3	-
Early Detection of Risk Committee	-	100	100	6	6

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	Not applicable		
A. GENERAL PRINCIPLES					
A1. Strategy, Policy, and Objectives					
A1.1. The board of directors of the Company has identified priority environmental, social, and corporate governance (ESG) issues, risks, and opportunities.	X			As per the "Communiqué on the Amendment to the Corporate Governance Communiqué (II-17.1)" (II-17.1.a), which entered into force after being published in the Official Gazette dated 02.10.2020, our Company, which carries out its policies and procedures in the field of sustainability in parallel with T. Garanti Bankası A.Ş., a pioneer in this field, has started environmental, social and corporate governance studies. Garanti BBVA Factoring supports the effective identification and addressing of the significant sustainability risks and opportunities it faces in Türkiye.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report heading starting from page 76.
A1.1. ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy, etc.) have been established and disclosed to the public by the board of directors of the Company.		X		On 19.08.2014, Garanti Environmental and Social Lending Policies and on 07.12.2015, Garanti Ethics and Integrity Principles were approved by the Board of Directors and published on https://www.garantibbvafactoring.com . On 24.11.2023 Garanti Anti-Corruption Policy, on 01.04.2019 Garanti Faktoring A.Ş. Compliance Program for Policies and Procedures on Prevention of Laundering Proceeds of Crime and Financing of Terrorism, on 05.08.2020 Garanti Faktoring A.Ş. Personal Data Retention and Destruction Policy and on 01.12.2022 Environmental Policy were approved by the Board of Directors and disclosed to the Company employees via the web portal (intranet).	https://www.garantibbvafactoring.com/en/investor-relations
A1.2. The short- and long-term goals determined within the scope of the ESG policies have been disclosed to the public.		X		Building on the Bank's core values, Garanti BBVA Factoring defines sustainability as a commitment to build a strong and successful business model for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, employees, shareholders, and all communities where it operates.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report heading starting from page 76.

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
A2. Implementation/ Monitoring					
A2.1. The committees and/or units responsible for the implementation of ESG policies and the highest-level responsible persons and their duties in the Company related to ESG issues have been determined and disclosed to the public.	X			The committee and its members responsible for compliance with the sustainability principles for 2022 were determined and approved by the Board of Directors decision dated 22.06.2023.	The Annual Report for 2023 is provided under the Committees and Participation in Committee Meetings heading on page 41.
A2.1. The responsible committee and/ or unit reports the activities carried out within the scope of the policies to the board of directors at least once a year.		X		It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report heading starting from page 76.	The Annual Report for 2023 is provided under the Committees and Participation in Committee Meetings heading on page 41.
A2.2. Implementation and action plans have been created and disclosed to the public in line with the ESG objectives.			X		
A2.3. With the ESG Key Performance Indicators (KPIs), the level of achievement of these indicators on a year-by-year basis has been disclosed to the public.			X		
A2.4. Activities aimed at improving the sustainability performance of business processes or products and services have been disclosed to the public.			X		

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
A3. Reporting					
A3.1. Information regarding the annual report performance, objectives, and actions is given in an understandable, accurate, and sufficient manner.			X		
A3.2. The Company has disclosed the information on which of its activities are related to the United Nations (UN) 2030 Sustainable Development Goals.			X		
A3.3. The lawsuits filed and/or finalized in ESG issues, which are important in terms of ESG policies and/or will significantly affect the activities, have been disclosed to the public.			X		
A4. Verification					
A4.1. The ESG Key Performance measurements of the Company have been verified by an independent third party and disclosed to the public.			X		

GARANTİ BBVA FACTORING ANNUAL REPORT 2023

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
B. ENVIRONMENTAL PRINCIPLES					
B1. The Company discloses the policies and practices in environmental management, action plans, and environmental management systems (referred to as ISO 14001) and programs to the public.	X			Operating in buildings owned by Garanti BBVA, Garanti BBVA Factoring has achieved a significant reduction in carbon density over the years as a result of Garanti BBVA's long-term efforts within the scope of its carbon footprint. Since the implementation of the ISO 14001 Environmental Management System in 2012, Garanti BBVA's carbon density has decreased by 97%.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report heading starting from page 76.
B2. Restrictions related to the scope of the report, reporting period, reporting date, and reporting conditions of the environmental reports prepared to provide information about environmental management have been disclosed to the public.			X		
B4. The environmental targets included in the reward criteria within the scope of performance incentive systems on a stakeholder basis (such as board members, managers, and employees) have been disclosed to the public.			X		
B5. How the environmental issues identified as a priority are integrated into business goals and strategies has been disclosed to the public.	X			Garanti BBVA Factoring aims to implement its business plans and practices with a sound environmental and social risk assessment developed within the scope of technological innovations, its activities' environmental footprint management system, and risk management system.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report section starting from page 76.

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	Not applicable		
B7. How environmental issues are managed and how they are integrated into business goals and strategies in such a way as to cover suppliers and customers throughout the Company's value chain, including the operation process, has been disclosed to the public.		X		To integrate ethical, social, and environmental factors into our supply chain, the Supplier Code of Conduct Procedure was put into effect in June 2019.	https://www.garantibbvafactoring.com/en/investor-relations
B8. Whether the Company is involved in the policy-making processes of the relevant organizations and non-governmental organizations about the environment and the cooperations with these institutions and organizations have been disclosed to the public.		X		The Environmental Policy was established with reference to the Sustainability Policy dated September 2021, relevant legal regulations (Environmental Law No. 2872 and Zero Waste Regulation No. 30829), and national/international standards (ISO 14001 Environmental Management System principles, Zero Waste Management System, etc.) in the context of determining environmental impacts in all activities carried out by Garanti BBVA and its subsidiaries, defining methods, authorities and responsibilities to take measures against possible negative impacts.	https://www.garantibbvafactoring.com/en/investor-relations
B9. In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)), information on environmental impacts is disclosed to the public in a periodically comparable manner.			X	And as part of its direct effects, Garanti BBVA Pendik Technology Campus Building, where Garanti BBVA Factoring has been operating since March 2020, has the Gold certificate of LEED, one of the green building rating systems developed by the U.S. Green Building Council (USGBC).	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report section starting from page 76.

GARANTİ BBVA FACTORING ANNUAL REPORT 2023

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
B10. Standards, protocols, methodologies, and reference year details used to collect and calculate data are disclosed to the public.			X		
B11. The increase or decrease of environmental indicators for the reporting year has been disclosed to the public in comparison with previous years.			X		
B12. Short- and long-term goals have been set to reduce environmental impacts, and these goals and the progress based on these goals and the goals set in the past years have been disclosed to the public.			X		
B13. The strategy to combat the climate crisis has been established and the planned actions have been disclosed to the public.			X		
B14. Programs or procedures aimed at preventing the potential negative impact of products and/or services on the environment or minimizing these effects have been created and disclosed to the public.			X		
B14. Actions have been taken by third parties (e.g. suppliers, subcontractors, dealers, etc.) to reduce the amount of greenhouse gas emissions, and these actions have been disclosed to the public.	X			To integrate ethical, social, and environmental factors into our supply chain, the Supplier Code of Conduct Procedure was put into effect in June 2019.	https://www.garantibbvafactoring.com/en/investor-relations

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	Not applicable		
B15. The environmental benefits/gains and cost savings provided by initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.			X		
B16. Energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) data have been disclosed to the public as Scope-1 and Scope-2.			X		
B17. A public disclosure has been made about the electricity, heat, steam, and cooling produced in the reporting year.			X		
B18. Activities have been carried out to increase renewable energy use and transition to zero or low-carbon electricity, and information related to these activities has been disclosed to the public.			X		
B19. Renewable energy generation and usage data have been disclosed to the public.			X		

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
B20. Energy efficiency projects have been carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects has been disclosed to the public.			X		
B21. Water consumption, the amounts of water taken, recycled, and discharged from underground or above ground, if any, and the sources and procedures thereof have been disclosed to the public.			X		
B22. It was disclosed to the public whether or not the operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade, or Carbon Tax).			X		
B23. The information about carbon credits accumulated or purchased during the reporting period was disclosed to the public.			X		

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
B24. If carbon pricing is applied within the Company, its details have been disclosed to the public.			X		
B25. The platforms on which the Company discloses its environmental information have been disclosed to the public.		X		The policies prepared within the scope of sustainability compliance are published under www.garantibbvafactoring.com/tr/yatirimci-iliskileri/politikalar .	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report heading starting from page 76.
C. SOCIAL PRINCIPLES					
C1. Human Rights and Employee Rights					
C1.1. A Corporate Human Rights and Employee Rights Policy has been established to cover the Universal Declaration of Human Rights, the ILO Conventions ratified by Türkiye, and other relevant legislation, the responsible persons related to the implementation of the policy have been determined, and the policy and responsible persons have been disclosed to the public.		X		In accordance with the general principles of the Garanti BBVA Corporate Social Responsibility Policy, Garanti BBVA always respects the honor of individuals and fundamental human rights. The commitment adopts the United Nations Guiding Principles on Business and Human Rights and other international frameworks, such as the Universal Declaration of Human Rights and the International Labor Organization's Core Labor Principles, as its basis.	https://www.garantibbvafactoring.com/en/investor-relations

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
C1.2. Taking into account supply and value chain effects, fair labor, improvement of working standards, women's employment, and inclusion issues (for example, there is no discrimination on issues such as gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, trade union activities, political opinion, disability, social and cultural differences, etc.) have been included in the employee rights policy.	X			Principles of Ethics and Integrity; included in article 3.3 Respect for people.	https://www.garantibbvafactoring.com/en/investor-relations
C1.3. Measures taken across the value chain to protect the rights of, or to ensure equal opportunities for, minorities or people susceptible to specific economic, environmental, and social factors (people with low income, women, etc.) have been disclosed to the public.			X		

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	Not applicable		
C1.4. Developments related to preventive and corrective practices against discrimination, inequality, human rights violations, forced labor, and child labor have been disclosed to the public.		X		Principles of Ethics and Integrity; included in article 3.3 Respect for people.	https://www.garantibbvafactoring.com/en/investor-relations
C1.5. Investments in employees (training, development policies), compensation, fringe benefits, right to a union, work/life balance solutions, and skills management are included in its policy related to employees' rights.		X		Employee rights are set out in the Personnel Regulation.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report section starting from page 85.
C1.5. The mechanisms related to the resolution of employee complaints and disputes have been established and the dispute resolution processes have been determined.			X		
C1.5. The activities carried out during the reporting period to ensure employee satisfaction have been disclosed to the public.		X		All Group employees may ask questions, share complaints, and make suggestions on the "Ask, Share, Suggest" platform on the intranet. All questions submitted via this platform are answered/published transparently on the same platform and the platform is open to all employees.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report heading starting from page 85.

GARANTİ BBVA FACTORING ANNUAL REPORT 2023

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	Not applicable		
C1.6. Occupational health and safety policies have been developed and disclosed to the public.	X			"Garanti BBVA Factoring Occupational Health and Safety Policy," which was prepared within the scope of compliance with the policies of Garanti BBVA Group ("Group"), was approved by the Board of Directors Decision numbered 49 and dated November 17, 2023.	https://www.garantibbvafactoring.com/en/investor-relations
C1.6. The measures taken to protect health and prevent occupational accidents and accident statistics have been disclosed to the public.			X		
C1.7. Personal data protection and data security policies have been established and disclosed to the public.	X			Garanti BBVA Factoring Personal Data Storage and Processing Policy" prepared within the scope of compliance with Garanti BBVA Group ("Group") policies was approved by the Board of Directors Decision numbered 31 and dated June 2, 2023.	https://www.garantibbvafactoring.com/en/investor-relations
C1.8. Ethical policy has been established and disclosed to the public.	X			Within the scope of compliance with the policies of Garanti BBVA Group ("Group"), "Garanti BBVA Factoring Ethical and Integrity Principles Policy" was approved by the Board of Directors Decision No. 3 dated January 30, 2023.	https://www.garantibbvafactoring.com/en/investor-relations
C1.9. Activities within the scope of social investment, social responsibility, financial inclusion, and access to financing were disclosed.		X		The Corporate Social Responsibility Policy was approved by the Board of Directors in July 2021. It aims to highlight Garanti BBVA Group's principles, guidelines, and commitments related to corporate social responsibility and to adapt them to the priorities of the company and society.	https://www.garantibbvafactoring.com/en/investor-relations
C1.10. Informational meetings and training programs for employees on ESG policies and practices have been organized.	X			Through our training platform Garanti Campus, fourteen different trainings on Sustainability were prepared and made available to employees.	https://kampusgarantibbva/

Sustainability Compliance Report

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	Not applicable		
C2. Stakeholders, International Standards and Initiatives					
C2.1. The customer satisfaction policy regarding handling and solution of customer complaints has been established and disclosed to the public.	X			The Customer Satisfaction Quality Policy is in place and the Customer Satisfaction Regulation ensures that all activities carried out in this regard comply with Garanti BBVA Factoring's vision, mission, core values, and the Customer Satisfaction Quality Policy.	https://www.garantibbvafactoring.com/en/investor-relations
C2.2. Information about the communication conducted with stakeholders (which stakeholder, subject, and frequency) has been disclosed to the public.	X			The annual Corporate Governance Principles Compliance Declaration and the Investor Relations Annual Report prepared twice a year and the meetings held with shareholders are disclosed. In addition, quarterly evaluation meetings are held with the Company Employees with the presentation of the General Manager. BBVA Holding's periodic executive-level briefings and presentations are held via live broadcasts open to all employees.	It is included in the 2023 Annual Report under the Corporate Governance Principles Compliance Report section starting from page 82.
C2.3. The international reporting standards adopted in the reporting have been disclosed.	X			Explained in Footnote 2 to the annual and interim financial statements.	https://www.kap.org.tr/tr/Bildirim/1243116
C2.4. The principles adopted about sustainability and the international organizations, committees, and principles of which the Company is a signatory or member have been disclosed to the public.			X		

	Compliance Status			Description	Report Information Regarding Information Disclosed to the Public (Page number, name of the menu on the website)
	Yes	Partially	No applicable		
C2.5. Improvements have been made and studies have been carried out to be included in the sustainability indices of Borsa Istanbul and/ or international index providers.			X		
D. CORPORATE GOVERNANCE PRINCIPLES					
D1. In determining the measures and strategies in the field of sustainability, it has sought stakeholders' opinions.			X		
D2. The works on social responsibility projects, related events, and training programs to raise awareness of sustainability and its importance have been carried out.	X			Through our training platform Garanti Campus, fourteen different trainings on Sustainability were prepared and made available to employees.	https://kampusgarantibbva/

Statement of Responsibility Related to Acceptance of the Financial Tables

Istanbul, 26/01/2024

BORSA ISTANBUL A.Ş. DIRECTORATE
Istinye / ISTANBUL

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
RESOLUTION DATE: 26/01/2024
RESOLUTION NUMBER: 2024/02

STATEMENT OF RESPONSIBILITY
AS PER THE 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD
COMMUNIQUE NO.14.1 SERIES: II

- a) We have reviewed Garanti Faktoring A.Ş.'s (Company) financial tables prepared as of 31.12.2023.
- b) Within the framework of the information we obtained as part of our tasks and responsibilities at the Company, the financial statements and the annual report do not include any misleading disclosure on material matters or deficiencies that might cause misconceptions about the disclosure as of the date it was made.
- c) Within the framework of the information we obtained as part of our tasks and responsibilities at the Company, we do declare that the financial statements and annual report prepared and issued as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) accurately reflect the facts, the progress and the performance of the business and the financial status of the Company, together with the important risks and uncertainties.

Kind regards,

Annexes:

- 1- Independently Audited Financial Statements as of December 31, 2023

Kaya Yıldırım
General Manager

Şule Firuzment Bekçe
Executive Vice President

Nihat Karadağ
Audit Committee Member

Serkan Çankaya
Audit Committee Member

Garanti Faktoring A.Ş.

Financial Statements As and for the
Year Ended 31 December 2023
With Independent Auditors' Review Report

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



Göney Bağcıoğlu Denetim ve SMMM A.Ş.
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Menkul No: 0-4350-3032-60000117

(Convenience translation of a report on financial statements originally prepared and issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Garanti Faktoring A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the accompanying statement of financial position of Garanti Faktoring A.Ş. ("the Company"), which comprise the statement of balance sheet as at December 31, 2023 and the statement of profit or loss, the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and its financial performance and cash flows for the year then ended in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (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 are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) 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. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

(Convenience translation of a report on financial statements originally prepared and issued in Turkish)

Key Audit Matter	How the Key Audit Matter Addressed in the Audit
<p>Recognition of the impairment of financial assets and related important disclosures</p> <p>As at 31 December 2023, factoring receivables comprise 97% of the Company's total assets.</p> <p>The Company recognizes its factoring receivables in accordance with BRSA Accounting and Financial Reporting Legislation and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As presented in disclosure 5, we considered impairment of the financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> • Financial assets that are subject to expected credit loss calculation are material for the financial statements • The policies that are established by the management of the Company to calculate the expected credit losses have important risks related to compliance with the requirements of legislation and other practices. • The important and complex judgments and estimations in the calculation of expected credit losses 	<p>Our procedures for testing the impairment of factoring receivables include below:</p> <ul style="list-style-type: none"> • Evaluating the reasonableness of management's key estimates and judgements in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies, our business understanding and industry practice. • Involving Financial risk management specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates. • Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss. • Testing mathematical accuracy of Expected credit loss by using samples. • Evaluating the reasonableness and the accuracy of post-model adjustments. <p>Additionally, we have also evaluated the adequacy of accounting policies applied and the disclosures in the financial statements.</p>

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

Company Management is responsible for the preparation and fair presentation of the financial statements in accordance with "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 is responsible for overseeing the Company's financial reporting process.

(Convenience translation of a report on financial statements originally prepared and issued in Turkish)

5) Auditors' Responsibilities for the Audit of the Financial Statements

In an independent audit, as auditors our responsibilities are:

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 InAS 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 InAS, 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 Company'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.

(Convenience translation of a report on financial statements originally prepared and issued in Turkish)

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 Company on January 26, 2024.
- 2) In accordance with Article 402 paragraph 4 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 January 1 – December 31, 2023 are not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting
- 3) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The partner in charge of the audit resulting in this independent auditor's report is Damla Harman.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst&Young Global Limited

Damla Harman, SMMM
Partner

January 26, 2024
Istanbul, Turkey

FINANCIAL HIGHLIGHTS

GARANTI FAKTORING A.Ş.

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

	ASSETS	FootNotes	Audited 31 December 2023			Audited 31 December 2022		
			TL	FC	Total	TL	FC	Total
			I.	CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	3	202.589	42.773	245.362
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	-	32	32	-	20	20
III.	DERIVATIVE FINANCIAL ASSETS		-	-	-	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)		-	-	-	-	-	-
V.	FINANCIAL ASSETS AT AMORTISED COST (Net)	5	9.831.859	1.632.079	11.463.938	8.442.028	1.014.408	9.456.436
5.1	Factoring Receivables	5.1	9.853.110	1.633.647	11.486.757	8.451.417	1.015.401	9.466.818
5.1.1	Discounted Factoring Receivables (Net)		6.568.761	352.508	6.921.269	4.196.518	327.479	4.523.997
5.1.2	Other Factoring Receivables		3.284.349	1.281.139	4.565.488	4.254.899	687.922	4.942.821
5.2	Savings Finance Receivables		-	-	-	-	-	-
5.2.1	From Savings Fund Pool		-	-	-	-	-	-
5.2.2	From Equity		-	-	-	-	-	-
5.3	Financial Loans		-	-	-	-	-	-
5.3.1	Consumer loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
5.4	Leasing Transactions (Net)		-	-	-	-	-	-
5.4.1	Finance lease receivables		-	-	-	-	-	-
5.4.2	Operating Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		-	-	-	-	-	-
5.5	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6	Non Performing Receivables	5.2	64.726	4.132	68.858	41.271	27.785	69.056
5.7	Allowance For Expected Credit Losses / Specific Provisions (-)	5.3	(85.977)	(5.700)	(91.677)	(50.660)	(28.778)	(79.438)
VI.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3	Jointly Controlled Partnerships (JointVentures) (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	6	4.634	-	4.634	5.483	-	5.483
VIII.	INTANGIBLE ASSETS AND GOODWILL (Net)	7	29.126	-	29.126	10.978	-	10.978
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS		-	-	-	-	-	-
XI.	DEFERRED TAX ASSET	8	21.808	-	21.808	67.812	-	67.812
XII.	OTHER ASSETS	9	57.297	964	58.261	19.343	895	20.238
	SUBTOTAL		10.147.313	1.675.848	11.823.161	8.616.655	1.053.388	9.670.043
XIII.	ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		11	-	11	11	-	11
13.1	Held for Sale		11	-	11	11	-	11
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		10.147.324	1.675.848	11.823.172	8.616.666	1.053.388	9.670.054

GARANTİ FAKTORING A.Ş.

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

	LIABILITY AND EQUITY ITEMS	FootNotes	Audited 31 December 2023			Audited 31 December 2022		
			TL	FC	Total	TL	FC	Total
			I.	LOANS RECEIVED	10	6.207.279	1.583.403	7.790.682
II.	FACTORING PAYABLES	5.1	3.369	56.238	59.607	2.676	28.965	31.641
III.	PAYABLES FROM SAVINGS FUND POOL		-	-	-	-	-	-
IV.	LEASE PAYABLES	11	5.055	-	5.055	5.797	-	5.797
V.	MARKETABLE SECURITIES (Net)	12	2.036.659	-	2.036.659	494.963	-	494.963
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VIII.	PROVISIONS	13	119.015	15.929	134.944	48.172	11.566	59.738
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits	13.1	48.748	-	48.748	26.705	-	26.705
8.3	General Loan Loss Provisions		-	-	-	-	-	-
8.4	Other provisions	13.2	70.267	15.929	86.196	21.467	11.566	33.033
IX.	CURRENT TAX LIABILITIES	8	26.452	-	26.452	61.716	-	61.716
X.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI.	SUBORDINATED DEBT		-	-	-	-	-	-
XII.	OTHER LIABILITIES	14	34.743	948	35.691	19.991	586	20.577
	SUBTOTAL		8.432.572	1.656.518	10.089.090	7.975.666	1.002.314	8.977.980
XIII.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	EQUITY	15	1.734.082	-	1.734.082	692.074	-	692.074
14.1	Issued capital		79.500	-	79.500	79.500	-	79.500
14.2	Capital Reserves		-	-	-	-	-	-
14.2.1	Equity Share Premiums		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		(8.440)	-	(8.440)	(5.364)	-	(5.364)
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		617.938	-	617.938	267.196	-	267.196
14.5.1	Legal Reserves		15.900	-	15.900	15.900	-	15.900
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		602.038	-	602.038	251.296	-	251.296
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		1.045.084	-	1.045.084	350.742	-	350.742
14.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
14.6.2	Current Period Net Profit Or Loss		1.045.084	-	1.045.084	350.742	-	350.742
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10.166.654	1.656.518	11.823.172	8.667.740	1.002.314	9.670.054

GARANTI FAKTORING A.Ş.

OFF-BALANCE SHEET ITEMS AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

	OFF-BALANCE SHEET ITEMS	Foot Notes	Audited 31 December 2023			Audited 31 December 2022		
			TP	YP	Total	TP	YP	Total
I.	IRREVOCABLE FACTORING TRANSACTIONS		3.556.983	1.545.352	5.102.335	2.450.989	1.010.311	3.461.300
II.	REVOCABLE FACTORING TRANSACTIONS		3.490.750	97.185	3.587.935	2.164.725	119.615	2.284.340
III.	SAVINGS FINANCE CONTRACTS TRANSACTIONS		-	-	-	-	-	-
IV.	COLLATERALS RECEIVED	24.1	183.954	124.438.054	124.622.008	241.336	74.660.588	74.901.924
V.	COLLATERALS GIVEN	24.2	3.359.108	-	3.359.108	1.314.202	-	1.314.202
VI.	COMMITMENTS		-	-	-	-	-	-
6.1	Irrevocable Commitments		-	-	-	-	-	-
6.2	Revocable Commitments		-	-	-	-	-	-
6.2.1	Lease Commitments		-	-	-	-	-	-
6.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
7.1	Derivative Financial Instruments Held For Hedging		-	-	-	-	-	-
7.1.1	Fair Value Hedges		-	-	-	-	-	-
7.1.2	Cash Flow Hedges		-	-	-	-	-	-
7.1.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
7.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
7.2.1	Forward Buy or Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Purchases or Sales		-	-	-	-	-	-
7.2.3	Option Purchases or Sales		-	-	-	-	-	-
7.2.4	Futures Purchases or Sales		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	ITEMS HELD IN CUSTODY	24.3	5.334.273	692.023	6.026.296	3.478.272	571.319	4.049.591
	TOTAL OFF-BALANCE SHEET ITEMS		15.925.068	126.772.614	142.697.682	9.649.524	76.361.833	86.011.357

GARANTİ FAKTORING A.Ş.

STATEMENT OF PROFIT OR LOSS AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

Statement of Profit or Loss		Foot Notes	Audited 1 January 2023- 31 December 2023	Audited 1 January 2022- 31 December 2022
I.	OPERATING INCOME	16	4.019.836	1.347.840
	FACTORING INCOME		4.019.836	1.347.840
1.1	Factoring Interest Income		3.220.044	1.300.626
1.1.1	Discounted		1.709.330	733.172
1.1.2	Other		1.510.714	567.454
1.2	Factoring Fee and Commission Income		799.792	47.214
1.2.1	Discounted		587.821	25.428
1.2.2	Other		211.971	21.786
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest Income From Financing Loans		-	-
1.4	Fee and Commission Income From Financing Loans		-	-
	LEASE INCOME		-	-
1.5	Finance Lease Income		-	-
1.6	Operational Lease Income		-	-
1.7	Fee and Commission Income From Lease Operations		-	-
	SAVINGS FINANCE INCOME		-	-
1.8	Profit Share on Savings Finance Receivables		-	-
1.9	Fees and Commissions Received From Savings Finance Operations		-	-
II.	FINANCE COST (-)	17	(2.280.325)	(768.709)
2.1	Profit Share Expense on Savings Fund Pool		-	-
2.2	Interest Expenses on Funds Borrowed		(2.052.090)	(566.176)
2.3	Interest Expenses On Factoring Payables		-	-
2.4	Lease Interest Expenses		(1.095)	(1.199)
2.5	Interest Expenses on Securities Issued		(123.937)	(183.162)
2.6	Other Interest Expense		(799)	(175)
2.7	Fees and Commissions Paid		(102.404)	(18.077)
III.	GROSS PROFIT (LOSS)	18	1.739.511	579.051
IV.	OPERATING EXPENSES (-)	18	(200.068)	(97.085)
4.1	Personnel Expenses		(138.014)	(65.480)
4.2	Provision Expense for Employment Termination Benefits		(5.806)	(1.806)
4.3	Research and development expense		-	-
4.4	General Operating Expenses		(56.248)	(29.799)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT (LOSS)		1.539.443	481.966
VI.	OTHER OPERATING INCOME	19	276.043	61.345
6.1	Interest Income on Banks		114.924	9.638
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		-	-
6.4	Gains Arising from Capital Markets Transactions		-	-
6.5	Derivative Financial Transactions' Gains		19.319	-
6.6	Foreign Exchange Gains		71.124	35.102
6.7	Other		70.676	16.605
VII.	PROVISION EXPENSES	20	(122.340)	(63.390)
7.1	Specific Provisions		-	-
7.2	Allowances For Expected Credit Losses		(70.426)	(37.023)
7.3	General Loan Loss Provisions		-	-
7.4	Other		(51.914)	(26.367)
VIII.	OTHER OPERATING EXPENSES (-)	21	(210.007)	(15.422)
8.1	Impairment in Value of Securities		-	-
8.2	Impairment in Value of Non-Current Assets		-	-
8.3	Capital Market Transactions Losses		-	-
8.4	Loss Arising from Derivative Financial Transaction		(187.238)	-
8.5	Foreign Exchange Losses		(21.572)	(15.149)
8.6	Other		(1.197)	(273)
IX.	NET OPERATING PROFIT (LOSS)		1.483.139	464.499
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI.	PROFIT (LOSS) FROM COMPANIES ACCOUNTED FOR USING EQUITY METHOD		-	-
XII.	NET MONETARY POSITION GAIN (LOSS)		-	-
XIII.	PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		1.483.139	464.499
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	8	(438.055)	(113.757)
14.1	Current Tax Provision		(390.223)	(151.588)
14.2	Expense Effect of Deferred Tax		(47.832)	-
14.3	Income Effect of Deferred Tax		-	37.831
XV.	NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS		1.045.084	350.742
XVI.	INCOME ON DISCONTINUED OPERATIONS		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gains on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
XVII.	EXPENSES ON DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expenses on Discontinued Operations		-	-
XVIII.	PROFIT (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+/-)		-	-
19.1	Current Tax Provision		-	-
19.2	Expense Effect of Deferred Tax		-	-
19.3	Income Effect of Deferred Tax		-	-
XX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS		-	-
XXI.	NET PROFIT OR LOSS FOR THE PERIOD	22	1.045.084	350.742
	Profit per Share from Continuing Operations		13,145711	4,411849

FINANCIAL HIGHLIGHTS

GARANTI FAKTORING A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

	Foot Notes	Audited 1 January 2023- 31 December 2023	Audited 1 January 2022- 31 December 2022
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
I.	CURRENT PERIOD PROFIT/LOSS	1,045,084	350,742
II.	OTHER COMPREHENSIVE INCOME	(3,076)	(3,774)
2.1	Other Comprehensive Income that will not be Reclassified to Profit or Loss	(3,076)	(3,774)
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2	Gains (Losses) on Revaluation of Intangible Assets	-	-
2.1.3	Gains (Losses) on Remeasurements of Defined Benefit Plans	(4,904)	(5,164)
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	-	-
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	1,828	1,390
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-	-
2.2.1	Exchange Differences on Translation	-	-
	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	-	-
2.2.2	Income (Losses) from Cash Flow Hedges	-	-
2.2.3	Income (Losses) on Hedges of Net Investments in Foreign Operations	-	-
2.2.4	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.5	Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss	-	-
2.2.6		-	-
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,042,008	346,968

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Foot Notes	Prior Period 1 January - 31 December 2022 Audited				Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss						Current Periods Non-Shareholders' Profit/Loss	Total Shareholders' Equity		
		Equity at beginning of period	Increase or Decrease	Other Capital Reserves	Share Premium	Reserves	1	2	3	4	5			6	Profit Reserves
I. Equity at beginning of period	15	79.500	-	-	-	-	(1.590)	-	-	-	-	135.260	-	131.956	345.106
II. Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect Of Corrections In Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect Of Corrections In Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance		79.500	-	-	-	-	(1.590)	-	-	-	-	135.260	-	131.956	345.106
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(3.774)	-	-	-	-	-	-	380.742	346.968
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase Through Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Increase (decrease) through contribution of Paid-up Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes equity		-	-	-	-	-	-	-	-	-	-	131.956	-	(131.956)	-
XI. Dividends Paid		-	-	-	-	-	-	-	-	-	-	131.956	-	(131.956)	-
XII. Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at end of period (31 December 2022) (III-IV+.....+X-III)		79.500	-	-	-	-	(5.364)	-	-	-	-	267.196	-	380.742	692.074
Current Period 1 January - 31 December 2023 Audited															
I. Equity at beginning of period	15	79.500	-	-	-	-	(5.364)	-	-	-	-	267.196	-	380.742	692.074
II. Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect Of Corrections In Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect Of Corrections In Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance		79.500	-	-	-	-	(5.364)	-	-	-	-	267.196	-	380.742	692.074
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(6.076)	-	-	-	-	-	-	1.045.084	1.042.200
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase Through Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Increase (decrease) through contribution of Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes equity		-	-	-	-	-	-	-	-	-	-	380.742	-	(380.742)	-
XI. Dividends Paid		-	-	-	-	-	-	-	-	-	-	380.742	-	(380.742)	-
XII. Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at end of period (31 December 2023) (III-IV+.....+X-III)		79.500	-	-	-	-	(8.440)	-	-	-	-	617.538	-	1.045.084	1.734.082

1. Recalculation surplus on intangible and intangible assets

2. Other comprehensive income and expenses from equity method investments, net to be reclassified on profit/loss, and other accumulated comprehensive income and

3. Foreign exchange conversion differences

4. Foreign exchange conversion differences

5. Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI

6. 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

GARANTI FAKTORING A.Ş.

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2023

Presentation Currency : Thousands of Turkish Lira (TL)

STATEMENT OF CASH FLOWS		Foot Notes	Audited	
			1 January - 31 December 2023	1 January - 31 December 2022
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating Profit/Loss Before Changes in Operating Assets and Liabilities		1.777.485	789.789
1.1.1	Interest Received / Profit Share Received / Lease Income		-	-
1.1.2	Interest Paid / Profit Share Paid / Lease Payments		3.392.975	1.402.146
1.1.3	Dividends received		(1.861.223)	(474.088)
1.1.4	Fees and Commissions Received		-	-
1.1.5	Other Gains		829.720	54.094
1.1.6	Collections from Previously Written Off Loans and Other Receivables		-	-
1.1.7	Cash Payments to Personnel and Service Suppliers		61.437	8.123
1.1.8	Taxes Paid		(162.914)	(77.950)
1.1.9	Other	8	(372.333)	(90.089)
			(110.177)	(32.447)
1.2	Changes in Operating Assets and Liabilities		(3.218.026)	(673.846)
1.2.1	Net (Increase) Decrease in Factoring Receivables		(2.279.328)	(5.414.932)
1.2.2	Net (Increase) Decrease in Financing Loans		-	-
1.2.3	Net (Increase) Decrease in Receivables From Leasing Transactions		-	-
1.2.4	Net (Increase) Decrease in Savings Finance Receivables		-	-
1.2.5	Net (Increase) Decrease in Other Assets		(146.996)	(35.443)
1.2.6	Net Increase (Decrease) in Factoring Payables		27.966	13.440
1.2.7	Net Increase (Decrease) in Savings Fund Pool		-	-
1.2.8	Net Increase (Decrease) in Lease Payables		3.610	2.248
1.2.9	Net Increase (Decrease) in Funds Borrowed		(765.585)	4.771.533
1.2.10	Net Increase (Decrease) in Matured Payables		-	-
1.2.11	Net Increase (Decrease) Other Liabilities		(57.693)	(10.692)
I.	Cash flows from (used in) operating activities		(1.440.541)	115.943
B.	CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
2.3	Tangible And Intangible Asset Purchases	6	(6)	(10)
2.4	Sale of Tangible Intangible Assets		19	75
2.5	Cash Paid for Purchase of Financial Assets At Fair Value Through Other Comprehensive Income		-	-
2.6	Cash Obtained from Sale of Financial Assets At Fair Value Through Other Comprehensive Income		-	-
2.7	Cash Paid for Purchase of Financial Assets At Amortised Cost		-	-
2.8	Cash Obtained from Sale of Financial Assets At Amortised Cost		-	-
2.9	Other	7	(22.831)	(6.595)
II.	Net cash flows from (used in) investing activities		(22.818)	(6.530)
C.	CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
3.1	Cash Obtained from Loans and Securities Issued		2.596.758	2.421.248
3.2	Cash Outflow Arised From Loans and Securities Issued		(1.118.984)	(2.604.565)
3.3	Equity Instruments Issued		-	-
3.4	Dividends paid		-	-
3.5	Payments of lease liabilities		(4.352)	(3.258)
3.6	Other		-	-
III.	Net cash flows from (used in) financing activities		1.473.422	(186.575)
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		19.225	9.298
V.	Net Increase (decrease) in cash and cash equivalents (I+II+III+IV)		29.288	(67.864)
VI.	Cash and Cash Equivalents at Beginning of the Period		46.738	114.602
VII.	Cash and Cash Equivalents at End of the Period (V+VI)	2.5	76.026	46.738

GARANTİ FAKTORING A.Ş.

PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Foot Notes	Audited	
		1 January - 31 December 2023	1 January - 31 December 2022
I.	I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1	CURRENT PERIOD PROFIT	1.483.139	464.499
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	438.055	113.757
1.2.1	Corporate tax (income tax)	390.223	113.757
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	47.832	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	1.045.084	350.742
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))]	1.045.084	350.742
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 redeemed 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	-	350.742
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		
3.1	TO OWNERS OF ORDINARY SHARES (per TL'000 face value each)	-	4,411849
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	441,18
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 TL'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 2023 profit distribution will be made at general assembly meeting.

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Garanti Faktoring Hizmetleri A.Ş. was incorporated on 4 June 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 2023	Shareholding (%)	31 December 2022	Shareholding (%)
Türkiye Garanti Bankası A.Ş.	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası A.Ş.	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	79.500	100,00	79.500	100,00

The shareholding of T. Garanti Bankası A.Ş. as of 31 December 2023 is 55,40% and T. Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul (31 December 2021: 55,40% and 26,44%).

The Company has 121 employees as at 31 December 2023 (31 December 2022: 123).

The Company is registered in Turkey and operates at the following address: Çamçeşme, Tersane Caddesi No: 15 Pendik / İstanbul

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

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 26 January 2024 and numbered 02. The General Assembly has the authority to change the financial statements.

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

Entities whose functional currency is the currency of a hyperinflationary economy present their financial statements in terms of the measuring unit current at the end of the reporting period according to "TAS 29 Financial Reporting in Hyperinflation Economies".

Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying Turkish Financial Reporting Standards (TFRSs) are required to present their financial statements by adjusting for the impact of inflation for the annual reporting period ending on or after 31 December 2023, in accordance with the accounting principles specified in TAS 29.

In the same announcement, it was stated that institutions or organizations authorized to regulate and supervise in their respective scope might determine different transition dates for the implementation of inflation accounting, and in this context, Banking Regulation and Supervision Agency (BRSA) announced that financial statements of banks, financial leasing, factoring, financing, savings financing and asset management companies as of 31 December 2023 would not be subject to the inflation adjustment in accordance with BRSA Board decision on 12 December 2023.

Accordingly, "TAS 29 Financial Reporting Standard in High Inflation Economies" is not applied in the financial statements of the Company/Group/Bank as of 31 December 2023.

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.

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

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.

2.3 Changes in Accounting Estimates and Errors

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

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

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

Note 3 –	Cash and Cash Equivalents and Central Bank
Note 4 –	Financial Assets At Fair Value Through Profit or Loss (Net)
Note 5 –	Factoring receivables, Non-performing Receivables
Note 6 –	Tangible Assets
Note 7 –	Intangible Assets
Note 8 –	Tax Assets and Liabilities
Note 13 –	Provisions

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows:

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date.

The amendments did not have a significant impact on the financial position or performance of the Company.

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows (continued)

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

The amendments did not have a significant impact on the financial position or performance of the Company.

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted

The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

Overall, the Company expects no significant impact on its balance sheet and equity.

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed..

Overall, the Company expects no significant impact on its balance sheet and equity.

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Overall, the Company expects no significant impact on its balance sheet and equity.

2.5 Summary of Significant Accounting Policies

(a) Revenue

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

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

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

(b) Financial Instruments

Classification and measurement

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

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

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

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of 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)

Classification and measurement (continued)

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

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

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

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

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

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

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

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

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of 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)

Classification and measurement (continued)

Factoring Receivables and Other Receivables

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

Disclosures on impairment of financial assets

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

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

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

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

Calculation of expected credit losses

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

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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of 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)

Calculation of expected credit losses (continued)

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

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

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

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

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

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

Stage 3: Lifetime expected credit losses are recognized 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.

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Calculation of expected credit losses (continued)

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

Forward-looking macroeconomic information

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

Significant increase in credit risk

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

Qualitative assessment:

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

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

Quantitative assessment:

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

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

Low credit risk

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

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

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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)

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.

Explanations on write down policy

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

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

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

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

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

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

- i. Being monitored as a receivable as a loss for at least 2 years,
- ii. The fact that no collection has been made in the last 6 months or the Company has gone bankrupt in the last 6 months, and there is no new collection capacity due to the assets at the bankruptcy estate,
- iii. Lack of a guarantee in kind,

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Deregistration of Factoring Receivables	10.975	-	12.792	-
	10.975	-	12.792	-

While the follow-up rate was 0,69% before the list, it regressed to 0,60% after the registration (31 December 2022: The follow-up rate, which was 0,89% before the registration, decreased to 0,74% after the registration).

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Derivative Financial Instruments

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

Financial Liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Financial Liabilities at Fair Value Through Profit or Loss

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

(c) TFRS 16 Leases

The Company has started to apply TFRS 16 Leases standard ("TFRS 16") starting from 1 January 2019. TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized 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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of 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)

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

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

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

As a lessee

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

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

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

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

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

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

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

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

GARANTI FAKTORING A.Ş.

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(Amounts expressed in thousands of 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)

(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)
Furniture and fixtures	5-15
Leasehold improvements	5-10

(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.

Intangible Assets	Estimated useful lives (Year)
Rights	5-15
Software	5

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(Amounts expressed in thousands of 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)

(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.

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

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of 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)

(k) Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Company as of 31 December 2023 and 31 December 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
USD	29,0430	18,5920
EUR	32,1530	19,8710
GBP	36,9800	22,4530

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

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.

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

((o) 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:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Case / effective	1	1
Cash and cash equivalents (*)	56.961	46.737
Time deposit	189.025	63.110
Blocked Deposits	(169.961)	(63.110)
	<u>76.026</u>	<u>46.738</u>

(*)Expected credit loss amount TL 625 has not been presented as net (31 December 2022:772 TL).

(**)A cash collateral of 169.961 TL is kept for Takasbank Money Market transactions. (31 December 2022: TL 63.110) .

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as of 31 December 2023 and 31 December 2022 are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	TL	FC	TL	FC
Cash and cash equivalents	13.718	43.244	8.459	38.279
Time deposits(*)	189.025	-	63.110	-
Expected credit losses	(154)	(471)	(558)	(214)
	<u>202.589</u>	<u>42.773</u>	<u>71.011</u>	<u>38.065</u>

(*) TL 169.961 is held as collateral for Takasbank Monetary Market transactions (31 December 2022: TL 63.110).

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

As of 31 December 2023 and 31 December 2022, financial assets measured at fair value through profit or loss consist of equity securities not listed on exchange.

	31 December 2023		31 December 2022			
	Carrying Value	% Share Rate	Carrying Value	% Share Rate		
	TP	FC	TP	FC		
Factors Chain International (FCI)	-	32	1,72	-	20	1,72
	-	32	-	20		

5 FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)

5.1 Factoring Receivables and Payables

Factoring Receivables

Details of factoring receivables as at 31 December 2023 and 31 December 2022 are as follows:

Financial assets at amortised cost (net)	31 December 2023		31 December 2022	
	TP	FC	TP	FC
Discounted Factoring Receivables (Net)	6.568.761	352.508	4.196.518	327.479
Other Factoring Receivables	3.284.349	1.281.139	4.254.899	687.922
Non Performing Receivables	64.726	4.132	41.271	27.785
Expected Credit Losses (-)	(85.977)	(5.700)	(50.660)	(28.778)
Stage 1	(22.548)	(1.568)	(17.121)	(993)
Stage 2	(9)	-	(12)	-
Stage 3	(63.420)	(4.132)	(33.527)	(27.785)
Factoring receivables	9.831.859	1.632.079	8.442.028	1.014.408

Stage 2 overdue receivables of the company are TL 345 (31 December 2022 : TL 96) and the delay periods are as follows:

Stage 2	31 December 2023		31 December 2022	
	TP	YP	TP	YP
Overdue 1 month	345	-	96	-
	345	-	96	-

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

5.1 Factoring Receivables and Payables (continued)

Factoring Payables

Details of short-term factoring payables as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TP	FC	TP	FC
Factoring payables	3.369	56.238	2.676	28.965
	3.369	56.238	2.676	28.965

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

5.2 Non-Performing Receivables

Details of the Company's non-performing factoring receivables as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TP	YP	TP	YP
Non-performing factoring receivables	64.726	4.132	41.271	27.785
Non-performing factoring receivables	64.726	4.132	41.271	27.785

5.3 Expected Credit Losses

Details of the Company's expected credit losses for factoring receivables as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TP	YP	TP	YP
Expected credit losses	(85.977)	(5.700)	(50.660)	(28.778)
Expected credit losses	(85.977)	(5.700)	(50.660)	(28.778)

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

5.3 Expected Credit Losses (continued)

The movements of expected credit losses for factoring receivables for 31 December 2023 and 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance 1 January	79.438	70.413
<i>Expected credit loss of the period</i>		
Stage 1	21.355	13.514
Stage 2	7	23
Stage 3	48.446	22.661
<i>Collections/reversals of the period;</i>		
Stage 1	(15.353)	(6.827)
Stage 2	(10)	(46)
Stage 3	(31.231)	(7.274)
<i>Deducted receivables provision cancellations;</i>		
Stage 3	(10.975)	(13.026)
	91.677	79.438

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

6 TANGIBLE ASSETS

Movements in tangible fixed assets for the period ended 31 December 2023 are as follows:

	1 January 2023	Additions	Disposals	31 December 2023
Acquisition Cost				
Furniture and fixtures	4.271	-	-	4.271
Vehicles	19	-	(19)	-
Leasehold improvements	2.012	6	-	2.018
Right-of-use				
Leased buildings	4.658	2.566	(640)	6.584
Right-of-use				
Vehicles	4.960	101	-	5.061
	15.920	2.673	(659)	17.934
		Depreciation		
	1 January 2023	for the period	Disposals	31 December 2023
Accumulated Depreciation				
Furniture and fixtures	4.162	33	-	4.195
Vehicles	19	-	(19)	0
Leasehold improvements	1.680	99	-	1.779
Leased buildings	2.331	2.048	(639)	3.740
Vehicles	2.245	1.341	-	3.586
	10.437	3.521	(658)	13.300
Net book value	5.483			4.634

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6 TANGIBLE ASSETS (continued)

Movements in tangible assets for the period ended 31 December 2022 are as follows:

	1 January 2022	Additions	Disposals	31 December 2022
Acquisition Cost				
Furniture and fixtures	4.431	-	(160)	4.271
Vehicles	19	-	-	19
Leasehold improvements	2.002	10	-	2.012
Right-of-use				
Leased buildings	4.181	1.260	(783)	4.658
Right-of-use				
Vehicles	4.960	-	0	4.960
	15.593	1.270	(5.279)	15.920
Accumulated Depreciation				
	1 January 2022	Depreciation for the period	Disposals	31 December 2022
Furniture and fixtures	4.262	58	(158)	4.162
Vehicles	19	-	-	19
Leasehold improvements	1.582	98	-	1.680
Leased buildings	1.860	1.186	(715)	2.331
Vehicles	949	1.296	0	2.245
	9.625	2.638	(869)	10.437
Net book value	6.921			5.483

7 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 31 December 2023 is as follows:

	1 January 2023	Additions	Disposals	31 December 2023
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	52.145	22.831	-	74.976
	55.221	22.831	-	78.052
Accumulated Amortization				
	1 January 2023	Charge for the period	Disposals	31 December 2023
Rights	3.076	-	-	3.076
Other (Software)	41.167	4.683	-	45.850
	44.243	4.683	-	48.926
Net book value	10.978			29.126

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7 INTANGIBLE ASSETS (continued)

The movement of intangible assets for the period ended 31 December 2022 is as follows:

	1 January 2022	Additions	Disposals	31 December 2022
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	45.550	6.595	-	52.145
	48.626	6.595	-	55.221
Accumulated Amortization		Charge for the period	Disposals	31 December 2022
Rights	3.076	-	-	3.076
Other (Software)	34.492	6.675	-	41.167
	37.568	6.675	-	44.243
Net book value	11.058			10.978

As at 31 December 2023 and 31 December 2022, the Company has not any intangible asset that is generated within the company.

8 TAX ASSETS AND LIABILITIES

Corporate Tax

While corporate tax which is applied to corporate earnings at the rate of 20% in Turkey, in accordance with the regulation introduced by the Law No.7456 "On the Formation of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes That Occurred on 6/2/2023, Amending Certain Laws and the Decree Law No. 375, the corporate earnings of 2023 and later taxation periods this rate has been determined to be applied as 25% and for the banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies this rate has been determined to be applied as 30%.

This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions No. 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette No. 27130 dated 3 February 2009, certain duty rates included in the Articles No.15 and 30 of the new Corporate Tax Law No.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions has been changed to 10% from 15% by the Presidential decision published in the Official Gazette No. 31697 dated 22 December 2021. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year's earnings.

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8 TAX ASSETS AND LIABILITIES (continued)

Corporate Tax (continued)

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

As of 31 December 2023, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/ Ç of the Tax Procedure Law. These conditions are both the exceed in the increase of Producer Price Index in the last 3 accounting periods including current period by 100% and the exceed in the increase in the current period by 10%. However, temporary article 33 has been added on the Tax Procedure Law No. 213 with the regulation made with the Tax Procedure Law and the Law on Change in Corporate Tax Law No. 7352 published in the Official Gazette No.31734 dated 29 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this, the financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, are not subject to inflation adjustment, and for the 2023 accounting period; are not subject to inflation adjustment as of the provisional tax periods, and the financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in the financial statements are to be shown in previous years' profit/loss accounts and does not affect the corporate tax base.

According to Article 17 of the Law No. 7491 on Amendments to Certain Laws and Decree Laws published in the Official Gazette No. 32413 dated 28 December 2023, it has become law that profit/loss differences arising from the inflation adjustment to be made in the 2024 and 2025 accounting periods, including the provisional tax periods, do not be taken into account in determining the income of banks, companies within the scope of the Financial Leasing, Factoring, Financing and Savings Financing Companies Law No. 6361 dated 21/11/2012, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies.

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette numbered 32073 on 14 January 2023, the procedures and principles of the articles allowing the revaluation of real estates and depreciation units have been redrawn. By taking into consideration aforementioned Communiqué, the Bank, has been revaluated real estate and depreciation units within its balance sheet by providing conditions in the provisions of Tax Procedure Law's provisional Article 32 and duplicated Article 298/ç until 30 September 2023. Since the financial statements are subject to inflation adjustment as of 31 December 2023, real estates and depreciation units are not subject to revaluation as of 31 December 2023. Corporate tax is calculated by taking into account of real estates and depreciation units' amortized values until 30 September 2023.

According to Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws published in the Official Gazette (dated on March 12, 2023 and numbered 32130), corporate tax payers are to be calculating additional tax in order to be indicated in corporate income tax returns of the year 2022. With the regulation of Law No. 5520 on the "Corporate Tax Law" and other tax regulations, an additional tax of 10% will be calculated based on the exemption and deduction amounts subject to deduction from corporate income and the tax bases subject to reduced corporate tax within the scope of Article 32/A of the same law and with the exception regulated in subparagraph (a) of the first paragraph of Article 5 of the Law No. 5520., an additional tax of 5% will be calculated based on exempted dividends and earnings from abroad. The first partial payment of this additional taxes is to be paid within the payment period of the corporate income tax, and the second partial payment is to be paid in the fourth month following this period.

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8 TAX ASSETS AND LIABILITIES (continued)

Income Tax Withholding

There is a withholding tax liability on dividend distributions and this withholding tax liability is accrued in the period in which the dividend payment is made. Pursuant to the Presidential Decree No. 4936 published in the Official Gazette dated February 14, 2023 and numbered 6791 and entered into force upon publication in the Official Gazette dated February 14, 2023 and numbered 6791, within the scope of the fourth paragraph of Article 94 of the Law No. 193, 0% withholding tax is applied on the amounts considered as dividends distributed in relation to their own shares or partnership shares acquired by full taxpayer capital companies.

In the application of withholding tax rates on profit distributions to limited taxpayer institutions and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. The addition of retained earnings to the capital is not considered as profit distribution, so it is not subject to withholding tax.

Deferred Tax

According to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes"; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

As stated in corporate tax note, in accordance with the regulation introduced by the Law No.7456 "On the Formation of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes That Occurred on 6/2/2023, corporate income tax has been determined to be applied as 30% for the banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. Therefore, as of 31 December 2023, the Company has calculated deferred tax at the rate of 30% for assets and liabilities.

According to the temporary article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of the financial statements dated 31 December 2023 are included in the deferred tax calculation as of 31 December 2022 regardless of whether the conditions for inflation adjustment are met.

If transactions and other events are recognized in profit or loss, associated tax effects are also recognized in profit or loss. If transactions and other events are recognized directly in equity, the relevant tax effects are also recognized directly in equity accounts.

Calculated deferred tax receivables and deferred tax liabilities are netted in the financial statements. The carrying value of deferred tax assets is reviewed as of each balance sheet date.

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.

Furthermore, the deferred tax assets are not subject to profit distribution or capital increase as per the BRSA's related circular in cases where there are net asset balances after netting deferred tax assets with deferred tax liabilities.

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8 TAX ASSETS AND LIABILITIES (continued)

Transfer Pricing

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué on disguised profit distribution through transfer pricing, dated November 18, 2007, regulates the details of the application. partially distributed through transfer pricing. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax

Tax income/(expense)

The details of tax income / (expense) for the periods ended 31 December 2023 and 31 December 2022 are as follows:

Tax provision reconciliation

	<u>1 January- 31 December 2023</u>	<u>1 January- 31 December 2022</u>
Current tax expense	1.483.139	464.499
Calculated tax on reported profit	(444.942)	(116.125)
Permanent Differences:		
Disallowable expenses	(20.193)	(252)
Impact of Tax Rate Change	13.562	2.805
Cancellation of corporate tax provision for previous years(*)	8.562	-
Other	4.956	(185)
Tax income/(expense)	(438.055)	(113.757)

(*)Represents the decrease in the amount of corporate tax payment for 2022 after the exemption of income from associate income and revaluation of fixed assets.

The details of tax income / (expense) for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Temporary tax paid in current period(*)	398.785	151.805
Withholding income tax	(366.621)	(89.601)
Current period payment	(5.712)	(488)
Current Period Tax Receivable/ (Payable)	26.452	61.716

(*) The corporate tax for 2022 was netted as 8,562 TL after the participation income exemption and revaluation of fixed assets.

As of 31 December 2023, no provisional tax has arisen. There is TL 5.712 income tax withheld (As of 31 December 2022, no provisional tax has been incurred. There is TL 488 income tax withheld).

Deferred tax asset and liability

Carrying values of deferred tax assets and liabilities in the financial statements and tax goodwill and accounting, which are not subject to tax deduction, between the values used in the assessment and temporary differences, calculated on excluding differences in assets and liabilities recognized for the first time, which are not subject to taxation.

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8 TAX ASSETS AND LIABILITIES (continued)

Deferred tax asset and liability (continued)

Recognition of deferred tax asset and liability

As of 31 December 2023 and 31 December 2022, deferred tax asset and liabilities calculated on the following items:

	31 December 2023	31 December 2022
Temporary Differences		
Factoring provisions for receivables (1st and 2nd stages)	24.125	18.126
Premium provisions	23.911	9.369
Litigation and expense rediscount provisions	20.324	31.812
Severance pay provision-actuarial loss/gain	12.058	7.151
Credits received bmv rediscount	9.647	5.431
Leave provisions	9.334	5.533
PPI Depreciation difference temporary differences between tangible and intangible assets	3.559	-
Provision for severance pay	3.445	4.652
Time/demand deposit provisions	625	772
Right of use depreciation and interest expense	565	431
Unearned factoring interest income	-	195.713
Prepaid commissions	-	12.955
Fc exchange rate valuation	-	2.117
Factoring provisions for receivables (3rd stage)	-	1.145
Factoring receivables interest rediscount valuation differences	-	150
Provisions for expense rediscounts	-	78
Temporary differences related to deferred tax assets	107.592	295.435
Prepaid loans and letter of guarantee commissions	14.369	16.307
Loans received valuation differences	9.947	1.724
Commission rediscounts for other factoring receivables	6.643	3.187
Bond valuation differences	3.587	93
Fc exchange rate valuation	347	-
Temporary differences on tangible and intangible assets	-	2.878
Temporary differences related to deferred tax liabilities	34.893	27.439

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8 TAX ASSETS AND LIABILITIES (continued)

Deferred tax asset and liability (continued)

	31 December 2023	31 December 2022
Temporary Differences		
Factoring provisions for receivables (1st and 2nd stages)	7.237	4.532
Premium provisions	7.173	2.342
Litigation and expense rediscount provisions	6.097	7.954
Severance pay provision-actuarial loss/gain	3.617	1.788
Credits received bmv rediscount	2.894	1.358
Leave provisions	2.800	1.383
PPI Depreciation difference temporary differences between tangible and intangible assets	1.068	-
Provision for severance pay	1.034	1.163
Time/demand deposit provisions	187	193
Right of use depreciation and interest expense	169	107
Unearned factoring interest income	-	48.928
Prepaid commissions	-	3.239
Fc exchange rate valuation	-	529
Factoring provisions for receivables (3rd stage)	-	286
Factoring receivables interest rediscount valuation differences	-	38
Provisions for expense rediscounts	-	20
Temporary differences related to deferred tax assets	32.276	73.860
Prepaid loans and letter of guarantee commissions	(4.311)	(4.077)
Loans received valuation differences	(2.984)	(431)
Commission rediscounts for other factoring receivables	(1.993)	(797)
Bond valuation differences	(1.076)	(23)
Fc exchange rate valuation	(104)	-
Temporary differences on tangible and intangible assets	-	(720)
Temporary differences related to deferred tax liabilities	(10.468)	(6.048)
Deferred tax assets (net)	21.808	67.812

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8 TAX ASSETS AND LIABILITIES (continued)

Deferred tax asset and liability (continued)

Movements of deferred tax assets are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
1 January	67.812	28.591
Deferred tax income / loss	(47.832)	37.831
Deferred tax income/(expense) related to other comprehensive income	1.828	1.390
Balance at the end of the period	21.808	67.812

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

9 OTHER ASSETS

Details of other assets as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Receivables from BITT accruals	48.269	964	16.916	833
Previous years provisional tax receivables	8.884	-	1.857	0
Other	143	0	570	62
	57.296	964	19.343	895

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10 FUNDS BORROWED

Details of funds borrowed as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Funds borrowed	6.207.279	1.583.403	7.342.351	961.197
	6.207.279	1.583.403	7.342.351	961.197

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 31 December 2023 and 31 December 2022.

	31 December 2023				31 December 2022			
	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	6.207.279	41,83	6.157.767	49.512	7.342.351	17,23	7.071.986	270.365
USD	45.800	9,91	1.330.167	-	39.440	9,66	733.274	-
EUR	6.883	6,86	221.306	-	4.869	4,56	96.745	-
GBP	863	7,95	31.930	-	5.843	4,49	131.178	-
Toplam			7.741.170	49.512			8.033.183	270.365

TL 2.429.230 of the funds borrowed as at 31 December 2023 is borrowed from Takasbank Money Market (31 December 2022: TL 1.017.244). For the loans obtained from Takasbank Money Market, 169.961 TL collateral and 3.349.000 TL collateral were given (31 December 2022: 63.110 TL rental and 1.310.000 TL collateral list).

As at 31 December 2023 and 31 December 2022, the remaining funds borrowed are uncollateralized.

11 LEASE OBLIGATIONS (Net)

Details of lease obligations as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Nominal	6.370	-	7.496	-
Cost	(1.315)	-	(1.699)	-
Carrying Value	5.055	-	5.797	-

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12 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
<i>Bonds</i>				
Nominal	2.239.001	-	503.140	-
Cost	1.952.335	-	474.560	-
Carrying Value	2.036.659	-	494.963	-

The Company issued discounted bonds only for qualified investors.

1 January - 31 December 2023				1 January - 31 December 2022			
Date of issue	Nominal value	Maturity	Interest rates (%)	Date of issue	Nominal value	Maturity	Interest rates (%)
26.07.2023	219.000	22.01.2024	28,50	07.09.2022	190.001,00	03.01.2023	20,25
03.08.2023	84.000	01.03.2024	29,00	21.09.2022	145.000,00	01.02.2023	21,00
20.11.2023	550.002	17.05.2024	44,00	20.12.2022	168.139,00	01.03.2023	21,00
29.11.2023	100.001	01.04.2024	44,50				
04.12.2023	280.999	11.03.2024	45,00				
06.12.2023	299.999	25.04.2024	46,00				
14.12.2023	304.001	18.03.2024	45,00				
18.12.2023	101.000	01.03.2024	44,50				
19.12.2023	299.999	19.02.2024	44,50				
Total	2.239.001				503.140		

13 PROVISIONS

Details of provisions as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Provision for employee benefits	48.748	-	26.705	-
Other provisions	67.772	14.463	19.175	10.423
Provision for lawsuits	2.495	-	2.292	-
Provision for brokerage commissions	-	1.466	-	1.143
	119.015	15.929	48.172	11.566

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13 PROVISIONS (continued)

13.1 Provisions for employee benefits

Provision for employee benefits as at 31 December 2023 includes retirement pay provision amounting to TL 15.503 (31 December 2022: TL 11.803), unused vacation accrual amounting to TL 9.334 (31 December 2022: TL 5.533) and personnel bonus accrual amounting to TL 23.910 (31 December 2022: TL 9.369).

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month's salary and this amount for the period 01 July – 31 December 2023 is TL 23.489,83 (full), (31 December 2022: TL 15.371,40 (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 2023, 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 21,94 % and a discount rate of 25,60% (31 December 2022: inflation rate of 14,36 %, discount rate of 17,79%).

Movement of retirement pay provision as at 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Net liability at the beginning of the period	11.803	5.583
Severance indemnity paid in the period	(7.010)	(749)
Recognized under income statement	5.806	1.806
Retirement provision recognized under other comprehensive income	4.904	5.163
Net liability at the end of period	15.503	11.803

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13 PROVISIONS (continued)

13.1 Provision for Employee Benefits (continued)

Personnel Bonus Accrual

Movement of the personnel bonus provision as at 31 December 2023 and 31 December 2022 are as follows:

	<u>1 January- 31</u> <u>December 2023</u>	<u>1 January- 31</u> <u>December 2022</u>
Balance at 1 January	9.369	7.018
Paid in the period	(10.887)	(7.849)
Reversal	(2.069)	(367)
Accrual for the period	27.498	10.567
Balance at the end of the period	23.911	9.369

Unused Vacation Accrual

The movement of unused vacation provisions as at 31 December 2023 and 31 December 2022 are as follows:

	<u>1 January- 31</u> <u>December 2023</u>	<u>1 January- 31</u> <u>December 2022</u>
Balance at 1 January	5.533	2.557
Paid in the period	(2.118)	(300)
Reversal	-	(27)
Accrual for the period	5.919	3.303
Balance at the end of the period	9.334	5.533

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13 PROVISIONS (Continued)

13.2 Other Provisions

As at 31 December 2023, the Company has set aside TL 1.466 correspondent allowance provision, TL 2.495 continuing legal proceedings, TL 82.235 continuing legal proceedings. (31 December 2022: TL 29.598 is other wages to be paid to staff 1.143 TL is correspondent allowance provision. TL 2.292 continuing legal proceedings.)

The movement of other provision for the periods ended 31 December 2023 and 31 December 2022 are as follows::

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Balance at 1 January	21.467	11.566	5.415	5.349
Paid in the period	(1.839)	(1.143)	-	(1.637)
Accrual for the period	50.639	5.506	16.052	7.854
Balance at the end of the period	70.267	15.929	21.467	11.566

14 OTHER LIABILITIES

Details of other liabilities as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Taxes payable	29.020	-	12.615	-
Lenders to vendors	3.810	28	819	16
Unearned income	1.776	-	6.428	-
Temporary accounts payable	39	348	38	570
Remittances payable	59	486	59	-
Other creditors	39	86	32	-
Other liabilities	34.743	948	19.991	586

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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15 SHAREHOLDERS' EQUITY

15.1 Paid-in Capital

As at 31 December 2023, the Company's share capital amounts to TL 79.500 (31 December 2022: TL 79.500). As at 31 December 2023, the Company has 7.950.000.000 (31 December 2022: 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 Kr 1 each (31 December 2022: Kr 1).

15.2 Capital Reserves

None (31 December 2022: None).

15.3 Other Comprehensive Income or Expense

As at 31 December 2023, TL (8.440) 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 2022: TL (5.364) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss).

15.4 Profit Reserves

As at 31 December 2023, the Company's profit reserves comprise of the legal reserves amounting to TL 15.900 (31 December 2022: TL 15.900 and extraordinary reserves amounting to TL 602.038 (31 December 2022: TL 251.296).

15.5 Profit Distribution

Profit distribution statement approved at the General Assembly Meeting held on March 29, 2023 the is as follows:

Profit distribution table	31 December 2022
Net Profit for the year	350.742
Legal reserves (-)	-
Distributable net profit of the period	350.742
Distributable net profit of the period (with donations)	350.742
Extraordinary reserves	350.742

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16 OPERATING INCOME

The details of operating income for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Factoring interest income	3.220.044	1.300.626
Factoring fee and commission income	799.792	47.214
	4.019.836	1.347.840

17 FINANCE EXPENSES

The details of finance expenses for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Interest expenses on funds borrowed	2.052.090	566.176
Interest expenses on marketable securities issued	123.937	183.162
Fees and commissions given (net)	102.404	18.077
Leasing expenses	1.095	1.199
Other interest expense	799	175
	2.280.325	768.789

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18 OPERATING EXPENSES

The details of operating expenses for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Personel expenses	138.014	65.480
IT maintenance and contract expenses	26.240	9.936
Depreciation and amortization charges	8.204	9.313
Provision for retirement pays	5.806	1.806
Institution membership dues	4.148	1.234
Consultancy expenses	3.317	2.095
Litigation expenses	3.306	1.628
Vehicle expenses	2.169	1.236
Maintenance and repair expenses	1.841	916
Heating, lighting and water expenses	1.008	703
Communication expenses	865	1.043
Other	5.150	1.695
	200.068	97.085

The details of operating expenses for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Salaries and wages	79.810	40.427
Bonuses	27.498	10.567
Social security premium employer's share	11.875	6.016
Personnel food expenses	5.820	2.166
Insurance expenses	4.447	1.886
Personnel assistance and contributions	1.971	1.016
Personnel transportation service expenses	1.955	982
Business immorality	1.130	697
Other	3.508	1.723
	138.014	65.480

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19 OTHER OPERATING INCOME

The details of other operating income for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Interests received from banks	114.924	9.638
Foreign exchange profits	71.124	35.102
Expected losses provision reversals	48.049	14.328
Profits from interest rate swap transactions	19.319	-
Lawsuit provisions cancellations	19.651	999
Other	2.976	1.278
	276.043	61.345

20 PROVISIONS

The details of expected credit loss for the periods ended as at 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Stage 1 (*)	21.863	13.949
Stage 2	7	23
Stage 3 (**)	48.556	23.051
	70.426	37.023

(*) TL 508 expected loss provision is included for assets classified under Cash, Cash Equivalents and Central Bank (31 December 2022: TL 435 expected loss provision is included for assets classified under Cash, Cash Equivalents and Central Bank).

(**) Includes TL 1.829 increase in foreign currency exchange rate difference and TL 110 default interest provision (31 December 2022: TL 7.998 includes foreign currency increase in expected FX loss provision and TL 280 default interest provision).

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21 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Losses from interest rate swap transactions	187.238	-
Foreign exchange losses	21.572	15.149
Other	1.197	273
	210.007	15.422

22 EARNINGS SHARE

Calculation of earnings per share for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Net profit for the period	1.045.084	350.742
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000.000	7.950.000.000
Earnings per thousand shares (KR)	13,1457	4,4118

23 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	32.168	21.782	5.808	11.720
Demand deposits	13.104	21.782	5.808	11.720
Time deposit	19.064	-	-	-
Garantibank International NV	-	14.272	1	19.889
Demand deposits	-	14.272	1	19.889
	32.168	36.054	5.809	31.609

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as at 31 December 2023 is TL 5.569.544 (31 December 2022: TL 3.701.339 TL).

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23 RELATED PARTY TRANSACTIONS (continued)

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Factoring receivables				
Garanti Filo Yönetim Hizmetleri A.Ş.	277.912	-	538.477	-
	277.912	-	538.477	-
	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası A.Ş.	1.355.522	1.024.650	4.584.774	496.769
Garantibank International NV	1.005.676	162.887	-	167.660
	2.361.198	1.187.537	4.584.774	664.429
	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Indemnity bond				
Türkiye Garanti Bankası A.Ş.	8.436	-	2.102	-
	8.436	-	2.102	-
	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Miscellaneous Payables				
Türkiye Garanti Bankası A.Ş.	802	-	645	-
Garanti Filo Yönetim Hizmetleri A.Ş.	9	-	-	-
	811	-	645	-

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23 RELATED PARTY TRANSACTIONS (continued)

Income and expenses from related parties for the periods ended 31 December 2023 and 31 December 2022 are as follow :

	1 January- 31 December 2023	1 January- 31 December 2022
Interest income from factoring receivables and commissions		
Garanti Filo Yönetim Hizmetleri A.Ş	136.902	33.780
	136.902	33.780
Interest income on bank deposits		
Türkiye Garanti Bankası A.Ş.	49.142	1.685
	49.142	1.685
Interest expenses on funds borrowed		
Türkiye Garanti Bankası A.Ş.	1.274.261	221.986
Garanti Bank International NV	17.451	5.511
	1.291.712	227.497
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	1.494	2.887
Türkiye Garanti Bankası A.Ş.	354	247
Garanti Bank International NV	487	515
	2.335	3.649
General Administrative Expenses (*)		
Türkiye Garanti Bankası AŞ	28.047	10.643
Garanti Filo Yönetim Hizmetler AŞ	1.913	2.055
Garanti Emeklilik ve Hayat AŞ	465	160
	30.425	12.858

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

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23 RELATED PARTY TRANSACTIONS (continued)

Profits and losses from derivative transactions with related parties for the periods ended 31 December 2023 and 31 December 2022 are as follow :

	<u>1 January- 31 December 2023</u>	<u>1 January- 31 December 2023</u>
Profits from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	19.319	-
	19.319	-
	<u>1 January- 31 December 2023</u>	<u>1 January- 31 December 2023</u>
Losses from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	187.238	775
	187.238	775

Salary and other benefits provided to board members and executives:

The net amount of salary and other benefits provided to board members and executives by the Company for the period ended 31 December 2023 is TL 10.895 (31 December 2022: TL 7.138).

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24 CONTINGENT ASSETS AND LIABILITIES

24.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Sureties received (*)	-	92.704.993	-	55.202.443
Finance notes	2.400	30.804.422	2.200	19.139.299
Correspondent guarantees	-	810.380	-	233.838
Insurance coverage	153.701	118.259	206.127	85.008
Mortgage	-	-	32.280	-
Pledge of mortgage	27.853	-	448	-
Guarantee cheques	-	-	281	-
	183.954	124.438.054	241.336	74.660.588

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

24.2 Guarantees Given

Guarantees given as at 31 December 2023 and 31 December 2022 consist of letters of guarantee given to the institutions below:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Takasbank (Note 10)	3.349.000	-	1.310.000	-
Courts	10.098	-	4.192	-
Other	10	-	10	-
	3.359.108	-	1.314.202	-

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24 CONTINGENT ASSETS AND LIABILITIES (continued)

24.3 Safety Securities

The details of cheques and notes in collection as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Cheques in collection	5.316.837	667.791	3.455.603	516.119
Notes in collection	17.436	24.232	22.669	55.200
	5.334.273	692.023	3.478.272	571.319

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

25.1 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.

25.1.1 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:

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.

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

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

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

25.1 Financial Risk Management Purposes and Policies (continued)

25.1.2 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.

25.1.3 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.

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

25.1 Financial Risk Management Purposes and Policies (continued)

25.1.4 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.

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

25.1 Financial Risk Management Purposes and Policies (continued)

25.1.5 Reputation Riski

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

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

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

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

25.2 Risk Management Disclosures

25.2.1 Credit Risk

31 December 2023	Factoring Receivables		Non-performing receivables			Other Assets		Derivative financial-Assets held for trading
	Related Party	Others	Related Party	Others	Related Party	Others	Cash Equivalents	
Maximum net credit risk as at balance sheet date (A+B+C+D+E) -	276.691	11.185.941	-	1.306	-	-	245.362	32
A. Carrying value of financial assets that are not past due nor impaired	277.912	11.208.500	-	-	-	-	245.987	32
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 -	-	345	-	-	-	-	-	-
- carrying value	-	345	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	(1.221)	(22.904)	-	1.306	-	-	(625)	-
- Past due (gross carrying value)	-	-	-	68.858	-	-	-	-
- Impairment (-) (*)	(1.221)	(22.904)	-	(67.552)	-	-	(625)	-
-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.	-	-	-	-	-	-	-	-
D. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-

(*) Represents the expected loss provisions for factoring receivables in the first and second stages.

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

25.2 Risk Management Disclosures (continued)

25.2.1 Credit Risk (continued)

31 December 2022	Factoring Receivables			Non-performing			Other Assets			Derivative financial-Assets held for trading
	Related Party	Others	Related Party	Others	Related Party	Others	Equivalents	Cash		
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	536.486	8.912.206	-	7.744	-	-	-	109.076	20	
A. Carrying value of financial assets that are not past due nor impaired	538.477	8.928.245	-	-	-	-	-	109.848	20	
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 - carrying value	-	96	-	-	-	-	-	-	-	
- the part under guarantee with collateral etc	-	96	-	-	-	-	-	-	-	
D. Net book value of impaired assets	(1.991)	(16.135)	-	7.744	-	-	-	(772)	-	
- Past due (gross carrying value)	-	-	-	69.056	-	-	-	-	-	
- Impairment (-) (*)	(1.991)	(16.135)	-	(61.312)	-	-	-	(772)	-	
- 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	-	-	-	-	-	-	-	-	-	

(*) Represents the expected loss provisions for factoring receivables in the first and second stages.

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

25.2 Risk Management Disclosures (continued)

25.2.2 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 2023					
Contractual Maturities	Carrying amount	Total		3-12 months	1-5 years
		expected cash inflows / outflows	Less than 3 months		
Non-derivative financial liabilities	9.892.003	10.621.704	6.868.427	3.694.952	58.325
Funds borrowed	7.790.682	8.316.725	5.518.610	2.741.795	56.320
Securities issued	2.036.659	2.239.001	1.289.000	950.001	-
Factoring payable	59.607	59.607	59.607	-	-
Payable leasing transactions	5.055	6.371	1.210	3.156	2.005
31 December 2022					
Contractual Maturities	Carrying amount	Total		3-12 months	1-5 years
		expected cash inflows / outflows	Less than 3 months		
Non-derivative financial liabilities	8.835.949	9.185.470	6.339.842	2.503.968	341.660
Funds borrowed	8.303.548	8.643.193	5.804.178	2.501.556	337.459
Securities issued	494.963	503.140	503.140	-	-
Factoring payable	31.641	31.641	31.641	-	-
Payable leasing transactions	5.797	7.496	883	2.412	4.201

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

25.2 Risk Management Disclosures (continued)

25.2.3 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 2023 and 31 December 2022.

Foreign currency assets and liabilities as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
	(TL equivalent)	(TL equivalent)
A. Foreign currency monetary assets	1.675.848	1.053.388
B. Foreign currency monetary liabilities	(1.642.055)	(991.891)
Net döviz pozisyonu (A+B+C)	33.793	61.497

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

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

25.2 Explanations on Risk Management (continued)

25.2.3 Market risk (continued)

Foreign currency risk (continued)

The table below summarizes the Company's foreign currency position in detail as at 31 December 2023 and 31 December 2022. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2023	USD	EURO	GBP	Total
Assets				
Cash and cash equivalents	28.058	10.855	3.860	42.773
Financial assets at fair value through profit or loss	-	32	-	32
Factoring receivables (Net)	1.332.353	266.191	33.535	1.632.079
Other Assets	862	102	-	964
Total assets	1.361.273	277.180	37.395	1.675.848
Liabilities				
Funds borrowed	1.330.167	221.306	31.930	1.583.403
Factoring payables	14.254	36.825	5.159	56.238
Sundry creditors and other liabilities	1.226	1.041	147	2.414
Total liabilities	1.345.647	259.172	37.236	1.642.055
Net foreign currency position	15.626	18.008	159	33.793
Net position	15.626	18.008	159	33.793

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

25.2 Explanations on Risk Management (continued)

25.2.3 Market risk (continued)

31 December 2022	USD	EURO	GBP	Total
Assets				
Cash and cash equivalents	20.770	16.463	832	38.065
Financial assets at fair value through profit or loss	-	20	-	20
Factoring receivables (Net)	755.315	126.368	132.725	1.014.408
Other Assets (*)	806	78	11	895
Total assets	776.891	142.929	133.568	1.053.388
Liabilities				
Funds borrowed	733.274	96.745	131.178	961.197
Factoring payables	14.682	10.909	3.374	28.965
Sundry creditors and other liabilities	420	1.169	140	1.729
Total liabilities	748.376	108.823	134.692	991.891
Net foreign currency position	28.515	34.106	(1.124)	61.497
Net position	28.515	34.106	(1.124)	61.497

(*) Foreign currency provision amounting to TL 10.423 has not been taken into account in the currency risk calculation.

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

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

25.2 Explanations on Risk Management (continued)

25.2.3 Market risk (continued)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies for the periods ended 31 December 2023 and 2022 results in an increase in profit before tax for the period amounting to TL 3.379 (31 December 2022: TL 6.150 increase). This analysis is made with the assumption that the other variables were held constant for the periods ended 31 December 2023 and 31 December 2022.

TL		
31 December 2023		Profit/(Loss)
USD		1.562
EURO		1.801
GBP		16
Toplam		3.379

TL		
31 December 2022		Profit/(Loss)
USD		2.851
EURO		3.411
GBP		(112)
Toplam		6.150

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023				31 December 2022			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
Assets								
Term deposit	-	-	-	42,72	-	-	-	10,24
Factoring receivables	12,88	10,67	10,72	53,43	11,82	7,07	6,30	26,57
Credits received	9,91	6,86	7,95	42,10	9,66	4,56	4,49	17,23
Issued securities	-	-	-	42,57	-	-	-	20,72

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

25.2 Explanations on Risk Management (continued)

25.2.3 Market risk (continued)

Interest rate risk sensitivity analysis

The Company's financial instruments that have interest rate sensitivity as at 31 December 2023 and 31 December 2022 are as follows:

	Carrying Value	
	31 December 2023	31 December 2022
Fixed Rate		
Factoring receivables	9.139.348	7.818.625
Time deposit	189.025	63.110
Funds borrowed	7.307.491	7.351.790
Issued securities	2.036.659	494.963
Variable Rate		
Factoring receivables	2.347.409	1.648.193
Credits received	483.191	951.758

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 2023, net income for the period would decrease/increase by TL 18.642 (31 December 2022: TL 6.964) 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 15.

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.

26 FINANCIAL INSTRUMENT

Fair Value of Financial Instruments

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

The table below presents the fair value determination method of the financial instruments at fair value as at 31 December 2023. The method for each level is as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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26 FINANCIAL INSTRUMENT (continued)

Fair Value of Financial Instruments (continued)

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

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

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	32	-	-	32
	32	-	-	32

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	20	-	-	20
	20	-	-	20

27 EVENTS AFTER THE REPORTING PERIOD

BRSA's Board decision dated January 11, 2023 was not postponed; As of January 1, 2025, financial leasing, factoring, information, savings, asset management and accounting transactions have been accounted for from the accounting application.

Garanti Faktoring A.Ş.

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