

**GARANTI  
FAKTORING  
ANNUAL  
REPORT**

**‘15**

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# INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT  
ORIGINALLY ISSUED IN TURKISH)

## INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

*Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards*

We have audited the annual report of Garanti Faktoring A.Ş. ("the Company") for the period ended 31 December 2015.

### *Management's Responsibility for the Annual Report*

Pursuant to Article 514 of the Turkish Commercial Code No. 6102 ("TCC"), the Company's Board of Directors is responsible for the preparation and fair presentation of the annual report. This is done in accordance with the communiqué on the "Application of Uniform Chart of Accounts and its Guidelines in Connection to the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" and the regulation on the "Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette No. 28861 dated December 24, 2013; Turkish Financial Reporting Standards and other regulations, communiqués and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") in respect of accounting and financial reporting and pronouncements made by BRSA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair representation of such an annual report.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Company's annual report based on our audit conducted in accordance with the provisions of Article 397 of the TCC. Our audit involves whether the financial information, which is subject of independent auditor's report on January 28, 2016, provided in the annual report are fairly presented and consistent with the financial statements.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the financial statements and are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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

### *Opinion*

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited financial statements.

### *Other Legal and Regulatory Requirements*

In accordance with the paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Company may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

**Şule Firuzment Bekçe**, SMMM

Partner

Istanbul, February 29, 2016

# ABOUT GARANTİ FAKTORİNG

## **BOASTING A BROAD CUSTOMER BASE, GARANTİ FAKTORİNG PROVIDES INTEGRATED SOLUTIONS FOR BOTH DOMESTIC AND FOREIGN TRADE WITH A RANGE OF FINANCING, GUARANTEE AND COLLECTION INSTRUMENTS.**

Garanti Faktoring was initially established with the name Aktif Finans Faktoring Hizmetleri A.Ş. on September 4, 1990 to provide factoring services to industry and trade companies. The company started to operate within the Garanti Group upon a resolution made at the 2001 Ordinary General Assembly Meeting held on March 27, 2002, where the trade name was changed to Garanti Faktoring Hizmetleri A.Ş. (The Company). The Company's trade name was further amended to Garanti Faktoring A.Ş. (The Company) with the approval of the 2013 Ordinary General Assembly held on April 17, 2014.

Boasting a broad customer base, Garanti Faktoring provides integrated solutions for both domestic and foreign trade with a range of financing, guarantee and collection instruments. With a customer-focused approach, the Company delivers domestic and international factoring services primarily to SMEs, import and export companies, and other types of organizations. It serves clients with a widespread supplier and dealer network that includes 21 branches located across Turkey.

Garanti Faktoring operates in accordance with the Capital Markets Law, Financial Leasing, Factoring and Financing Companies Law No. 6361 enacted on November 21, 2012, and the Regulation on the Establishment and Operation Principles of Financial Leasing, Factoring and Financing Companies issued by the Banking Regulation and Supervision Agency (BRSA) and published in Official Gazette No: 28627 on April 24, 2013.

Garanti Faktoring 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 Istanbul (BIST). Some 8.4% of the Company's free-floating shares are traded on BIST Main Market under the ticker symbol GARFA.

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

Maslak Mahallesi Eski Büyükdere Caddesi No: 23  
Sarıyer İstanbul  
Telephone: +90 (212) 365 52 00  
Fax: +90 (212) 365 31 51

You can access the Company's web site in Turkish and English at [www.garantifactoring.com](http://www.garantifactoring.com).

# GARANTİ FAKTORİNG AT A GLANCE

Total Asset Size

TL **2,971** million

Factoring Receivables  
Balance Sheet Size

TL **2,850** million

Transaction Volume

TL **17,326** million

Net Profit

TL **25,430** thousand

Shareholders' Equity

TL **166** million

Number of Customers in  
Factoring Transaction

**8,181**

Total Factoring  
Transactions

**36,632**

Employees

**175**

Branches

**21**

Corporate Governance  
Rating

**9.15**

# STRONG SHAREHOLDING STRUCTURE

## TÜRKİYE GARANTİ BANKASI A.Ş. AND TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. OWN 81.84% AND 9.78% OF GARANTİ FAKTORİNG SHARES, RESPECTIVELY. THE REMAINING 8.38% OF THE COMPANY'S SHARES HAVE BEEN ISSUED TO THE PUBLIC.

### TÜRKİYE GARANTİ BANKASI A.Ş.

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of US\$ 96.2 billion as of December 31, 2015.

Garanti is an **integrated financial services group** operating in every segment of the banking sector, including corporate, commercial, SME, payment systems, retail, private, and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage, and asset management besides international subsidiaries in the Netherlands, Russia and Romania.

As of December 31, 2015, Garanti provides a wide range of financial services to more than 13.8 million customers with employees exceeding 19.7 thousand through an extensive distribution network of 971 domestic branches, 9 foreign branches (7 in Cyprus, one in Luxembourg and one in Malta), 3 international representative offices in London, Düsseldorf and Shanghai with 4,504 ATMs, an award winning Call Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Aiming to achieve sustainable growth by creating value for all its stakeholders, Garanti bases its corporate strategy on the principles of **"transparency," "straightforwardness"** and **"accountability."** The Company provides customers with products and services that meet their needs and continually works to improve the customer experience. Its competent and dynamic human resources, unique technological infrastructure, customer-centric service approach, innovative products and services offered with strict adherence to quality carry Garanti to a leading position in the Turkish banking sector.

Following **the best practices in corporate governance**, Garanti is jointly controlled by two powerful entities, Doğuş Holding Co. and Banco Bilbao Vizcaya Argentaria S.A. (BBVA), which has 10.0% and 39.9% of shares respectively.

Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.02% in Borsa Istanbul as of December 31, 2015.

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its **custom-tailored solutions and the wide product variety** play a key role in reaching US\$ 75.9 billion cash and non-cash loans. The high asset quality attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

Building on the Bank's core values, Garanti Bank defines Sustainability as a commitment to build a strong and **successful business for the future**, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in. Garanti further strengthens its sustainable banking approach through community investment programmes in a variety of topics ranging from sports to education, arts to nature and informing the business world.

### BANCO BILBAO VIZCAYA ARGENTARIA S.A

After acquiring the stakes held by GE Capital Corporation and Doğuş Holding A.Ş. in 2011, Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") Group currently owns 39.90% of Garanti Bank shares. Garanti Bank is controlled jointly by Doğuş Holding and Banco Bilbao Vizcaya Argentaria S.A., under an equal partnership arrangement.

Established in 1857, BBVA ranks among the largest banks in Spain, is the **leader** in South America, **the biggest financial institution** in Mexico, and one of the top 15 commercial banks in the US.

As of December 31, 2015, BBVA's assets amounted to EUR 397 billion, shareholders' equity was EUR 37 billion, and net profit

totalled EUR 2.86 billion. BBVA shares are traded on stock exchanges in Spain, New York, London, Mexico and Peru. As of year-end 2015, the Group's shares carried equal voting rights, with about 1 million shareholders across the globe. The largest reported direct and indirect shareholders hold no more than 3% of the total shares.

BBVA has conducted business operations for more than 150 years. Currently, the Group serves about 66 million customers with 138 thousand employees, 9,145 branches, and 30,616 ATMs in 35 countries. Embracing the vision of "Working for a better future," BBVA's mission is **"to build lasting relationships with our customers."**

### **TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

Recent developments in the Turkish and global financial market environment required that changes be made to the areas of operation of Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey - Türk Eximbank) in order to improve its effectiveness. In addition, banking legislation was revised under the new Turkish Commercial Code, which came into effect on July 1, 2012. As a result, the "Principles related to the Establishment and Duties of the Export Credit Bank of Turkey" were issued and published in the Official Gazette on February 23, 2013 pursuant to Turkish Council of Ministers Resolution No. 2013/4286.

The main objectives of Türk Eximbank are boosting exports, diversifying goods and services exported, introducing new markets for export goods, helping exporters increase their

share in international commerce and providing them with the support they need for their operations. In addition, Türk Eximbank ensures that exporters and contractors operating abroad remain competitive and secure, provides support to and promotes both foreign investment in Turkey, and the production and sale of investment goods for export.

Türk Eximbank, as the sole corporate incentive source of export in Turkey, provides short, medium and long term cash and non-cash loans, insurance and guarantee programs to support exporters having the same objective, and manufacturers that produce for export as well as contractors and entrepreneurs operating abroad. Since Türk Eximbank gathers all 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.

**In 2015, Türk Eximbank provided US\$ 30.3 billion in total support to exports, US\$ 20.2 billion in cash loans and US\$ 10.1 billion in insurance/guarantees.** As a result, Türk Eximbank extended cash and non-cash **finance support to 21% of all exports made in Turkey.** At year-end 2015, Türk Eximbank's assets totaled TL 44.4 billion, and paid-in capital amounted to TL 2.5 billion.

In 2012, Türk Eximbank moved its headquarters to Istanbul. Currently, it operates regional offices in Ankara and Izmir, a branch in Gaziantep, and liaison offices in Denizli, Kayseri, Bursa, Adana, Antalya, Trabzon, Konya, Samsun and the European side of Istanbul.

## **COMPANY CAPITAL AND SHAREHOLDING STRUCTURE**

As of December 31, 2015, Garanti Faktoring's paid-in capital amounted to TL 79,500,000.

Publicly Traded

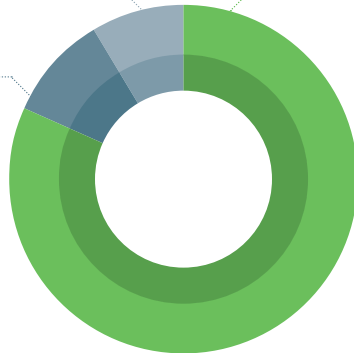
**8.38%**

Türkiye İhracat Kredi Bankası

**9.78%**

Türkiye Garanti Bankası A.Ş.

**81.84%**



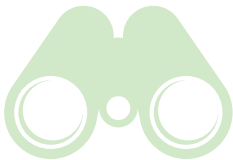
Türkiye Garanti Bankası A.Ş. owns 55.4% of the registered shares of Garanti Faktoring. The Bank has acquired the remaining 26.4% out of the Company's shares, which trade on BIST. 8.4% of Garanti Faktoring shares are traded on the BIST National Market.

# OUR VISION, OUR MISSION, OUR STRATEGIES AND OUR CORE VALUES



## **Our Vision**

WE AIM TO BE THE LEADING COMPANY OF THE SECTOR BY MAKING A DIFFERENCE WITH THE “GARANTI” BRAND NAME.



## **Our Mission**

OUR MISSION IS TO CREATE CONTINUOUS ADDED VALUE FOR OUR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS, LEADING TO IMPROVEMENT OF THE SECTOR IN WHICH WE OPERATE THANKS TO OUR SIGNIFICANT INVESTMENTS IN HUMAN RESOURCES, TECHNOLOGY AND INNOVATION.





## **Our Strategies**

- To become a company that makes a difference with high quality human capital, fast and efficient business processes, and exceptional service quality,
- To use technology effectively and increase efficiency by making continuous investments in our technology systems infrastructure,
- To offer services tailored to the needs of customers via innovative products and customized corporate solutions,
- To ensure that our strategies are based on profitable growth, high service quality, employee satisfaction as well as market driven data, and that customer needs are effectively met, monitored, improved while ensuring interactive communication among employees.



## **Our Core Values**

- Our customers...
- We are an ethical factoring company staffed by ethical employees...
- “Our most important asset is human capital”
- Team work
- Continuous improvement
- Our social responsibilities

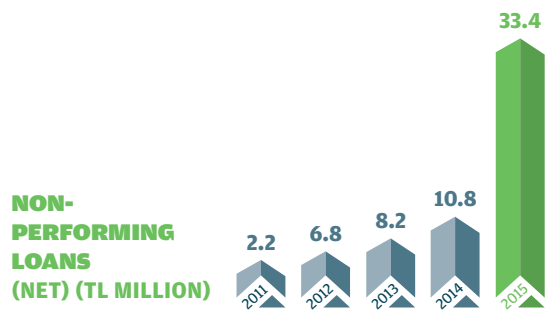
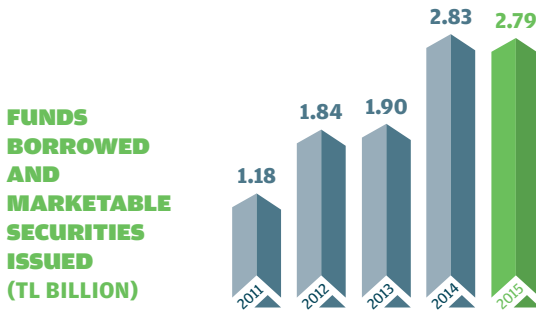
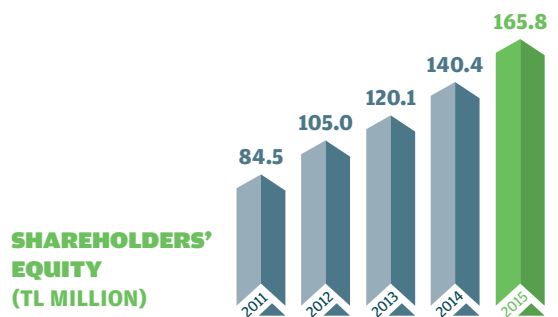
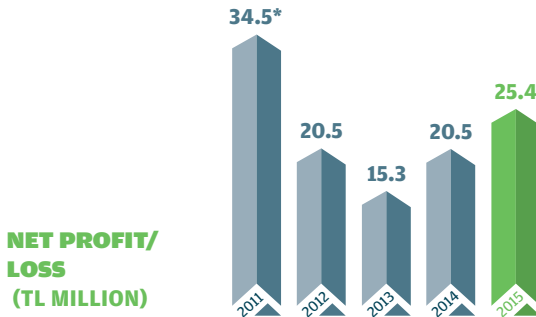
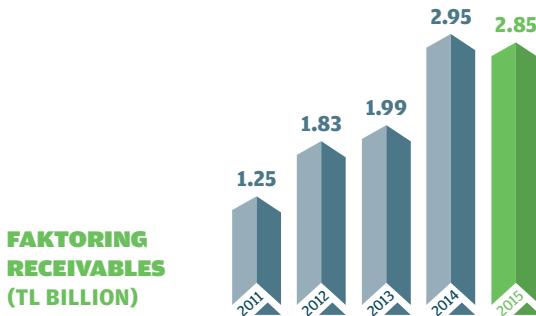
# COMPETITIVE ADVANTAGES OF GARANTİ FAKTÖRİNG

- ✓ Strong brand and corporate reputation
- ✓ Well-qualified and experienced workforce
- ✓ A widespread branch network located across the country
- ✓ Fast operational processes
- ✓ Best customer relationship management solutions
- ✓ Pioneer in advanced technology
- ✓ Customer oriented innovative products and services
- ✓ Superior data warehouse and management reporting
- ✓ Integrated financial services offering
- ✓ Corporate governance culture



Mar Apr May Jun Jul Aug Sep Oct Nov Dec

# FINANCIAL INDICATORS AND RATIOS



	2011	2012	2013	2014	2015
Return on Assets (%)	2.79*	1.37	0.87	0.89	0.86
Return on Equity (%)	58.21*	21.41	13.44	15.73	16.65
NPL (%)	1.22	1.43	1.92	1.88	3.31

\* The effect of a one-time share sale transaction made in 2011 is TL 28,781 thousand.

## **GARANTİ FAKTORİNG'S NET PERIOD PROFIT INCREASED 24% OVER THE PREVIOUS YEAR TO TL 25.4 MILLION.**

### **GARANTİ FAKTORİNG MAJOR INCOME STATEMENT ITEMS (TL THOUSAND)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>FACTORING INCOME</b>	<b>103,587</b>	<b>144,598</b>	<b>134,792</b>	<b>188,109</b>	<b>237,682</b>
Factoring Interest Income	84,311	122,769	112,351	170,949	217,548
Factoring Commission Income	19,276	21,829	22,441	17,160	20,134
<b>OPERATING EXPENSES</b>	<b>(26,520)</b>	<b>(34,551)</b>	<b>(37,267)</b>	<b>(38,224)</b>	<b>(40,035)</b>
Personnel Expenses	(15,070)	(20,409)	(21,908)	(22,132)	(22,867)
General Administrative Expenses	(11,228)	(13,859)	(15,149)	(16,012)	(17,129)
Other	(222)	(283)	(210)	(80)	(39)
<b>OTHER OPERATION INCOME/EXPENSES</b>	<b>39,862</b>	<b>7,715</b>	<b>18,539</b>	<b>43,902</b>	<b>75,826</b>
Interest Income from Deposits	9,215	4,460	4,293	634	2,057
Derivative Financial Transactions Gains/Losses (Net)	(2,780)	1,886	(15,921)	32,263	81,384
Foreign Exchange Gains/Losses (Net)	2,862	694	30,133	10,218	(10,270)
Other *	30,565	675	34	787	2,655
<b>FINANCIAL EXPENSES</b>	<b>(70,837)</b>	<b>(85,467)</b>	<b>(85,839)</b>	<b>(152,313)</b>	<b>(221,361)</b>
Interest Expense on Funds Borrowed	(70,486)	(84,378)	(84,047)	(106,182)	(153,471)
Other Fees and Commissions	(345)	(1,088)	(447)	(1,973)	(4,073)
Interest Expense on Securities Issued	-	-	(1,341)	(44,158)	(63,805)
Other	(6)	(1)	(4)	-	(12)
<b>SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES</b>	<b>(6,631)</b>	<b>(6,713)</b>	<b>(11,062)</b>	<b>(15,860)</b>	<b>(20,288)</b>
<b>TAX PROVISION FOR CONTINUING OPERATIONS</b>	<b>(4,927)</b>	<b>(5,122)</b>	<b>(3,861)</b>	<b>(5,098)</b>	<b>(6,394)</b>
<b>NET PERIOD PROFIT/LOSS*</b>	<b>34,534</b>	<b>20,460</b>	<b>15,302</b>	<b>20,516</b>	<b>25,430</b>

\* Effect of one-time share sale transaction made in 2011 is TL 28,781 thousand.

# FINANCIAL SITUATION AND PERFORMANCE ASSESSMENT IN 2015

## GARANTİ FAKTORİNG'S TRANSACTION VOLUME TOTALED TL 17,326 MILLION IN 2015.

### FACTORING RECEIVABLES

With factoring receivables of TL 2,850 million and market share of 11.4%, Garanti Faktoring maintained its leadership position in 2015.

### ASSET SIZE

With TL 2,971 million in total assets and 11.12% market share, Garanti Faktoring remained the leader of the sector in 2015.

### TRANSACTION VOLUME

Garanti Faktoring's transaction volume totaled TL 17,326 million (US\$ 6,142 million) in 2015.

Foreign transactions totaled TL 7,350 million (US\$ 2,626 million), export transaction volume increased 55.6% to TL 8,606 million (US\$ 3,024 million), and import transaction volume climbed to TL 1,370 million (US\$ 492 million), up 15.3%. Garanti Faktoring ranks second with a 14.6% market share of the sector's total transaction volume.

## GARANTİ FAKTORİNG'S SECTOR DISTRIBUTION OF TRANSACTION VOLUME AND FACTORING RECEIVABLES OF YEAR-END 2015

### SECTOR DISTRIBUTION OF TRANSACTION VOLUME

	TL THOUSAND	(%)
<b>AGRICULTURAL SECTOR</b>	<b>107,470</b>	<b>0.62%</b>
Agriculture, Livestock, Forestry	81,337	0.47%
Fishing	26,133	0.15%
<b>MANUFACTURING SECTOR</b>	<b>10,439,029</b>	<b>60.25%</b>
Nuclear Fuels, Petroleum and Coal Products	3,432,501	19.82%
Transportation Vehicles	2,662,426	15.37%
Textile and Textile Products	903,029	5.21%
Machinery and Equipment	641,101	3.70%
Electrical and Optical Devices	595,320	3.43%
Chemical and Chemical Products and Artificial Fiber	559,253	3.23%
Manufacturing Not Classified Elsewhere	485,470	2.80%
Metal Key and Processed Material Manufacturing	480,016	2.77%
Food, Beverage and Tobacco	242,687	1.40%
Paper Raw Materials and Paper Products Printing	156,110	0.90%
Wood and Wood Products	92,143	0.53%
Extraction of Metals Not Used for Energy Production	84,192	0.48%
Rubber and Plastic Products	62,010	0.36%
Extraction of Metals Used for Energy Production	34,964	0.20%
Leather and Leather Products	7,286	0.04%
Electrical Gas and Water Resources	521	0.01%
<b>SERVICES SECTOR</b>	<b>5,379,565</b>	<b>31.05%</b>
Financial Institutions	2,033,661	11.74%
Transportation, Warehousing, and Communication	1,267,411	7.31%
Wholesale and Retail Trade Motorized Vehicle Services	1,217,045	7.02%
Construction	467,854	2.70%
Other Public, Social and Private Services	294,428	1.70%
Hotels and Restaurants (Tourism)	48,024	0.28%
Health and Social Services	46,480	0.27%
Real Estate Brokerage, Leasing and Management	2,601	0.02%
Education	1,632	0.01%
Other Financial Instruments	429	0.00%
<b>OTHER</b>	<b>1,399,686</b>	<b>8.08%</b>
<b>GRAND TOTAL</b>	<b>17,325,750</b>	<b>100.00%</b>

### SECTOR DISTRIBUTION OF FACTORING RECEIVABLES\*

	TL THOUSAND	(%)
<b>AGRICULTURAL SECTOR</b>	<b>52,797</b>	<b>1.84%</b>
Agriculture, Livestock, Forestry	37,655	1.32%
Fishing	15,142	0.52%
<b>MANUFACTURING INDUSTRY</b>	<b>1,326,125</b>	<b>45.99%</b>
Transportation Vehicles	212,945	7.39%
Extraction of Metals Used For Energy Production	188,222	6.52%
Textile and Textile Products	155,620	5.41%
Chemical and Chemical Products and Artificial Fiber	153,570	5.34%
Nuclear Fuels, Petroleum and Coal Products Industry	133,137	4.61%
Electrical and Optical Devices	108,404	3.75%
Extraction of Metals Not Used for Energy Production	83,592	2.91%
Paper Raw Materials and Paper Products Printing	69,784	2.43%
Metal Key and Processed Material Manufacturing	64,874	2.25%
Machinery and Equipment	52,793	1.84%
Food, Beverage and Tobacco	51,251	1.77%
Wood and Wood Products	34,179	1.18%
Rubber and Plastic Products	14,335	0.49%
Leather and Leather Products	2,204	0.07%
Extraction of Metals Used for Energy Production	1,084	0.03%
Electrical Gas and Water Resources	131	0.00%
<b>SERVICES SECTOR</b>	<b>1,023,252</b>	<b>35.48%</b>
Wholesale and Retail Trade Motorized Vehicle Services	597,615	20.74%
Transportation, Warehousing, and Communication	190,985	6.63%
Construction	103,170	3.57%
Other Public, Social and Private Services	86,743	3.02%
Financial Institutions	19,920	0.69%
Hotels and Restaurants (Tourism)	13,475	0.45%
Health and Social Services	11,001	0.38%
Other Financial Instruments	152	0.00%
Education	138	0.00%
Real Estate Brokerage, Leasing and Management	53	0.00%
<b>OTHER</b>	<b>481,435</b>	<b>16.68%</b>
<b>GRAND TOTAL</b>	<b>2,883,609</b>	<b>100.00%</b>

\* Including net non-performing loans

# FINANCIAL SITUATION AND PERFORMANCE ASSESSMENT IN 2015

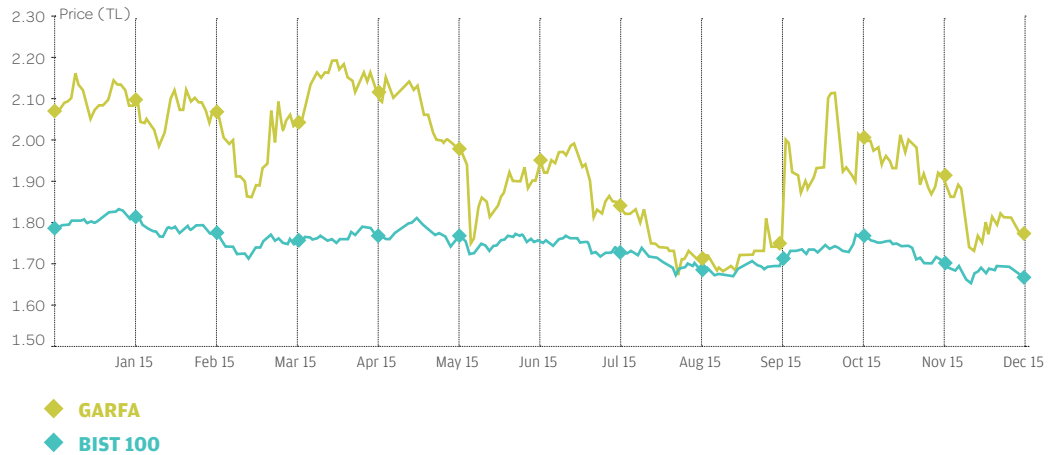
## GARFA TRANSACTION VOLUME TOTALED TL 59.6 MILLION DURING THE PERIOD JANUARY-DECEMBER 2015.

### INFORMATION ON GARFA SHARES

Garanti Faktoring shares have been traded on Borsa Istanbul (BIST)'s National Market since 1993 under the ticker symbol "GARFA". The Company has been included in the BIST Corporate Governance Index since August 24, 2012.

In the period January-December 2015, GARFA stock reached TL 2.3 - the highest closing price ₺- while the transaction volume totaled TL 59.6 million during the same period.

### SHARE PERFORMANCE





# CREDIT RATINGS

As of July 31, 2015, the global rating agency Fitch Ratings assigned Garanti Faktoring A.Ş. a 'BBB' rating with a 'stable outlook.' The credit ratings announced by Fitch Ratings are as follows:

<b>FOREIGN CURRENCY</b>	
Long Term:	BBB
Short Term:	F2
<b>TURKISH LIRA</b>	
Long Term	BBB
Short Term:	F2
<b>NATIONAL</b>	
Long Term:	AAA (tur)
Outlook:	Stable

The credit ratings report can be accessed on the Company's website ([www.garantifactoring.com](http://www.garantifactoring.com)), in the section "Rating Reports" under "Investor Relations".

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE RATING

## **GARANTİ FAKTORİNG'S CORPORATE GOVERNANCE SCORE ROSE FROM 8.90 TO 9.15 FOR THE PERIOD AUGUST 20, 2015 - AUGUST 20, 2016.**

The fourth period of the "Corporate Governance Principles Compliance Rating" study, which initially launched in 2012 to assess the Company's compliance with Corporate Governance Principles, was completed on August 20, 2015.

The report was prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) and shows that Garanti Faktoring's Corporate Governance Score rose from 8.90 to 9.15 for the period August 20, 2015 - August 20, 2016.

Companies rated in the range of "9-10" are defined thusly: "Corporate enterprises that comply with CMB's Corporate Governance Principles to a great extent; have established well-functioning internal control systems; are capable of detecting and actively controlling potential risks; protect shareholder rights in a fair manner; embrace a transparent approach to public disclosures; safeguard the rights of stakeholders in an equitable manner; have a Board of Directors structure and operation methods that fully comply with Corporate Governance Principles; and companies that merit to be included in the BIST Corporate Governance Index in the event of a public offering."

The detailed report prepared by Kobirate is disclosed to the public on the Company's website ([www.garantifactoring.com](http://www.garantifactoring.com)), in the section Corporate Governance Compliance Rating Reports, under Investor Relations.

# OUR ACHIEVEMENTS

## **GARANTI FAKTORİNG WAS NAMED THE “WORLD’S BEST EXPORT FACTORING COMPANY” – EARNING THE HIGHEST SCORE TO DATE – AT THE ANNUAL MEETING OF FACTORS CHAIN INTERNATIONAL (FCI).**

### **WORLD’S BEST EXPORT FACTORING COMPANY**

With its extensive know-how and operational transaction speed, Garanti Faktoring makes a name for itself not only in Turkey, but also in the international factoring industry. Garanti Faktoring was named the “World’s Best Export Factoring Company” at the annual meeting of Factors Chain International (FCI), held in Singapore on June 26, 2015. The Company received a score of “99.5% - Perfect” in several evaluation criteria, including service quality, correspondent relations, transaction volume and number of countries. The Company won this award by earning the highest score to date.

### **THE BEST FACTORING COMPANY IN TURKEY**

In 2015, Global Banking & Finance Review, an independent financial magazine, selected Garanti Faktoring as the “Best Factoring Company in Turkey.” Held annually, the Global Banking & Finance Review Awards reflect the innovation, achievement, strategy, progressive and inspirational changes taking place within the global financial community. The competition aims to recognize financial institutions, which are prominent in particular areas of expertise and excellence within the financial world.

### **THE COMPANY’S ANNUAL REPORT WINS AN AWARD IN THE US**

With its many achievements to date, Garanti Faktoring holds a special place of distinction within the factoring sector. The Company’s Annual Report won third prize in the category “Printing & Design” at the 29<sup>th</sup> edition of the ARC Awards, which is widely recognized as the ‘Oscars’ for annual reports. The ARC Awards is conducted by Mercomm, a US-based independent awards organization. In 2015, the awards program received more than 3,000 entries, among which Garanti Faktoring’s Annual Report stood out with its unique concept, design and printing technique.

# BOARD OF DIRECTORS

## ALİ FUAT ERBİL

### Chairman

Ali Fuat Erbil graduated from Middle East Technical University, Department of Computer Engineering, earned his MBA from Bilkent University and obtained a Ph.D. in Banking and Finance from Istanbul Technical University. During his professional career, Mr. Erbil took on several different management roles in various private companies and banks. He joined Garanti in 1997 as Senior Vice President of Distribution Channels, and later served as Executive Vice President of Retail Banking and Distribution Channels between 1999 and 2012. In the latter role, he was also responsible for home financing and private banking. In 2012, he was appointed Executive Vice President of Financial Institutions and Corporate Banking at Garanti. Mr. Erbil has served as CEO and Board Member at Garanti Bank since September 2, 2015. He is also the Chairman of the Board of Directors at Garanti Leasing, and Board Member at Garanti Securities, Garanti Technology, Garanti Pension and Life, and Garanti Payment Systems. In addition, Mr. Erbil serves as a Member on the Board of Directors and Board of Trustees of Teachers Academy Foundation.

## GÖKHAN ERÜN

### Vice Chairman of the Board of Directors

Gökhan Erün graduated from Istanbul Technical University, Department of Electronics and Communications and earned his MBA from Yeditepe University. In 1994, he joined Garanti Bank's Treasury Department; between 1999 and 2004, he served as Senior Vice President of Commercial Marketing and Sales. In 2004, he became the CEO of Garanti Pension and Life; on September 1, 2005, he was appointed Executive Vice President of Garanti Bank. Mr. Erün has served as Deputy CEO of Garanti Bank since September 2, 2015. He is also the Chairman of the Board of Directors at Garanti Hizmet Yönetimi A.Ş. and Garanti Investment Trust; Vice Chairman of the Board of Directors at Garanti Securities and Garanti Leasing; and Board Member at Garanti Bank International N.V. With 21 years of experience in banking and business administration, Mr. Erün's areas of responsibility include Corporate Banking Coordination, Treasury, Treasury Marketing & Financial Solutions, Derivatives, Cash Management and Transaction Banking.

## TURGAY GÖNENSİN

### Member of the Board of Directors/Member of the Credit Committee

Turgay Gönensin graduated from Boğazici University Department of Business Administration. In 1987, he joined Garanti Bank, where he worked at various departments. He served as the CEO of Garanti Bank International between 1997 and 2000 and CEO of Ottoman Bank between 2000 and 2001. Between 2001 and 2015, he served as Executive Vice President of Commercial Banking and Executive Vice President of Domestic & Overseas Subsidiaries Coordination at Garanti Bank. Mr. Gönensin is currently the Chairman of the Board of Directors and Member of the Audit and Credit Committees at Garanti Fleet Management; Board Member and Member of the Audit and Credit Committees at Garanti Leasing; Board Member and Member of the Audit and Credit Committees at Garanti Bank SA (Romania); and a Member of the Credit Committees at Garanti Bank Moscow (GBM) and Garanti Bank International N.V.

## HULKİ KARA

### General Manager/Member of the Board of Directors

Hülki Kara graduated from Istanbul University and graduated from Dokuz Eylül University, Department of Economics. He joined Garanti Bank in 1989. Mr. Kara served as 1<sup>st</sup> Degree Auditor on the Audit Board, Branch Manager and Region Manager within Garanti Bank. He has served as General Manager at Garanti Faktoring since October 18, 2011.

### OSMAN BAHİRİ TURGUT

#### Member of the Board of Directors /Corporate Governance Committee Member

Osman Bahiri Turgut graduated from Marmara University, Faculty of Economics and Administrative Sciences in 1990. Starting his professional career in 1990 at Garanti Bank on the Audit Board, he currently works as Head of Internal Audit and Control at Garanti Bank. Mr. Turgut also serves as Auditor at Garanti Bilişim Teknolojisi ve Tic. A.Ş., Garanti Finansal Kiralama A.Ş., Garanti Yatırım Menkul Kıymetler A.Ş., Garanti Portföy Yönetimi A.Ş., Garanti Ödeme Sistemleri A.Ş., Garanti Emeklilik ve Hayat A.Ş., Garanti Hizmet Yönetimi A.Ş. and Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş. In addition, he is a Member of the Board of Directors at Garanti Bank's Pension Fund Foundation and at Garanti Kültür A.Ş.

### LUIS VICENTE GASCO TAMARIT

#### Member of the Board of Directors

Luis Vicente Gasco Tamarit holds a bachelor's degree in Business Administration and Law from ICADE University as well as a master's degree in Wholesale Banking from BBVA Finance School. Mr. Tamarit started his BBVA career in 1998 and assumed managerial duties in the area of Commercial Banking. Currently, he serves as the Head of BBVA Commercial Banking Global Business Development and is a Member of the Board of Directors at Garanti Finansal Kiralama A.Ş.

### SERHAT YANIK

#### Independent Member/Audit Committee Member/Early Risk Detection Committee Member/ President of Corporate Governance Committee

Serhat Yanik graduated from İstanbul University in 1977 and holds a bachelor's degree in Public Administration as well as a master's degree and a PHD in Business Administration from İstanbul University. He is currently acting as the President of Direct Procurement and Tender Commission of İstanbul University, President of Accounting and Finance Department in Faculty of Political Sciences School of Business Administration of İstanbul University, Finance Director of İstanbul University Hospitals General Directorate, Vice Manager of İstanbul University Circulating Capital Management. He is also Board Member of Expert Accountants Association of Turkey and Editorial Board Member of Internal Audit Bulletin of the Institute of Internal Audits and Member of Association of University Hospitals Union. He also holds an Independent Accountant and Financial Advisor (CPA) license as well as an Independent Auditor License from the Public Oversight, Accounting and Auditing Standards Authority.

### ALİ COŞKUN

#### Independent Member/Audit Committee Member/ Early Risk Detection Committee Member

Ali Coşkun graduated from İstanbul Technical University, Department of Industrial Engineering. In addition, he holds a master's degree in Finance from Bosphorus University and PhD degree in Accounting and Information Management from University of Texas. He continues to pursue his career as the academician of Bosphorus University Economics and Administrative Sciences Faculty. He is currently acting as Head of Bosphorus University Finance Reserach Center, Board Member of Bosphorus University Corporate Governance and Financial Regulation Research Center, Board Member of Bosphorus University Social Facility Administration, Vice-President of Bosphorus University Sustainable Development and Fair Production Research Center. He is also a Board Member at the Financial Literacy and Inclusion Association.

# COMMITTEES AND ATTENDANCE TO 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. Committee; in order to achieve compliance with the accounting system, financial reporting, public disclosure, internal control and internal audit system, independent external audit, laws, regulations and code of ethics, monitors and evaluates the Company's systems, processes and activities, and advises the Board of Directors if necessary.

Audit Committee is composed of the Independent Members of the Board of Directors, Mr. Serhat Yanik and Mr. Ali Çoşkun.

Tasks of the Committee are as follows;

### Internal Control System:

- To evaluate that; whether the Company management shares the importance of the internal control with the Company employees or not, and whether the Company adopts a "suitable culture" or not,
- To get information about the periodical and process oriented audit results performed by the Internal Audit Unit regarding implementation faults and deficiencies,
- To monitor deficiencies detected in the audit activities performed by the Internal Audit Unit, T. Garanti Bankası A.Ş., Audit Board and the other corporations, and informs the Company Board of Directors about non-recovered findings.

### Internal Audit:

- To oversee whether or not the Internal Audit Unit fulfills its obligations stipulated in the Internal Audit Regulation,
- To review the annual audit plan that is prepared by the Internal Audit Unit and the revisions made in the annual audit plan before the Board of Directors' approval,

- To approve the appointments of the Internal Audit Unit personnel
- To review the Internal Audit Unit Regulation before it is approved by the Board of Directors,
- To make the performance assessment of the Internal Audit Manager. When necessary, the Committee may get the opinions of the Company General Manager on this issue,
- To monitor the decisions of the Top Management and the units reporting to them regarding the issues detected in the internal audit reports,
- Within the framework of the Article 13/4 provisions of the Regulation on "Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies" To evaluate the Internal Audit Unit activity report prepared regarding auditing activities and the reports -that are submitted to the Committee by the Internal Audit Unit - including the results of the Internal Audit Unit's monitoring activities and its assessments,
- To monitor the adequacy of the Internal Audit Unit's staff structure and the existing training, competency and expertise levels of the audit personnel and takes necessary measures in order for audit unit personnel to be cultivated in the best manner theoretically and practically.

### Financial Reporting and Independent External Audit

- To oversee; whether or not the Company's financial reports include all the information that is correct and that must be reflected, whether or not they are prepared in compliance with the Law and other relevant legislation, and moreover ensures that the detected faults and frauds are corrected,
- To select of the independent audit firm, to prepare of the audit agreements and to start of the independent audit process as well as the independent audit firm's auditing activities at all stages.

### **Compliance with the Law, Regulation and Code of Ethics**

- To oversee; i) the functioning of the internal systems, accounting and reporting systems within the framework of the law and relevant regulations, and ii) the integrity of the information produced.
- To review the consistency of the Company 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 or not and makes suggestions to the Board of Directors about the necessary measures to be taken.

Audit Committee convened 7 times in 2015. In these meetings, important findings and the results of the periodical control activities that were detected in the Unit audits made by the Internal Audit Unit were discussed. Moreover, Deloitte provided information to the members of the Audit Committee about the results of the audit activities -performed by the independent audit firm (Deloitte) - regarding the Company's financial data dated 31.12.2014, 31.03.2015, 30.06.2015, 30.09.2015, and about the prepared management recommendation letter. In addition, the Audit Board provided information to the Committee regarding the results of the subsidiary audits performed in 2015 by the T. Garanti Bankası A.Ş. Audit Board.

### **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.

The Chairman of the Corporate Governance Committee is Mr. Serhat Yanık, and the Members are Mr. Osman Bahri Turgut and Serap Çakır.

In accordance with the structuring of the Board of Directors, the Corporate Governance Committee was established with the aim of performing also the duties of the Nomination Committee and the Compensation Committee and assumed the tasks of these committees.

### **The tasks of the Committee are as follows;**

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

### **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 of Directors and the Executive Directors,
- Submitting suggestions to the Board of Directors regarding changes that can be made on the issue of the Board of Directors' structure and efficiency.

### **Acting as the Compensation Committee:**

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

In 2015, Corporate Governance Committee convened seven times.

# COMMITTEES AND ATTENDANCE TO COMMITTEE MEETINGS

## EARLY RISK DETECTION COMMITTEE

As per the “Corporate Governance Communiqué II-17.1” published by the Turkish Code of Commerce 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.

Committee is composed of the Independent Members of the Board of Directors, Mr. Serhat Yanık and Mr. Ali Çoşkun.

### The tasks of the Committee are as follows;

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

Since its establishment date in 2014, the Committee submits its report to the Board of Directors every two months. Early Risk Detection Committee convened six times in 2015. 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

376<sup>th</sup> Article of TTK (Turkish Code of Commerce), 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 field of tasks of the Committees and their working principles were determined and publicly announced on the Company website in the “Yatırımcı İlişkileri> Kurumsal Yönetim” section.

## ASSETS LIABILITIES COMMISSION

The members of the Assets Liabilities Committee are; Hulki Kara (Member of the Board of Directors and General Manager), İlkay Şahin Hamurcu (Executive Vice President), Erkan Coplugil (Executive Vice President); Mert Ercan (Executive Vice President), Volkan Şenünver (Senior Vice President), Fatma İpek Bilmiş (Senior Vice President), Nilgün Yılmaz (Senior Vice President), Eda Kayhan (Senior Vice President), Serap Çakır (Senior Vice President), Hasan Okay Tuncay (Senior Vice President), Hande Yağcı (Senior Vice President), Özcan Destancı (Senior Vice President), Tahsin Maden (Senior Vice President), Emre Özmen (Senior Vice President), Işın Ülker (Senior Vice President), Nazan Aktaş (Senior Vice President), Ahmet Marangoz (Senior Vice President).

Sales and Marketing Regional Directors attend the Committee meetings every month alternately.

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. Regularly monitoring the achievement of budget targets, ensures that the decisions that will be executed by the related units are taken.

In 2015, the Committee convened 50 times by the General Manager in order to discuss and assess the specified issues weekly.



### **CREDIT COMMITTEE**

Credit Committee is composed of; Turgay Gönensin (Member of the Board of Directors), Ali Temel (Credit Committee Member) and Hulki Kara (Member of the Board of Directors and the General Manager). Although İlkay Şahin Hamurcu (Executive Vice President) and Erkan Coplugil (Executive Vice President) are not the members of the Credit Committee, may attend the meetings in order to present their opinion regarding loan proposals.

Garanti Faktoring Board of Directors, transferred the certain part of its loan allocation authorization to the Credit Committee. 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 that 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 presents the loan proposals that exceed its authorization to the Board of Directors so that they are concluded.

### **CREDIT PROCESSES COMMITTEE**

Credit Processes Committee members are; Hulki Kara (General Manager), İlkay Şahin Hamurcu (Executive Vice President), Mert Ercan (Executive Vice President), Erkan Coplugil (Executive Vice President), Nazan Aktaş (Organization and Process Development Senior Vice President), Tahsin Maden (Sales Marketing and Coordination - Senior Vice President), Emre Özmen (Product Management and Business Development Senior Vice President), Nilgün Yılmaz (Operation and Legislation Senior Vice President), Eda Kayhan (Legal Affairs and Credit Monitoring Senior Vice President), Özcan Destancı (Intelligence Senior Vice President), Hasan Okay Tuncay (Credits Allocation Senior Vice President) and Ahmet Marangoz (Manager of Corporate Sales and Structured Products). Whenever necessary, Regional Sales Managers may attend the meeting even though they are not Committee Members.

The aim of the Committee is to create, develop and effectively manage loan processes that will enable correct and efficient analysis of the factoring requests and to respond to the need in a reasonable amount of time as prescribed by applicable laws and regulations.

Credit Processes Committee convened three times in 2015.

### **IT COMMITTEE**

IT Committee Members are; Hulki Kara (Member of the Board of Directors and General Manager), İlkay Şahin Hamurcu (Executive Vice President), Erkan Coplugil (Executive Vice President); Mert Ercan (Executive Vice President), Işın Ülker (Senior Vice President), Nazan Aktaş (Senior Vice President), Tahsin Maden (Senior Vice President), Emre Özmen (Senior Vice President).

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

IT Committee was established in order to; determine the budget for the Company's IT projects, prioritize and approving IT needs, approve periodical master plans that will be mutually concluded with the IT service provider(s), and monitor compliance with the approved master plans and evaluating deviations.

The Committee convened two times in 2015.

In the Committee meetings held in 2015, the projects concluded in 2014 were evaluated, requests made by the units in 2015 were evaluated, priorities were determined and recent statuses of the ongoing projects were discussed.

# SENIOR MANAGEMENT



## HULKİ KARA

General Manager and Member of the Board of Directors

See Page 18.



## MERT ERCAN

Executive Vice President

Mert Ercan graduated from Dokuz Eylül University, Department of Business Administration. He joined Garanti Bank in 1999 and assumed duties as Vice Chairman on the Audit Board. Since March 15, 2011, he has served as Executive Vice President at Garanti Faktoring.



## İLKAY ŞAHİN HAMURCU

Executive Vice President

İlkay Şahin Hamurcu graduated from Istanbul University, Department of Business Administration. She started her career in 1992 at Pamukbank and subsequently went on to work at Koçbank and İktisat Bank, respectively. From 1998 to 2001, she assumed duties at Körfez Bank and afterwards at Osmanlı Bank, Garanti Bank, Garanti Leasing, respectively. Her career at Garanti Faktoring started in 2005 as Credit Manager and continued as Executive Vice President since April 1, 2011.



## ERKAN COPLUGİL

Executive Vice President

Erkan Coplugil graduated from Istanbul Technical University, Department of Management Engineering. He joined Garanti Bank in 1998 and assumed duties in the Organization and Planning, Commercial Banking Units and also served as a Branch Manager. He has served as Executive Vice President at Garanti Faktoring since December 12, 2011.

NAME/SURNAME	TITLE	PROFESSIONAL EXPERIENCE
Hulki Kara	Member of the Board of Directors and General Manager	26 years
Mert Ercan	Executive Vice President	16 years
İlkay Şahin Hamurcu	Executive Vice President	23 years
Erkan Coplugil	Executive Vice President	17 years

# ORGANIZATIONAL STRUCTURE AND ORGANIZATIONAL STRUCTURE CHANGES

## CHANGES TO THE ORGANIZATIONAL STRUCTURE

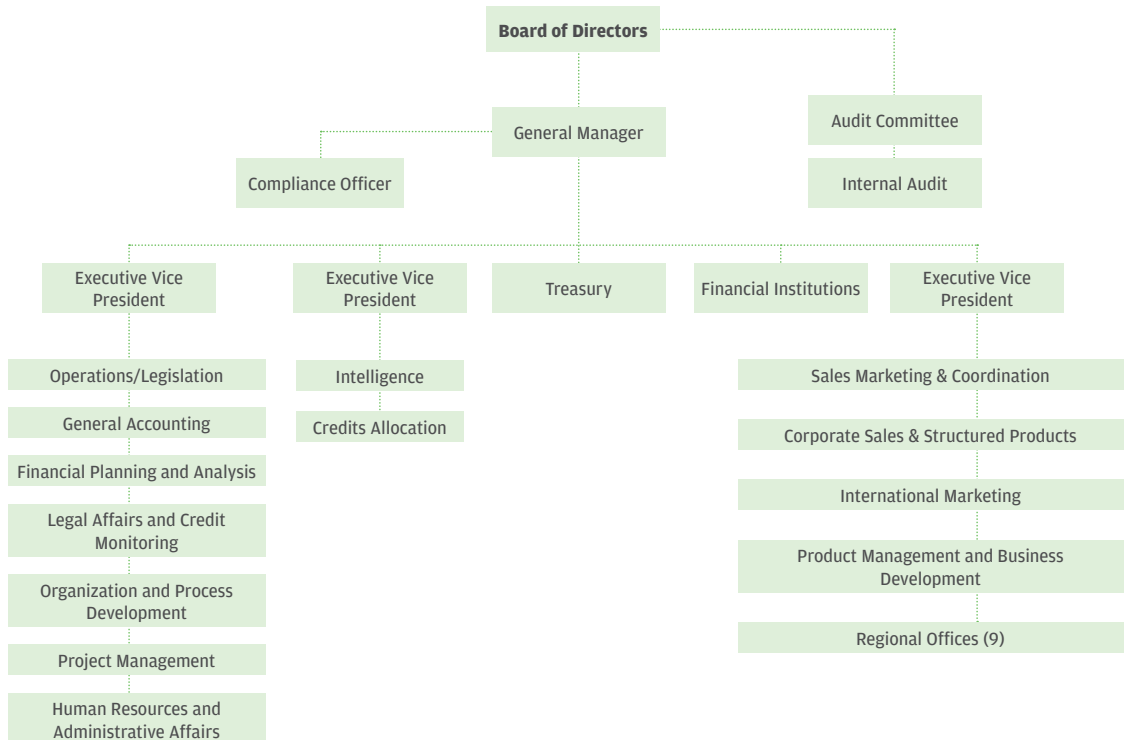
Between January 1 and December 31, 2015, the following changes were made to the Company's organizational structure:

As of January 1, 2015, the operations of Ankara 2-Central Anatolian Regional Office, which was previously operating under the Sales and Marketing Executive Vice President within the Company's organizational structure, were divided and integrated into Ankara 1-Western Black Sea Regional Office and Çukurova & Southeastern Anatolia Regional Office. Subsequently, the names of Ankara 1-Western Black Sea Regional Office and Ankara 2-Central Anatolian Regional Office were combined and changed to Ankara 1-2/Western

Black Sea Regional Office. Meanwhile the name of Çukurova & Southeastern Anatolia Regional Office was changed to Çukurova & Southeastern Anatolia & Central Anatolia Regional Office.

As of January 1, 2015, the operations of Istanbul Europe 3-4 Regional Office were divided and integrated into Istanbul Europe 1-2/Eastern Anatolia Regional Office and Istanbul Europe 5-6 Regional Office. Subsequently, the name of Istanbul Europe 1-2/Eastern Anatolia Regional Office was changed to Istanbul Europe 1-2-3/Eastern Anatolia Regional Office and the name of Istanbul Europe 5-6 Regional Office was changed to Istanbul Europe 4-5-6 Regional Office.

## ORGANIZATIONAL CHART



# CHAIRMAN'S ASSESSMENT

*Factors Chain International (FCI), the world's largest factoring network, named Garanti Faktoring the "World's Best Export Factoring Company."*



**Thanks to its customer-focused and sustainable business model, Garanti Faktoring will maintain its leadership position in the sector.**

**Ali Fuat Erbil , Chairman** ”



In 2015, Garanti Faktoring's total factoring transactions amounted to **TL 17,326 million.**

# CHAIRMAN'S ASSESSMENT

## **IN 2015, GARANTI FAKTORING LAUNCHED A SERIES OF NEW PRODUCTS. THESE INCLUDED DISCOUNTING OF RECEIVABLES UNDER A LETTER OF GUARANTEE – “ALACAĞIM GARANTI'DE (MY RECEIVABLES ARE GUARANTEED)” – THE SCOPE OF WHICH WAS FURTHER EXPANDED AND DISBURSEMENT OF EXPORT FINANCING PROVIDED BY EXIMBANK IN EXCHANGE FOR TRANSFERRED EXPORT RECEIVABLES.**

Esteemed Shareholders,

As the global economy grew 3.2% in 2015, the Federal Reserve's interest rate policy and the economic slowdown in China, which recently became the world's second largest economy, marked the year.

Meanwhile, the US economy expanded 2.4% in 2015, surpassing its pre-crisis level by 10%. Additionally, the Fed's decision to raise interest rates was further evidence that the US economy had finally recovered from the financial crisis. On the other hand, the European economy has not yet found steady ground. With economic growth rates declining over the past six years, developing countries posted mere 4.4% growth in 2015.

In China, the main driver of global economic expansion, both the stock market crash and the devaluation of the Chinese yuan had a negative impact on the world's markets. China's economy expanded at its slowest pace since the 2008 global financial crisis, with the country posting 6.3% growth in 2015.

### **INTEREST RATE HIKE AFFECTED TURKEY**

2015 was a tough year for the Turkish economy as well. A major factor, which significantly affected the global economy, was the Fed's decision to raise interest rates for the first time in nine years. After the rate hike, Turkey and other developing countries experienced heretofore unseen levels of capital flight while their currencies sharply declined against the US dollar.

In addition to these adverse conditions in the global economic environment, geopolitical risks in the region, heightened political uncertainty caused by two election periods, and intensified terror attacks largely shaped Turkey's economic agenda in 2015.

### **ABOUT 4% GROWTH**

Despite all these headwinds, Turkey figured among the countries that managed to close the year with the least possible damage, posting about 4% growth in 2015. As a result of weakening domestic demand and plunging commodity prices, the current account deficit fell significantly. However, despite the positive developments in growth figures and the current account balance, inflation remained above target, with the Consumer Price Index (CPI) coming in at 8.8% by year's end.

The factoring sector, on the other hand, grew faster than the national economy in 2015. Efforts undertaken by the Association of Financial Institutions to promote and publicize the factoring sector yielded positive results, contributing to the sector's growth. In a joint project initiated by the AFI and Türk Eximbank, factoring companies began to offer affordable financing to exporters; the Central Invoice Registration System was established and became a major data warehouse for the sector; and it became possible for factoring companies to conduct transactions on the Takasbank Money Market. These recent developments have also bolstered the growth of the sector.

### **TRANSACTION VOLUME OF TL 17,326 MILLION**

Garanti Faktoring, one of the strongest players in the industry, conducted factoring transactions amounting to TL 17,326 million with a total of 8,181 customers in 2015.

Focusing on providing exceptional customer satisfaction, Garanti Faktoring introduced new, innovative products tailored to meet the needs of customers across a wider geographic region in 2015. These new product and service offerings included the discounting of receivables under a letter of guarantee - "Alacağım Garanti'de (My Receivables are Guaranteed)" - the scope of which was further expanded and disbursement of export financing provided by Eximbank in exchange for transferred export receivables.

### **"THE WORLD'S BEST EXPORT FACTORING COMPANY"**

With EUR 1.6 billion in export-factoring turnover, Garanti Faktoring ranked second worldwide after Bank of China in 2015. The members of Factors Chain International (FCI), the world's largest factoring network, selected Garanti Faktoring as the "World's Best Export Factoring Company."

In addition, Global Banking & Finance Review, an independent financial magazine, named Garanti Faktoring the "Best Factoring Company in Turkey." Garanti Faktoring received these accolades thanks to its strong brand, advanced technology, innovative products and principles-based approach to corporate governance.

In its latest report, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. ("Kobirate") raised Garanti Faktoring's Corporate Governance Principles Compliance Rating from 8.90 to 9.15 for the period August 20, 2015 - August 20, 2016. With this upgrade, Garanti Faktoring entered the highest rank bracket, proving its solid commitment to corporate governance principles.

Our achievements in 2015 are largely due to our experienced, well-qualified employees and of course to you, our valued shareholders.

Garanti Faktoring will continue forging ahead on its journey to sustainable success to become the largest, most profitable and most innovative company in the factoring sector.

Respectfully yours,

**ALİ FUAT ERBİL**

**Chairman of the Board of Directors**

# GENERAL MANAGER'S ASSESSMENT

*Garanti Faktoring significantly expanded its customer base in 2015, in comparison to prior years, particularly in the area of export factoring. It also increased correspondent guaranteed export-factoring turnover by 130%, exceeding the target for the year to gain a 38% market share and becoming the sector leader in Turkey.*



**In 2015, Garanti Faktoring excelled in all areas of the business with its innovative products and services.**

Hulki Kara , General Manager







**1.**

Sector Leader in Asset Size and  
Factoring Receivables

# GENERAL MANAGER'S ASSESSMENT

## THANKS TO ITS ROBUST ORGANIZATIONAL STRUCTURE AND EXCEPTIONAL OPERATIONAL SPEED, GARANTI FAKTORING QUICKLY ADAPTED ITSELF TO CHANGES IN THE SECTOR, SUCCESSFULLY REACHING AND EVEN OUTPERFORMING ITS TARGETS WITHOUT BEING MUCH AFFECTED BY NEGATIVE MARKET CONDITIONS.

Esteemed Shareholders,

2015 was a tough year for the factoring industry. While a profits squeeze was felt throughout the year, the sector's asset size expanded 1.2% to TL 26.7 billion, up from TL 26.4 billion in 2014, with profit down 38.7% sector-wide.

Year-end financial results show that the industry's factoring receivables rose 1.1% over the previous year, to TL 25 billion, while transaction volume expanded 37%. Meanwhile, shareholders' equity amounted to TL 4,626 million, up 4.6%.

### NEW REGULATIONS

In 2015, important developments took place in the factoring sector. With the aim of providing financing to exporters, the Association of Financial Institutions ("FKB") began to offer export companies access to Eximbank's rediscounting facilities through its member factoring companies. As a result, exporters can now be extended rediscount export credits on bonds used to finance export receivables, and transferred to factoring companies. These are then endorsed by Türk Eximbank, through rediscounting, following the transfer to factoring companies. Subsequently, the number of countries subject to export factoring increased significantly.

Another important development was granting FKB members the right to conduct transactions on the Takasbank Money Market. This decision permitted factoring companies to operate in this market just like banks and intermediary institutions. Now, they can evaluate short-term excess funds and meet their funding needs.

The Central Invoice Registration System, set up in accordance with Article 43 of the "Financial Leasing, Factoring and Financing Companies Law No. 6361," had a positive effect on operational processes, shortening transaction times and enabling factoring companies to provide faster service to customers.

### CORRESPONDENT GUARANTEED EXPORT-FACTORING TURNOVER UP 130%

Thanks to its robust organizational structure and exceptional operational speed, Garanti Faktoring quickly adapted itself to changes in the sector, successfully reaching and even outperforming its targets without being much affected by negative market conditions.

Our Company achieved great success and received many international awards in the area of export factoring, which is a top priority for us. Garanti Faktoring significantly expanded its customer base in 2015, in comparison to prior years, particularly in the area of export factoring. Our Company also increased correspondent guaranteed export-factoring turnover by 130%, exceeding the target for the year to gain a 38% market share and becoming the sector leader in Turkey. With this rapid growth, the share of export-factoring transactions in total transactions surpassed the share of domestic transactions for the first time.

Garanti Faktoring took maximum advantage of the joint project between Türk Eximbank and FKB, which enabled factoring companies to offer Eximbank's financing facilities to exporters. We also leveraged our commercial relationships with correspondent factoring companies overseas and superior service quality to drive export growth.

As a result of focusing on export factoring transactions, members of Factors Chain International (FCI) voted Garanti Faktoring the “World’s Best Export Factoring Company” at FCI’s annual meeting held in Singapore.

#### **LETTER OF GUARANTEE DISCOUNT**

As a factoring provider that embraces innovation, Garanti Faktoring excelled not only in export factoring but also in all areas of the business with its innovative products and services.

In 2015, Garanti Bank developed a Letter of Guarantee Discount product, which provides financing to parties who have agreed to letters of guarantee issued in favor of the buyer regarding the purchase of goods or dealerships. This product was made available to Garanti Faktoring customers.

During the year, we expanded the terms and conditions as well as the scope of our unique “Alacağım Garanti’de (My Receivables are Guaranteed)” product, which launched in 2013. As a result, it now includes import-factoring transactions in addition to domestic transactions. Also, pursuant to an agreement with Eximbank, fund resources offered by Garanti Faktoring to exporters were diversified.

In 2016, Garanti Faktoring plans to develop new systems designs and undertake improvements to increase transaction numbers and volume, especially in the SME segment.

Additionally, the Company plans to start developing the system infrastructure for supply chain financing, a practice frequently used overseas. Garanti Faktoring also aims to play a more active role and maintain market leadership in correspondent guaranteed import-factoring transactions related to the overseas operations of its customers.

#### **3,614 HOURS OF TRAINING**

Always aiming high in order to achieve market leadership, Garanti Faktoring maintains steady growth by continually investing in employees and improving corporate human resource practices.

In 2015, Garanti Faktoring continued to invest intensively in its human capital, providing 3,614 hours of in-class and on-the-job training to personnel in line with their capabilities and personal preferences. On average, each Company employee received 20 hours of training during the year.

As Garanti Faktoring continues to create value for stakeholders and the Turkish economy by pursuing a sustainable growth strategy, I would like to thank all our stakeholders for their support of the Company’s 2015 operations. I am confident that in the coming period we will achieve even greater success with the support of our strong shareholders, well-experienced business partners, and highly competent employees.

Best regards,

**HULKİ KARA**  
**General Manager**

# OVERVIEW OF THE TURKISH AND GLOBAL ECONOMY

## IN 2015, THE FED'S INTEREST RATE POLICY AND THE ECONOMIC SLOWDOWN IN CHINA, WHICH RECENTLY BECAME THE WORLD'S SECOND LARGEST ECONOMY, MARKED THE YEAR.

According to Goldman Sachs data, the global economy grew 3.2% in 2015 while the Fed's interest rate policy and the economic slowdown in China, which recently became the world's second largest economy, marked the year.

The Federal Reserve's decision to raise interest rates, as expected, is further evidence that the US economy has finally recovered from the 2008 global financial crisis. The size of the US economy has now surpassed its pre-crisis level by 10%. Meanwhile, the European economy has continued to stagnate, not yet reaching its pre-crisis size.

With economic expansion rates declining over the past six years, developing countries posted mere 4.4% growth in 2015. In China, the main driver of global economic growth, both the stock market crash and the devaluation of the Chinese yuan shook the world's markets. All countries that export to China felt the effects of this crisis while oil and commodity prices fell sharply.

### AS THE US ECONOMY EXPANDS, EUROPE'S ECONOMY STAGNATES

The US economy grew 1.5% in third quarter 2015, below market expectations of 1.7%. The reasons why the economy expanded at an annual pace of 3.9% in the second quarter, only to lose steam in the third quarter were mainly weakened exports due to the sharp rise in the value of the US dollar globally, and declining inventories. Even though domestic consumer spending slowed compared to the prior quarter, it significantly contributed to strong economic growth.

At the meeting on December 15-16, the Federal Reserve, America's Central Bank, decided to abandon its zero interest rate policy and raised its benchmark rate by 25 basis points, for the first time since 2008. The official announcement and Fed Chair Ms. Yellen's remarks at the press conference synced with market expectations. Subsequently, a wave of relief was felt among financial markets across the world.

### CHINA'S ECONOMIC CRISIS IS SHAKING THE WORLD

The Chinese economy, a key driver of global growth, expanded 7% during the first two quarters of 2015; in the third quarter, however, economic growth slipped to 6.9%, its lowest level since the global financial crisis. While consumption accounted for 58.4% of China's gross domestic product (GDP) during the first nine months of the year, capital formation made up 43.4%. Meanwhile, net exports during this period subtracted 1.8 percentage points from GDP growth.

In parallel with the recent slowdown in economic growth, China's Consumer Price Index (CPI) and Producer Price Index (PPI) continue to drop due to falling commodity prices. In September, China's consumer inflation rate stood at 1.6%, lower than market expectations of 1.8%, as producer prices extended their slide to a 43<sup>rd</sup> straight month. Meanwhile, the non-food index fell further to 1%, another signal of softening demand.

## **DESPITE FLUCTUATIONS IN THE GLOBAL ECONOMY AND GEOPOLITICAL RISKS, TURKEY WAS AMONG THOSE COUNTRIES THAT MANAGED TO CLOSE THE YEAR WITH THE LEAST POSSIBLE DAMAGE, RECORDING ECONOMIC GROWTH OF ABOUT 4%.**

### **TURKEY'S SUCCESSFUL PERFORMANCE**

2015 was a tough year for the Turkish economy. A major factor, which significantly affected the global economic environment, was the Fed's decision to raise interest rates for the first time in nine years. Subsequently, Turkey and other emerging markets experienced heretofore unseen amounts of capital flight while their currencies sharply declined against the US dollar.

In addition to these adverse conditions in the world economy, geopolitical risks in the region, heightened political uncertainty caused by two election periods, and intensified terror attacks largely shaped Turkey's economic agenda in 2015.

However, despite fluctuations in the global economy and geopolitical risks, Turkey was among those countries that managed to close the year with the least possible damage, recording economic growth of about 4%.

The second general election held on November 1 produced a single-party majority government, thus injecting optimism in the markets. At the beginning of November, the value of the Turkish lira increased 5%, Borsa Istanbul rose 5%, and indicative interest rates fell 50 basis points to single digits.

### **A RECORD-LEVEL DROP IN THE CURRENT ACCOUNT DEFICIT**

The current account gap started to narrow significantly toward year's end. The 12-month current account deficit fell from US\$ 46.5 billion at end-2014 to US\$ 38 billion in October 2015, and then finally to US\$ 34.7 billion at end-2015.

This improvement in the current account balance mainly resulted from weakening domestic demand and plunging commodity prices. Due to soft domestic demand, imports of consumer goods declined while falling commodity prices resulted in 34.8% reduction in energy imports, a major import item, during the first ten months of the year. Exports continued to decrease during the year, mainly due to lower foreign currency exchange rates and ongoing weak demand from Europe, a major export destination for Turkey.

However, despite the positive developments in growth figures and the current account deficit, inflation remained above target, with the Consumer Price Index (CPI) coming in at 8.81% at year-end 2015.

According to OECD forecasts, political normalization, which commenced after the general election of November 1, will help improve special consumption and investments in Turkey, eventually leading to gradual growth.

# FACTORING SECTOR OVERVIEW

**TURKEY'S FACTORING SECTOR HAS RECORDED AVERAGE ANNUAL GROWTH OF 36% SINCE 1990 WHEN THE FIRST FACTORING COMPANY WAS ESTABLISHED IN THE COUNTRY.**

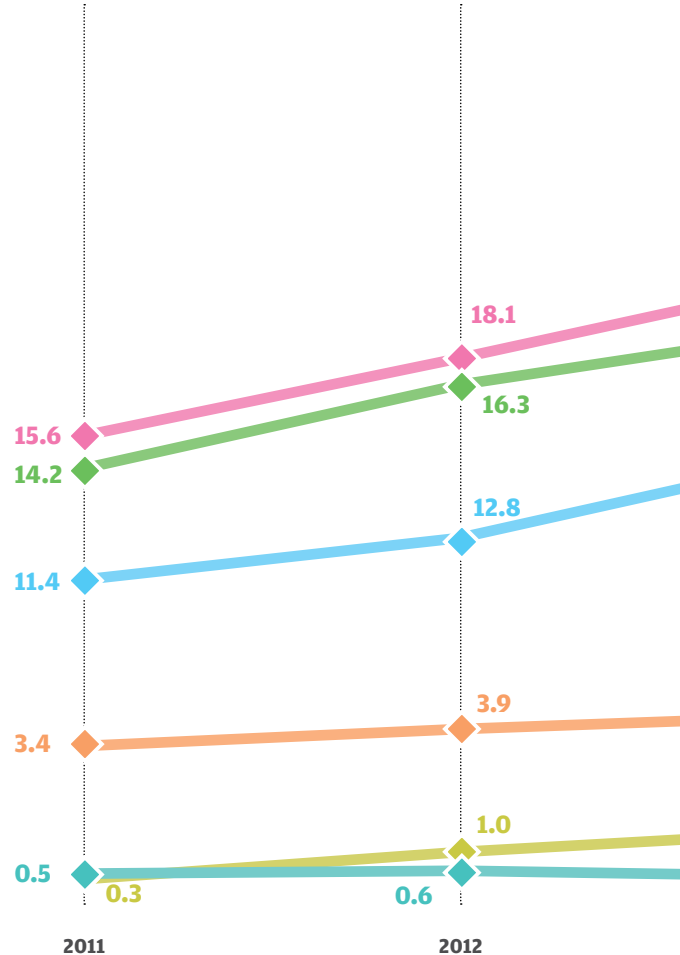
## FACTORING IN TURKEY

Factoring companies are regulated by "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 April 24, 2013.

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.

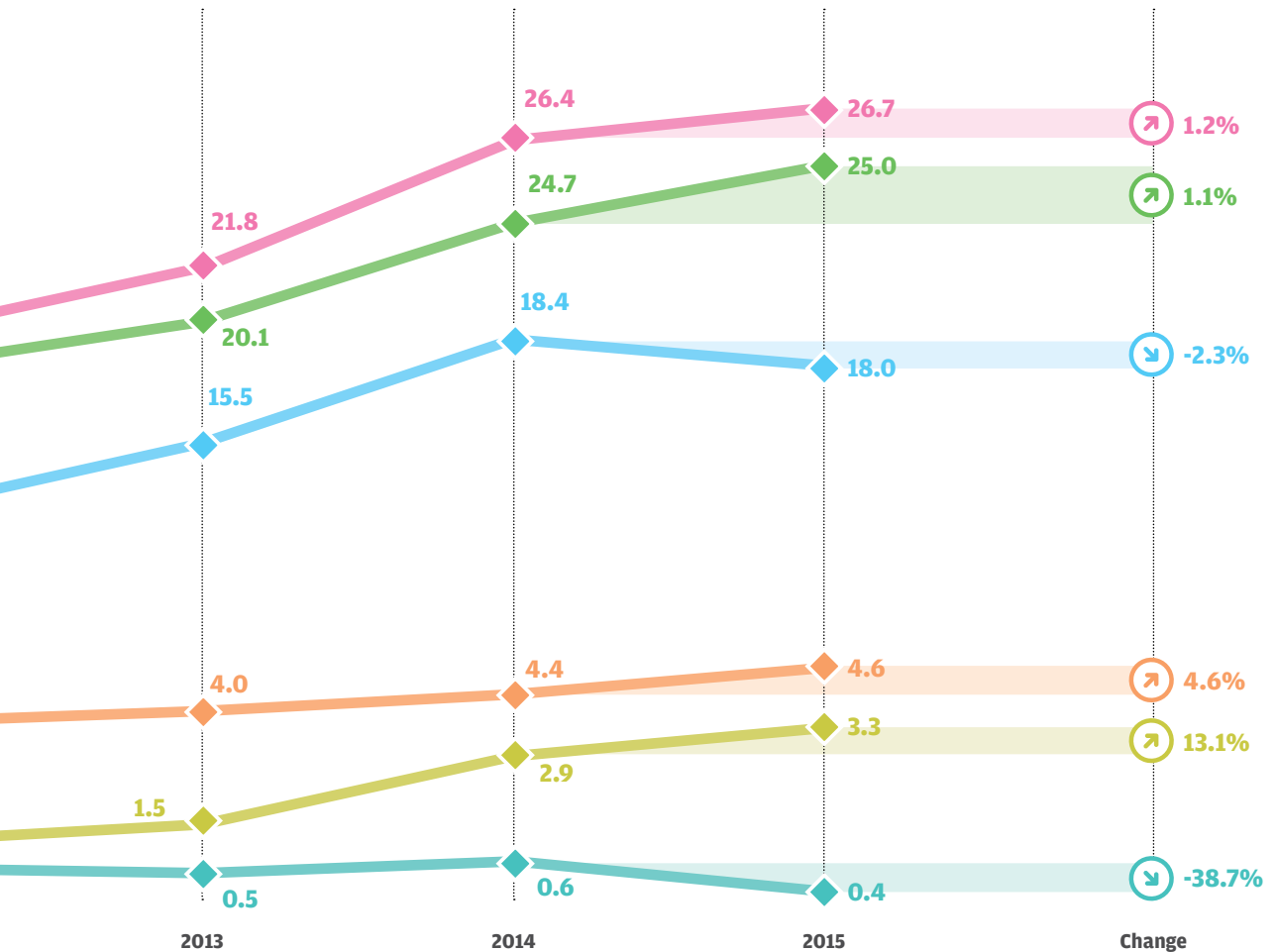
In Turkey, a significant portion of domestic trade is forward transactions. Therefore, factoring is needed mainly because the country's relatively high inflation rate leads to working capital problems in companies, the Turkish economy largely depends on exports, international trade is generally conducted on forward (open) accounts, and payments with letter of credit have become a less preferred option.

## FACTORING INDUSTRY MAJOR BALANCE SHEET ITEMS



Source: Association of Financial Institutions and BRSA

- ◆ **Receivables (TL Billion)**
- ◆ **Total Assets (TL Billion)**
- ◆ **Funds borrowed (TL Billion)**
- ◆ **Shareholders' Equity (TL Billion)**
- ◆ **MARKETABLE Securities Issued (TL Billion)**
- ◆ **Net Profit/Loss for the Period (TL Billion)**



# FACTORING SECTOR OVERVIEW

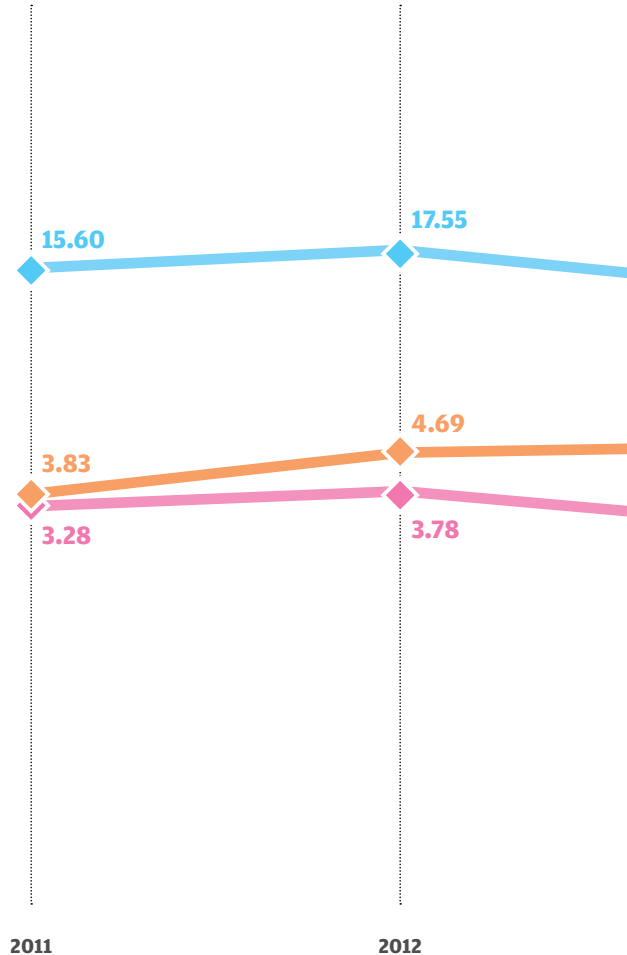
**IN 2015, TOTAL FACTORING SECTOR ASSETS INCREASED 1.2% TO TL 26.7 BILLION, FACTORING RECEIVABLES ROSE TO TL 25 BILLION AND TRANSACTION VOLUME WENT UP 3.9%.**

The concept of “factoring” entered Turkish banking vernacular for the first time in 1983 with the “Decree-Law on Money Lending Transactions.” Article 3 of this Decree defines factoring thusly: “The acquisition of existing or future accounts receivable, which arise from the sale of products or services, and providing finance through payments made on these receivables.” Enterprises established to perform this transaction are called “factoring companies.”

Factoring transactions began to be conducted in Turkey in 1988; in 1990, an authorized factoring company commenced operations for the first time. The factoring sector developed quickly in the country, especially during the second half of the 2000s in terms of transaction volume and customer numbers. 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.

The factoring sector has recorded average annual growth of 36% since 1990 when the first factoring company was established in the country. In 2014, Turkey’s rapidly expanding factoring industry moved up to 13<sup>th</sup> place in the world rankings of transaction volumes, as it has steadily jumped ahead a few places each year. The sector grows by an annual average of 23% in US dollar terms. This high pace of expansion places Turkey second after China, in terms of factoring transaction volume in the global market.

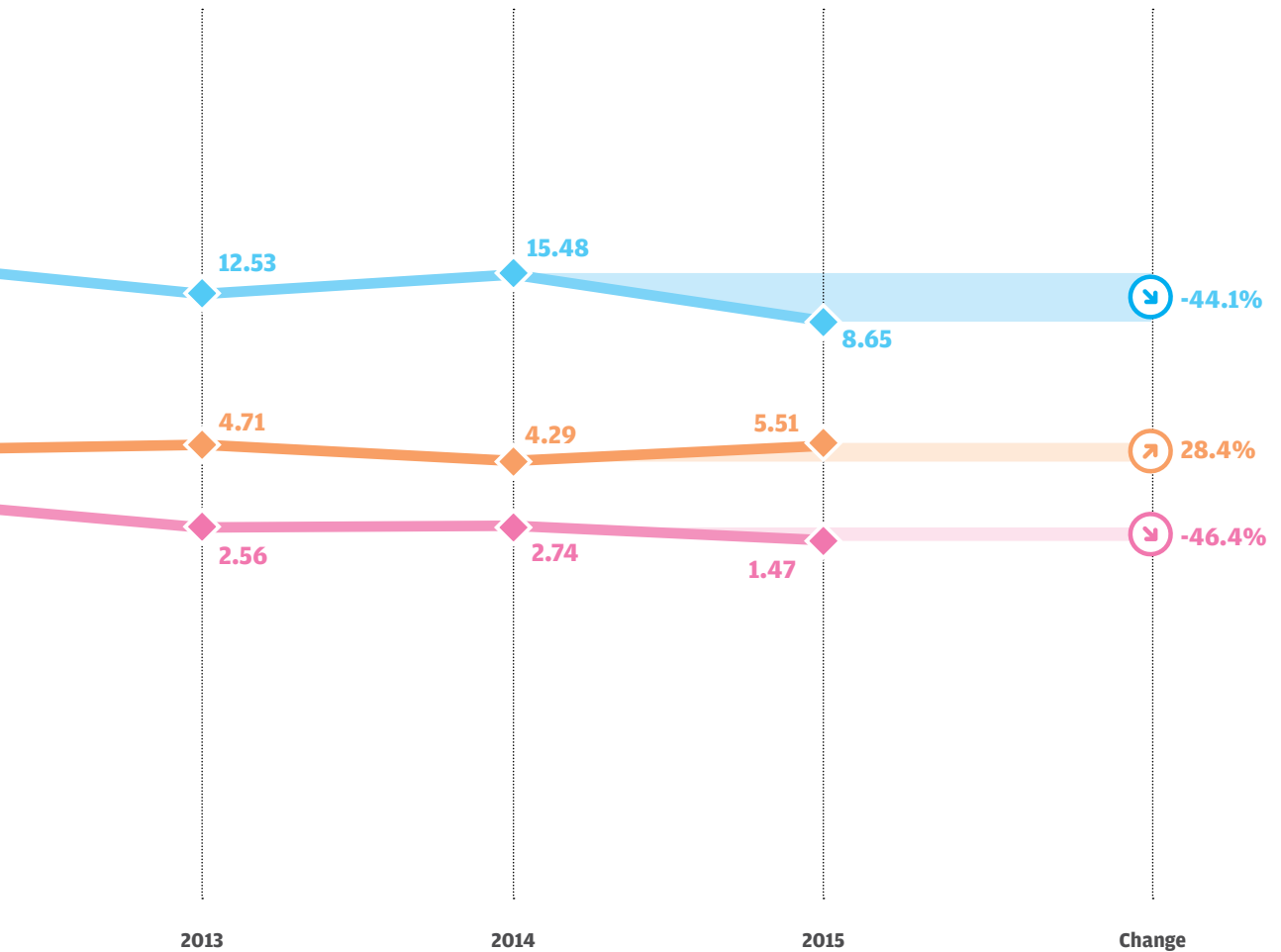
## SECTOR RATIOS



Source: Association of Financial Institutions and BRSA



- ◆ Return on Assets (%)
- ◆ RETURN ON EQUITY (%)
- ◆ NPL Ratio (%)



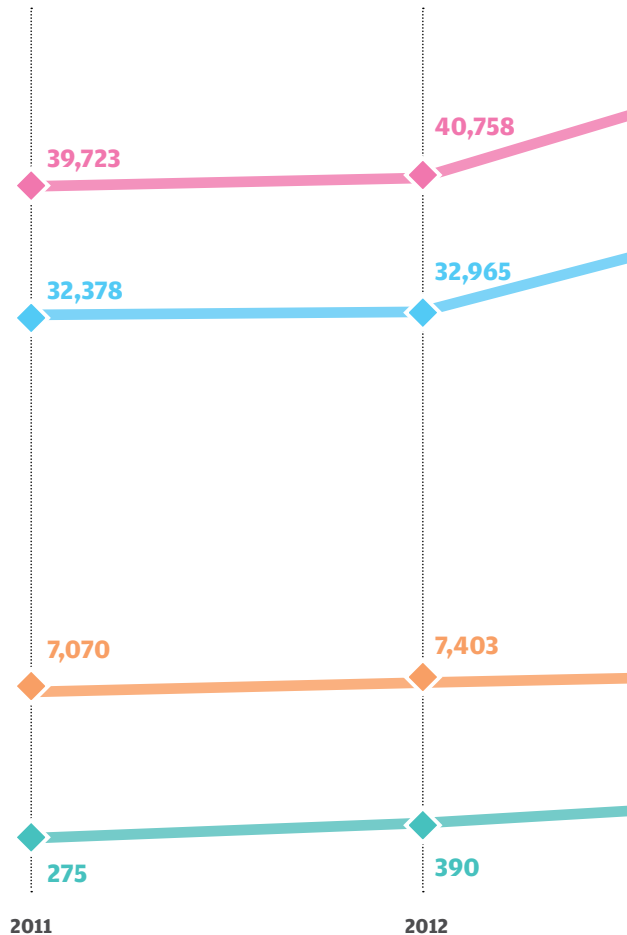
# FACTORING SECTOR OVERVIEW

## AS OF YEAR-END 2015, 66 FACTORING COMPANIES OPERATED IN TURKEY THROUGH 379 BRANCHES.

Pursuant to the “Financial Leasing, Factoring and Financing Companies Law No. 6361,” which came into effect on December 13, 2012, factoring companies to be established in Turkey shall have paid-in capital amounting to at least TL 20 million and shall adapt themselves within a three-year period. In 2015, operating licenses of 10 factoring companies were cancelled because the prior mentioned adaptation period had expired. As of year-end 2015, 66 factoring companies operated in Turkey through 379 branches, serving a total of 100 thousand customers. The sector employs 5,000 persons and significantly contributes to the Turkish economy by providing financing totaling about TL 25 billion.

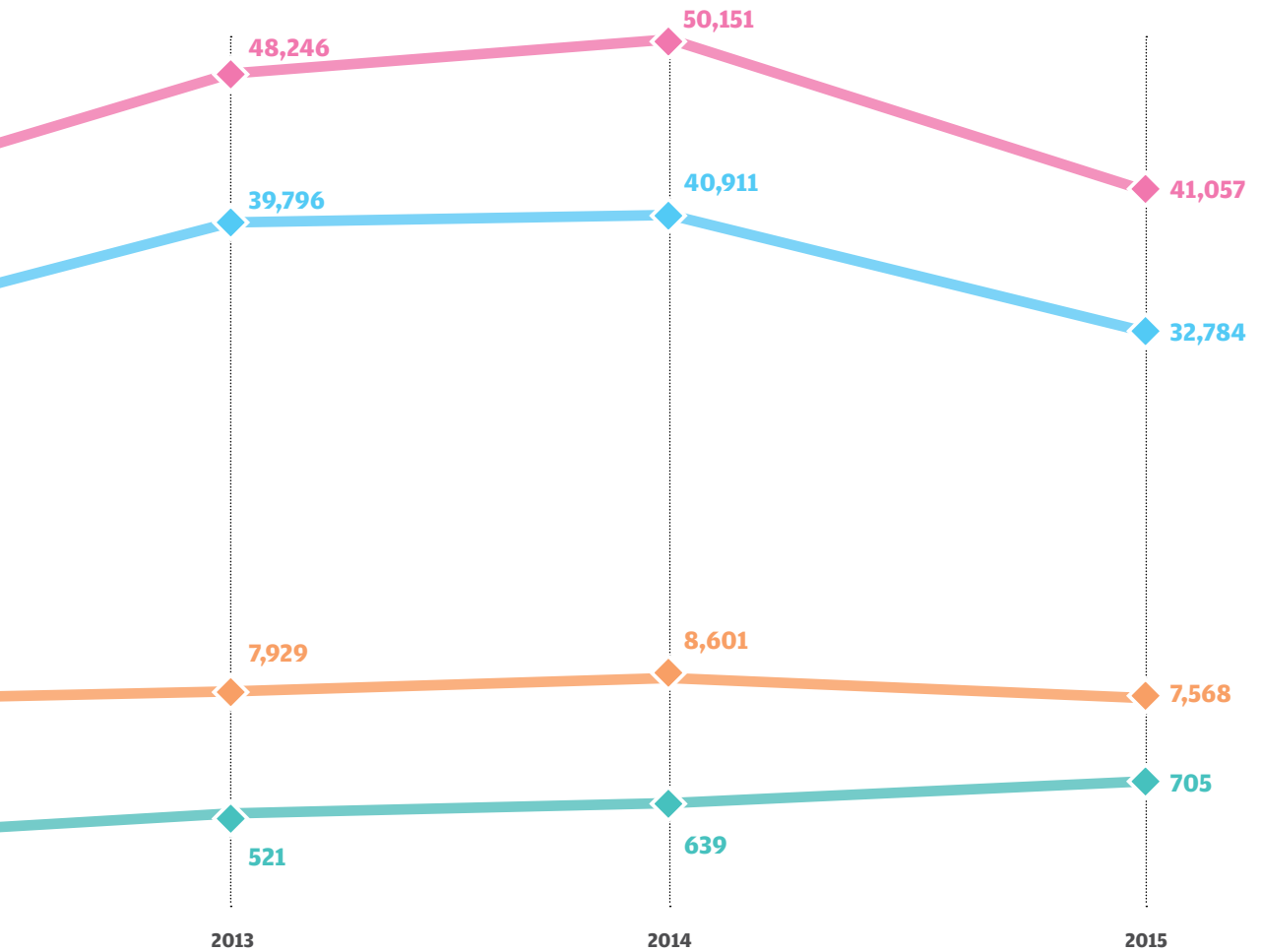
A review of the industry’s year-end financial results shows that factoring receivables went up 1.1% y-o-y to TL 25 billion while total assets rose 1.2% to TL 26.7 billion. In 2015, the factoring sector met its funding needs by obtaining funds generated through security issues (up 13.1% over the previous year), and by securing bank loans totaling TL 18 billion, down 2.3% from 2014. Shareholders’ equity increased 4.6% to TL 4.6 billion. Sector-wide profits dropped 38.7% y-o-y to TL 395 million. As of year’s end, the industry’s ROA and ROE stood at 1.47% and 8.65%, respectively. Meanwhile, the Non-Performing Loans (NPL) ratio rose to 5.51%, up 28.4% over the prior year. In 2015, the sector’s transaction volume amounted to US\$ 41.1 billion.

### FACTORING SECTOR TRANSACTION VOLUME IN TURKEY



Source: Association of Financial Institutions and BRSA

- ◆ **TOTAL TRANSACTION VOLUME (US\$ MILLION)**
- ◆ **DOMESTIC TRANSACTION VOLUME (US\$ MILLION)**
- ◆ **EXPORT TRANSACTION VOLUME (US\$ MILLION)**
- ◆ **IMPORT TRANSACTION VOLUME (US\$ MILLION)**



Source: Association of Financial Institutions and BRSA

# FACTORING SECTOR OVERVIEW

## **AFTER THE GLOBAL FINANCIAL CRISIS IN 2009, THE WORLDWIDE FACTORING INDUSTRY POSTED MORE THAN 20% ANNUAL GROWTH, WHEN THE ENTIRE WORLD BEGAN TO ACUTELY REALIZE THE IMPORTANCE OF RISK MANAGEMENT.**

### **FACTORING WORLDWIDE**

Since the 1950s, several factoring companies providing advanced services have been established in many countries. Unable to develop more fully until the 1970s, factoring became a reliable financing method after the 1973 oil crisis for many enterprises 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 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, a well-established factoring industry is present in more than 50 countries, particularly in Europe and the US. In the European market, 90% of factoring transactions are performed by factoring companies, which are generally subsidiaries of banks.

The global factoring industry has grown at an average annual rate of 13% over the last 25 years. After the global financial crisis in 2009, the worldwide factoring industry posted more than 20% annual growth, when the entire world began to acutely realize the importance of risk management. By the end of that year, global factoring transaction volume amounted to EUR 1,283 billion. Domestic transactions accounted for 87% of global factoring transactions while international transactions accounted for 13%. In the last six years, domestic and international transactions expanded at average annual rates of 11% and 24%, respectively. This pace of growth continued in the following years. By end-2014, factoring transaction volume had expanded 83% since end-2009, climbing to EUR 2,348 billion. Looking at the regional breakdown, 62% of transactions were conducted in Europe, followed by Asia (26%) and the US. (9%). When compared to the previous year, positive growth continued in all regions, with the exception of Africa.

# SALES, MARKETING AND COORDINATION

## IN 2015, GARANTI FAKTORING CONDUCTED FACTORING TRANSACTIONS AMOUNTING TO TL 17,326 MILLION, WITH A TOTAL OF 8,181 CUSTOMERS THROUGH ITS 21 BRANCHES.

The Sales, Marketing and Coordination Unit at Garanti Faktoring aims to deliver the right products to the right customers through the right channels at the right time, in line with customer segmentation and profitability models.

The Sales, Marketing and Coordination Unit is charged with formulating and implementing marketing strategies and tactical marketing plans geared toward target customer segments. The Unit revises these plans whenever necessary, shares them with regional offices, monitors implementation, and resolves and issues that may arise.

### 8,181 CUSTOMERS

Focusing on providing utmost customer satisfaction, Garanti Faktoring introduced new, innovative products tailored to meet the needs of customers across a wider geographic region in 2015.

In 2015, Garanti Faktoring, provides services to 21 branches, conducted factoring transactions amounting to TL 17,326 billion with a total of 8,181 customers. Compared to the previous year, the Company's export and import factoring transactions increased by 55.6% and 15.3%, respectively.

In addition to domestic financing transactions, Garanti Faktoring conducted export-factoring transactions with more customers in 2015, in comparison with previous years. Further, the Company's market share increased above sector average growth by venturing into new markets and customer segments.

Gaining more than a 60% market share in import factoring transactions, Garanti Faktoring maintained its leadership position in this area in 2015.

In 2016, Garanti Faktoring plans to develop new systems designs to increase the number and volume of transactions, particularly in the SME segment. Additionally, the Company aims to play a more active role and maintain its leader position in the market share in correspondent guaranteed import-factoring transactions related to the overseas operations of its customers.

Garanti Faktoring also plans to continue making capital investments in systems infrastructure and human resources in 2016. The Company targets improving operational efficiency while striving to realize its set performance objectives.

# CORPORATE SALES AND STRUCTURED PRODUCTS

## IN ADDITION TO ITS EXISTING STRUCTURED PRODUCT OFFERING, GARANTI FAKTORING PLANS TO CONTINUE DEVELOPING AND STRUCTURING INNOVATIVE SOLUTIONS TO MEET THE NEEDS OF THE MARKET, WHILE DELIVERING THE RIGHT PRODUCTS THROUGH A WIDESPREAD BRANCH NETWORK WITH EXPERT AND EXPERIENCED STAFF.

Garanti Faktoring aims to position factoring products as a financial solution. The Company will achieve this goal by developing new and unique products, besides the basic factoring offering, for corporate customers, in line with their financial needs as well as applicable regulations.

The Corporate Sales and Structured Products Unit develops innovative products, in addition to current factoring solutions, and properly adapts these products to meet market requirements and financial needs.

Placing great importance on innovation, Garanti Faktoring plays a key role and leads the sector with an array of breakthrough products.

In 2014 and 2015, Garanti Faktoring made major advances forward in both domestic and international transactions. Thanks to export transactions in particular, the Company attained a significant market position in this area.

In 2015, Garanti Faktoring further expanded the reach and scope of its supplier finance program to support small enterprises.

### **“ALACAK GARANTİSİ” POSTED 100% GROWTH**

The “Alacak Garantisi (Collection Guarantee)” product was structured in keeping with customer demands to secure their domestic receivables, and launched by Garanti Faktoring in

2013. The product gained increased popularity and more widespread usage in 2015. The Company focused its efforts on the Alacak Garantisi product, which recorded 100% growth in 2015.

Garanti Faktoring continued to improve its Supplier Finance and Commercial Collection Management services in 2015. Technology investments and systems development efforts related to the Supplier Finance product are currently underway.

Meanwhile, import-factoring transactions - first introduced to Turkey by Garanti Faktoring - are increasingly becoming more widespread.

### **CONTINUED SUPPORT WITH INNOVATIVE PRODUCTS**

In addition to its existing structured product offering, Garanti Faktoring plans to continue developing and structuring innovative solutions to meet the needs of the market, while delivering the right products through a widespread branch network with expert and experienced staff.

In 2016, Garanti Faktoring aims to perform major transactions in the areas of Technology Support and Supplier Finance. The Company also plans to play a more active role in trade with new, unique products - including the Alacak Garantisi (Collection Guarantee) offering - and Commercial Collection Management services.

# INTERNATIONAL FACTORING

## HAVING ADDED TO ITS LONG LIST OF SUCCESSFUL ACHIEVEMENTS IN 2015, GARANTI FAKTORİNG WAS NAMED THE “WORLD’S BEST EXPORT FACTORING COMPANY” BY FACTORS CHAIN INTERNATIONAL (FCI) WITH A SCORE OF 99.5%-EXCELLENT.

The Client and Correspondent Relations Unit continued to make a difference with an expert team that expanded the correspondent network into new markets. The Unit delivers tailored solutions to clients by cooperating with correspondent factoring companies based on a wide product range thanks to strong relationship management, providing top quality services to clients in their foreign operations with an innovative and customer oriented approach.

### WORLD’S BEST EXPORT FACTORING COMPANY

In 2014, Garanti Faktoring placed fifth in the category “Best Export Factoring Companies” at the annual meeting of Factors Chain International (FCI), the world’s largest factoring network. The Company added to its long list of successful achievements in 2015, and earned a first place ranking with a score of 99.5%-Excellent - the highest score to date - out of more than 275 companies based in 70 countries. Garanti Faktoring was evaluated against a number of criteria, including service quality, correspondent relations, and export transaction volume.

### SECOND PLACE IN GLOBAL EXPORT-FACTORING VOLUME

Garanti Faktoring is the only factoring company in Turkey with memberships in two giant international factoring chains - FCI (Factors Chain International) and IFG (International Factors Group). As a result, the Company is able to guarantee faster, easier and more reliable forward cash against goods sales to its customers by benefiting from a wide correspondent network of more than 275 factoring companies in 76 countries.

In 2014, Garanti Faktoring began to obtain funding from correspondent companies for the receivables it has acquired. As a result, the Company is now able to provide affordable financing for its customers’ guaranteed foreign receivables. Thanks to these achievements, Garanti Faktoring ranked

second globally with EUR 1.6 billion in export factoring volume, according to 2015 data.

### LEADER POSITION IN THE SECTOR IN TURKEY

Boasting the most extensive branch network among bank subsidiary companies, Garanti Faktoring visited various regions across the country to remain in close contact with existing and potential customers. As a result of these efforts, the Company significantly expanded the customer base, in comparison to previous years, particularly in the area of export factoring. It also increased correspondent guaranteed export-factoring turnover by 130%, exceeding the target for the year and ranked first with 38% of market share.

Garanti Faktoring accelerated efforts to ensure continued success, and made capital investments in systems infrastructure throughout 2015. Knowing the important role that a highly qualified staff plays in export and import factoring transactions, the Company sent employees to overseas training programs and encouraged them to participate in international certification exams.

In 2016, Garanti Faktoring plans to maintain the growth momentum it has achieved in correspondent guaranteed export and import factoring, increase the number of customers across the country, particularly in the export segment, conduct more customer and branch visits to stay in close contact with customers, and to visit correspondent companies to further improve correspondent relations.

### INCREASE IN CORRESPONDENT GUARANTEED EXPORT-FACTORING TURNOVER

Garanti Faktoring increased its correspondent guaranteed export-factoring turnover by 130% to EUR 1.6 billion in 2015, up from EUR 624 million in 2014.

# PRODUCT MANAGEMENT AND BUSINESS DEVELOPMENT

## DURING THE YEAR, GARANTI FAKTORING LAUNCHED A NEW PRODUCT, “LETTER OF GUARANTEE DISCOUNT,” THROUGH WHICH THE COMPANY PROVIDES IRREVOCABLE FACTORING SERVICES TO SELLERS IN RETURN FOR LETTERS OF GUARANTEE.

The Product Management and Business Development Unit is primarily responsible for developing new products and business partnerships while abiding by factoring regulations, improving the effectiveness of existing products, and promoting new products.

In 2015, the Company launched new products and improved the existing product portfolio.

### LETTER OF GUARANTEE DISCOUNT

Garanti Faktoring completed the system infrastructure for a new product, “Letter of Guarantee Discount,” in 2014, and subsequently launched it in 2015. With this product, which is designed to expand irrevocable factoring transactions, the Company provides irrevocable factoring services to sellers in return for letters of guarantee concerning purchase of goods/dealerships from buyers.

### NEW SOURCES OF FINANCING FOR EXPORTERS

In a new project launched jointly by the Association of Financial Institutions (FKB) and Türk Eximbank in 2015, factoring companies began to offer affordable financing to exporters, provided by Eximbank. Thanks to this initiative, Garanti Faktoring was able to diversify its funding sources geared toward exporting companies.

Additionally in 2015, Garanti Faktoring expanded the scope of its collaboration with Wells Fargo Trade Capital; the collaboration agreement to provide guarantee to exporters was signed in 2014.

### SCOPE OF “ALACAĞIM GARANTİ’DE” EXPANDS

In 2015, Garanti Faktoring further expanded the scope of “Alacağım Garanti’de (My Receivables are Guaranteed),” a unique product launched in 2013. It now includes import-factoring transactions, in addition to domestic transactions.

In 2016, the Company plans to start developing the system infrastructure for supply chain financing, a practice frequently used overseas.



# CREDITS ALLOCATION AND INTELLIGENCE

## THANKS TO THE RATING-BASED CREDIT PROCESS LAUNCHED IN 2015, GARANTI FAKTORING BECAME ABLE TO PROVIDE FASTER SERVICE TAILORED TO THE NEEDS OF MICRO AND SMALL-SCALE ENTERPRISES.

The Credits Allocation and Intelligence Unit is responsible for performing credit analysis on sellers and buyers in keeping with the Company's credit policy. While conducting these analyses, the Unit assesses economic trends, the general state of the industries in which customers operate, and market conditions, in addition to individual customer information. All necessary credit and intelligence analyses are performed within the credit process in order to determine the credibility of sellers and buyers, and to make decisions based on the findings. Following the allocation of credit, the Unit also provides credit management services.

Empowered by the strong Garanti brand, Garanti Faktoring continues to develop new products, services and processes tailored to the needs of customers, based on the deep, rich and reliable information it has.

In 2015, Garanti Faktoring reviewed all existing credit processes in a dynamic, consistent manner and made further improvements in line with the demands from customers and sales teams. The Company also developed new, unique processes for buyers.

### RATING-BASED CREDIT PROCESS

The Company launched the rating-based credit process in 2015. This new process enables Garanti Faktoring to provide faster service tailored to the needs of micro and small-scale enterprises. The procedure helped boost credit process efficiency.

Throughout 2015, Garanti Faktoring closely monitored sector risks and the effects of changes in the market on receivables. To that end, the Company reviewed and revised receivables processes by taking into account current market conditions and dynamics.

### UNIQUE DESIGNS

In 2016, Garanti Faktoring will continue to develop unique processes for buyers, further strengthen the Company's market intelligence capabilities, and increase transaction volume in micro and small-scale enterprise segments by introducing new products.

The Company is currently in the process of designing new products and developing a new business plan, which will enable buyers to access sellers through the Company's Head Office, and then to be directed to regional offices. As a result of criteria-based process development efforts in 2015, the Company was able to acquire a customer base with the potential of generating high-quality assets. Developments are scheduled to continue throughout 2016.

In addition to the ongoing process improvements, the Company will increase support to regional offices for determining credit requirements and timing.

# CREDITS ALLOCATION AND INTELLIGENCE

## IN 2015, THE INTELLIGENCE UNIT INITIATED THE “DRAWER RATING PROJECT,” ONE OF THE BIGGEST AND MOST IMPORTANT INITIATIVES FOR THE COMPANY.

### A BREAKTHROUGH PROJECT

Garanti Faktoring is currently in the process of developing a rating-based model to determine buyer credibility and an online system that operates on a database created with internal and external sources. This project -a first-of-its-kind in the Turkish factoring industry - will enable the Company to perform the controls, which are currently conducted manually, in a systematic fashion. As a result, it will help the Company save time and improve decision-making effectiveness.

In 2016, the Company will also prioritize collection related efforts in order to assess market dynamics and their effect on internal processes.

### INTELLIGENCE UNIT

In 2015, the Intelligence Unit closely monitored the new practices introduced by the Credit Bureau and the Risk Center, and applied these to the Company's business processes.

The Unit collaborated with a total of 195 public hospitals regarding accounts receivable financing.

According to year-end data from Interbank Clearing House, the nationwide average percentage of dishonored checks in quantity and amount were 3.9% and 3.3%, respectively. These percentages were much lower at Garanti Faktoring: 1.5% and 1.1%.

### DRAWER RATING PROJECT

In 2015, the Intelligence Unit initiated the “Drawer Rating Project,” one of the biggest and most important initiatives for the Company, with plans to complete the systems integration in 2016. Once finalized, the project will enable the Company to conduct debtor and creditor ratings against parametric criteria, and even make intelligence decisions in accordance with certain prescribed principles. As a result, it will help increase efficiency of business processes and objectivity in making intelligence decisions.

The Intelligence Unit has focused its efforts on market studies to be able to follow changes in trade structure more closely, and it will continue sector-specific studies in 2016.



# FINANCIAL INSTITUTIONS

## **FOCUSING ON FACTORING FACILITIES TO MEET CUSTOMER NEEDS, GARANTI FAKTORING HAS DEEPENED ITS RELATIONSHIPS WITH PARTNER BANKS AND OBTAINED FINANCING FOR CUSTOMERS UNDER FAVORABLE TERMS.**

The Financial Institutions Unit is primarily responsible for managing Garanti Faktoring's relationships with domestic and international banks. It continues to successfully manage the Company's relationships with banks based in Turkey as well as in Europe, North America, and Central Asia, thanks to Garanti Faktoring's powerful relationship management capabilities.

The Financial Institutions Unit also manages the relationship with the global credit rating agency Fitch Ratings, and carries out activities to improve Garanti Faktoring's recognition and raise the Company's profile abroad.

### **A WIDESPREAD RELATIONSHIP NETWORK OVERSEAS**

In 2015, Garanti Faktoring further diversified its sustainable funding resources. Focusing on factoring facilities to meet customer needs, the Company has deepened its relationships with partner banks and obtained financing for customers under favorable terms.

During the year, Garanti Faktoring increased the number of its partner banks to fund its ever-growing balance sheet under the most favorable terms and conditions possible. To that end, the Company collaborated with foreign banks, in particular, in the area of international trade finance, further deepening and bolstering its relationships with creditors.

### **IMPORT AND EXPORT FINANCE**

In the coming period, the Company plans to strengthen its collaboration with banks in the area of import finance, and particularly with Europe-based banks.

In 2016, Garanti Faktoring aims to cooperate closely with the Treasury Unit to diversify the portfolio of domestic bond investors and to further strengthen its relationship with local banks.

# TREASURY

## **IN 2015, GARANTI FAKTORİNG ISSUED DISCOUNT BONDS WITH A SIX-MONTH MATURITY AND TOTAL NOMINAL VALUE OF TL 1,584 MILLION, OFFERED EXCLUSIVELY TO QUALIFIED INVESTORS VIA PRIVATE PLACEMENT.**

The Treasury Unit meets the funding needs and manages the cash flow of Garanti Faktoring. In addition, the Unit manages the liquidity risk and maturity risk by setting the Company's interest rates in order to maximize balance sheet net margins and minimize fluctuations. It makes necessary transactions in the spot or derivative markets by closely monitoring market conditions and making required analyses. The Treasury Unit also manages the Company's relations with banks. The Unit's main objective is to increase Garanti Faktoring 's profitability by closely monitoring capital and financial markets.

The Treasury Unit's main objective is to increase the Company's profitability by closely monitoring capital and financial markets.

The Turkish Lira-denominated bond issuance, which started in 2013, has significantly contributed to Garanti Faktoring's asset-liability management practices in 2015.

In 2015, Garanti Faktoring issued discount bonds with a six-month maturity and total nominal value of TL 1,584 million offered exclusively to qualified investors via private placement. The Company also amortized bonds with a total nominal value of TL 859 million.

Despite a volatile interest and foreign currency exchange rate environment, the Company plans to pursue its current business strategy and prioritize bond issues in 2016 as well.

# OPERATIONS AND LEGISLATION

## **GARANTİ FAKTORİNG ASSUMED A PIONEERING ROLE IN THE SECTOR TO ENSURE CONFORMITY OF FACTORING PRACTICES WITH LEGAL AND REGULATORY REQUIREMENTS, AND CONDUCTED ALL ACTIVITIES IN ACCORDANCE WITH STANDARDS AND WITH MINIMAL OPERATIONAL RISK.**

The Operations and Legislation Unit ensures that all transactions are performed properly and timely in accordance with applicable laws, regulations, and international factoring rules and pursuant to Garanti Faktoring's policies and procedures. In addition, the Unit provides effective solutions to problems caused by the nature of transactions, and offers legislative and regulatory consultancy services to sales teams and other units in line with their responsibilities.

The Operations and Legislation Unit structured some project based transactions, continued to ensure conformity of factoring practices with legislative and regulatory requirements, and clarified the standards by receiving the opinion of authorities while taking a primary role in the sector for uncertainties in 2015.

### **36,632 CREDIT ALLOCATIONS**

In 2015, the Operations Unit conducted 36,632 credit allocations and processed a total of 505,186 invoices.

During the year, the Operations and Legislation Unit boosted operational efficiency and ensured legal and regulatory compliance. Thanks to ongoing system improvements and training support across the organization, the Unit gained more experience. It also ensured the completion of transactions within standard periods and quality levels, and with minimal operational risk, especially in a high risk period.

The restructuring process across the Company continued throughout 2015. The Unit reviewed processes to ensure that transactions are performed with zero legislative and regulatory risk, and restructured systems and organizational processes in light of increased transaction volume.

### **CENTRAL INVOICE REGISTRATION SYSTEM**

Pursuant to Factoring Law No. 6361, the Factoring Association set up the Central Invoice Registration System in early 2015 to avoid the production of duplicate invoices for receivables transferred to factoring companies. Accordingly, it became mandatory to register all transferred receivables in the system prior to each credit allocation. Efforts to integrate systems and enable the registration of transferred receivables via online services have commenced. Systems integration is expected to be completed in the first half of 2016; as a result, standard periods will be shortened.

### **TRAINING EFFORTS TO CONTINUE**

The Operations and Legislation Unit voluntarily contributes to internal training and industry-based training programs. In addition to technology-related capital investments, investment in human capital will also continue in 2016 with training programs for all the Company's units.

# HUMAN RESOURCES AND TRAINING

## **GARANTI FAKTORING PROVIDES EMPLOYEES WITH TRAINING PROGRAMS TO HELP THEM IMPROVE THEIR COMPETENCIES. THE COMPANY MAINTAINS STEADY GROWTH WITH STRATEGIC INVESTMENTS IN EFFICIENCY-ORIENTED HUMAN RESOURCE SYSTEMS AND PROCESSES.**

Garanti Faktoring considers employees to be the Company's most valuable asset. In line with this vision, the Company aims to become an organization with a happy workforce that is success, efficiency and innovation oriented. It strives to be a company where every employee assumes responsibility for their own jobs, where success is rewarded in accordance with measurable performance criteria, and where employee loyalty increases day by day.

Always aiming high for leadership, Garanti Faktoring maintains a stable structure by continuously investing in employees and improving corporate human resource practices.

Boasting a highly qualified, dynamic workforce that can make a difference, Garanti Faktoring employed 175 personnel as of December 31, 2015. In addition to providing employees with training programs to help them improve their technical and professional knowledge as well as personal skills, Garanti Faktoring supports steady, sustainable growth by investing in efficiency-oriented human resource systems and processes to cultivate a highly qualified, dynamic workforce that can make a difference.

### **OVER 300 TRAINING IN 41 DIFFERENT BRANCHES**

Garanti Faktoring continued to invest in the Company's human capital in 2015, and provided 3,614 hours of in-class and on-the-job training to employees in accordance with their capabilities and preferences. The average training period per employee for the year was 20 hours.

In 2015, the Company administered more than 300 in-class and on-the-job training courses on 40 different topics. Company training programs in 2015 included technical and professional courses, such as Advanced Excel, Commercial Loans, Excel for Financial Management, Macro Excel, GRIF, IFRS, among others. Personal development courses offered included Stress Management, Coaching, Creative Thinking and Innovation Techniques, Speed Reading Techniques, Persuasion and Conflict Management, Results Orientation, Presentation Skills, and Written Communication Skills. In addition, the Company organized job rotation programs in line with employee requests. It also provided Performance Management training to directors and managers.

As in previous years, the training programs of IFG and FCI, the two large international factoring chains, were included in Garanti Faktoring's training catalogue in 2015. In order to meet the training needs of employees in a fast and convenient way, the Company provided 30 different e-learning courses. Additionally, staff members participated in 15 different conferences and seminars related to their professional expertise.

# HUMAN RESOURCES AND TRAINING

## ALL OF THE PROMOTIONS THAT TOOK PLACE AT GARANTI FAKTORING IN 2015 USED INTERNAL CANDIDATES FROM AMONG THE COMPANY'S OWN STAFF.

### OCCUPATIONAL HEALTH AND SAFETY TRAINING

Under the Company's occupational health and safety training programs, 10 employees attended the in-class training course on Basic Occupational Health and Safety & Emergency and Ergonomics while 10 employees participated in the e-learning course on Basic Occupational Health and Safety in 2015. In addition to basic training programs, six employees took the First-Aid Certification Course while all employees completed the e-learning course on Anti-Money Laundering and Combating the Financing of Terrorism.

In addition to current technical and personal training programs, the Company plans to provide Sales and Leadership courses geared toward the sales teams in 2016 in order to maintain steady growth.

### GUIDING CAREER MAPPING

In line with the human resources policy, Garanti Faktoring aims to cultivate future managers by giving priority to promoting within the Company. To this end, in 2013, the Company created Career Roadmaps based on objective and transparent criteria to determine the appropriate career paths for employees that match their skills, experience, expectations, and goals. Since that time, these roadmaps have guided employees on their individual career paths.

The Company conducts performance assessments online, twice a year for Head Office employees and once a year for sales teams, via the e-performance appraisal system launched in 2013. All of the promotions that took place at Garanti Faktoring in 2015 used internal candidates from among the Company's own staff.

### REWARDING 14 EMPLOYEES WHO MAKE A DIFFERENCE

The purpose of the recognition program launched in 2013 is to reward employees who "make a difference," in line with the Company's goals and strategies, in selected categories, and to create awareness of excellence across the organization. In 2015, 14 employees received awards in various categories.

### BAHÇEŞEHİR UNIVERSITY CO-OP PROJECT

"Garanti Faktoring: The World of Receivable Finance" classes continued under Bahçeşehir University's CO-OP project, which was organized for the fifth time in 2015. Company managers delivered 27 hours of classroom training on the sector to Bahçeşehir University students for eight weeks total during the spring term. Further, students also actively participated in customer visits over the course of one week. As in previous years, students once again showed great interest in the program in 2015. The Company plans to repeat this program for the seventh time in 2016.



### EMPLOYEE LOYALTY SURVEY

Garanti Faktoring conducted the Employee Loyalty Survey 2015 to receive feedback on the degree of staff loyalty, their satisfaction with Company policies, internal services and practices. These valuable findings helped the Company identify potential problems in advance, determine areas for improvement, thus boosting internal customer satisfaction and productivity.

### EMPLOYEE FRINGE BENEFITS

The Foreign Language Proficiency Bonus, a new practice launched by Garanti Faktoring in February 1, 2015, aims to motivate employees to improve their foreign language skills. It is available to all employees up to the management levels. Moreover, the Company pays the exam fees for employees, who take and pass the proficiency test. In 2015, 10 employees registered for the English language certification exam. Additionally, the Company raised the daily meal allowance amount by 10%, effective as of July 1, 2015.

### DISTRIBUTION OF EMPLOYEES BY GENDER (%)

Male	43
Female	57

### AVERAGE AGE OF EMPLOYEES

Male	35
Female	33

### EDUCATION LEVEL (%)

Primary School	1
High School	5
Associate Degree	8
Bachelor's Degree	73
Master's Degree	14
Doctoral Degree	1

### IN-CLASS AND ON-THE-JOB TRAINING PROVIDED TO EMPLOYEES (HOURS)

Per person	20
Total	3,614

# RESEARCH AND DEVELOPMENT

## IN 2015, GARANTI FAKTORING CARRIED OUT PROJECTS TO IMPROVE INTERNAL PROCESSES, INCREASE AUTOMATION AND MOBILIZE THE SALES TEAMS.

Garanti Faktoring continues to make capital investments in line with productivity targets and its goal of becoming sector leader. In 2015, the Company carried out projects to improve internal processes, increase automation and mobilize the sales teams.

In parallel with increased volume in international factoring transactions, Garanti Faktoring undertook improvements and process automation efforts.

In order to fully mobilize the sales teams, Garanti Faktoring designed and implemented projects to give them added capabilities, including the ability to scan documents, initiate processes, and monitor ongoing processes on tablet PCs (iPads). Tablet PCs support the Company's paperless office and mobility targets. Tablet-related initiatives will continue in 2016.

The Company launched two new products as well as systematic adjustments in 2015:

- Eximbank system integration to be able to extend Eximbank loans to exporters
- Letter of Guarantee integration to be able to offer factoring services to obligors in return for letters of guarantee provided for acquired receivables in domestic allocations

In 2016, Garanti Faktoring aims to undertake projects designed to boost productivity, process improvement, new product development and risk management. The Company will continue to focus on risk and accounts receivable monitoring efforts, which it initiated in 2015.

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## INVESTMENTS

During the 2015 accounting period, Garanti Faktoring:

- Performed time deposit transactions totaling TL 453,440 thousand, US\$ 30,630 thousand and € 21,820 thousand with banks and earned TL 2,057 thousand in interest income; and,
- Purchased tangible assets amounting to TL 1,075 thousand and intangible assets (software) amounting to TL 2,617 thousand.

# RISK MANAGEMENT POLICIES

## **GARANTI FAKTORING HAS LAUNCHED ALL NECESSARY PRACTICES AND PROCEDURES TO IDENTIFY AND AVOID RISKS AND TO CREATE A RISK CULTURE ACROSS THE COMPANY.**

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The purpose of the Garanti Faktoring's risk management strategy is to ensure the optimal allocation of the Company's capital by respecting a risk-benefit balance and guarantee growth according to this balance while measuring the risks that endanger the Company's business activities.

Garanti Faktoring's fundamental approach to risk management includes defining and analyzing risks according to the volume, type and complexity of the Company's business activities; ensuring compliance with local and international laws, rules and regulations; maintaining the enterprise's financial strength by monitoring and controlling the risks in order to limit possible negative market conditions on the capital and gains; and creating a risk culture all across the Company by establishing risk transparency and awareness.

### **CREDIT RISK**

Garanti Faktoring is subject to credit risk because of factoring transactions. The Company has a defined credit policy whereas credit risk management is mostly based on pre-allocation and pre-monitoring processes and credit risks are constantly monitored.

Companies that lack credit allocation criteria cannot start a credit relationship with Garanti Faktoring. The Credit Committee regularly meets and all credit requests are considered on their own individual merit. Early warning systems are also introduced for the supervision of allocated credits and necessary studies and customer credibility

measurements are performed for certain customers. The Company has subcommittees in charge of credit processes and NPL management to ensure effective monitoring of credit risk.

### **MARKET RISK**

Garanti Faktoring uses hedging instruments in accordance with changing market conditions; meanwhile, market risks are managed via derivative transactions and risk avoiding positions in line with treasury transaction limits approved by the Board of Directors. Factoring receivables as well as cash flow and liquidity risks are managed by monitoring maturities of bank credits and deposit accounts.

### **LIQUIDITY RISK**

Liquidity Risk is managed in conformity with the established risk management policies in order to ensure that measures are taken, as needed, on a timely and appropriate basis against possible liquidity squeezes that might result from market conditions and the balance sheet structure.

The Company's liquidity management policy anticipates a certain liquidity gap that is sufficient to ensure the ability to sustain actual funding; utilize investment opportunities; meet credit obligations; and deal with possible liquidity squeezes. The Company's funding base relies on credit utilization transactions with banks and bond issuance. The required diversification of assets and liabilities is maintained to fulfill payment obligations without interruption considering relevant currencies. For Turkish Lira and foreign currency liquidity management, Garanti Faktoring monitors its cash flow in relation to assets and liabilities and estimates the Company's future liquidity needs.

# RISK MANAGEMENT POLICIES

## **OPERATIONAL RISK**

The Internal Audit Unit regularly supervises proper functioning of the Company's internal control system and the efficiency of controls used for operational risks.

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.

Systematic or procedural limits are applied to enhance the control environment on activity fields. These limits are set by the Board of Directors and/or senior management to limit operational risks taking into account the importance of the work for the Company, the risk involved and the size of the possible loss, and the qualifications of the employee in charge of the transaction. These limits are evaluated periodically and updated in accordance with needs.

Policies and procedures related to business continuity management under extraordinary circumstances were formulated and made available. This effort allows the Company to continue protecting its corporate reputation, fulfilling legal obligations and meeting customer needs even under adverse conditions.

## **REPUTATION RISK**

The Human Resources and Internal Audit Unit define the ethical principles that regulate the conduct of Company employees and work relations, 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.

Compliance with the Company's social media policy, which was developed by taking into consideration the rising importance of social media and its effects on enterprises, is overseen by the relevant unit.

# ASSESSMENT OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS BY THE AUDIT COMMITTEE

The Company's fundamental and essential principles include risk-focused audit; active supervision by the Board of Directors and Senior Management; establishing and monitoring appropriate Company policies; measuring, assessing and reporting risks in a timely, accurate and impartial manner, and the establishment of a sufficient and effective internal control system.

In this regard, the Internal Audit Unit performed audits and controls on the performance and efficiency of the Company's internal control and risk management systems within the scope of the 2015 audit plan approved by Board of Directors. The Unit also provided consulting, and carried out inquiries and investigations whenever necessary. The Internal Audit Unit aims to assess the risks that threaten the Company's corporate governance processes, operations and information systems, considering at the same time the realization of corporate strategic targets, reliability and accuracy of financial and operational information, effectiveness and efficiency of activities and programs, protection of assets as well as compliance with laws and internal regulations.

In 2015, the Audit Committee and the Board of Directors supervised the sufficiency and efficiency of internal control, risk management and internal audit systems as well as the operation of these systems with accounting and reporting systems within the framework of applicable regulations. In 2016, the Audit Committee and the Board of Directors will continue to supervise the sufficiency and efficiency of risk management and internal audit systems in line with Company strategies and activities.

## ALİ ÇOŞKUN

Member of Board of Directors  
Member of Audit Committee

## SERHAT YANIK

Member of Board of Directors  
Member of Audit Committee

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## 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, 2015.

## **INFORMATION ON ACQUIRED SHARES**

As of December 31, 2015, Garanti Faktoring A.Ş. has not acquired any of its own shares.

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## **INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT**

The Company did not undergo any private audits in 2015.

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## **LAWSUITS FILED AGAINST GARANTİ FAKTORNG A.Ş.**

During 2015, no lawsuits have been filed against Garanti Faktoring A.Ş. that could significantly affect its financial situation and activities.

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## **INFORMATION ON ADMINISTRATIVE OR LEGAL PENALTIES IMPOSED ON GARANTİ FAKTORİNG A.Ş. AND/ OR BOARD MEMBERS**

In 2015, there have been no significant administrative or legal penalties imposed on the Company or its Board Members.

# PREVIOUS PERIOD BUDGET AND PERFORMANCE ASSESSMENT

In 2015, Garanti Faktoring's asset size and ROA remained at the prior year's levels.

A review of average factoring receivables in 2015 reveals that Garanti Faktoring held a 12% market share, up 2% over the previous year.

In 2015, the Company's return on equity stood at 16.7%, up one percentage point over the prior year.

At end-2015, net profit totaled TL 25,430 thousand, up 24% over the previous year. Average annual asset growth had a positive effect on profitability.

<b>ASSETS (TL MILLION)</b>	<b>2014</b>	<b>2015</b>
Liquid Assets and Banks	5	40
Factoring Receivables	2,948	2,850
Other	37	81
Total Assets	2,990	2,971

<b>LIABILITIES</b>	<b>2014</b>	<b>2015</b>
Funds Borrowed	2,216	2,087
Bond Issuance	612	703
Other	22	15
Shareholder's Equity	140	166
Total Liabilities	2,990	2,971

<b>NET PROFIT (THOUSAND TL)</b>	<b>2014</b>	<b>2015</b>
Net Interest Income	21,243	2,329
Other Income	37,497	63,136
Operating Expenses	-38,224	-40,035
Net Profit	20,516	25,430

<b>GROWTH RATE</b>	<b>GARANTI FAKTORING</b>	<b>SECTOR</b>
Average Assets	28.6	14.08
Average Factoring Receivables	28.3	14.35
Average Equity	17.13	8.98

<b>PROFITABILITY RATIOS (%)</b>	<b>2014</b>	<b>2015</b>
Average Return on Assets	0.9	0.9
Average Return on Equity	15.7	16.7
Operating Income/Average Assets	8.2	8.0
Operating Expense/Average Assets	1.7	1.4

# DONATION AND AID GRANTED IN 2015 - SOCIAL RESPONSIBILITY PROJECTS

## AS IN PREVIOUS YEAR, ALSO IN 2015, THE COMPANY PROVIDED SCHOLARSHIPS TO 12 STUDENTS THROUGH THE “GARANTI FAKTORING SCHOLARSHIP FUND” CREATED UNDER THE ROOF OF COMMUNITY VOLUNTEERS FOUNDATION.

The Company's donation and aid policy was approved at the Ordinary General Assembly Meeting held on January 14, 2013 and announced on the Company's website [www.garantifactoring.com](http://www.garantifactoring.com), under the section “Yatırımcı İlişkileri, Kurumsal Yönetim”.

### DONATIONS TOTALING TL 50,100

In 2015, Garanti Faktoring donated TL 30,000 to Community Volunteers Foundation, TL 20,000 to KAÇUV, TL 100 to Turkish Educational Foundation, totaling TL 50,100.

### CO-OP PROJECT

“Garanti Faktoring; The World of Receivable Finance” classes continued within the framework of the Bahçeşehir University's CO-OP project, which was organized for the sixth time in 2015. The Company's managers delivered 24 hours of classroom training on the sector to the students of Bahçeşehir University for a total of nine weeks during the spring term. Further, students also actively participated in the customer visits over the course of one week. As in previous years, students showed great interest in the program in 2015 as well.

### SCHOLARSHIP SUPPORT TO 12 STUDENTS

In 2015, the Company provided scholarships to 12 students through the “Garanti Faktoring Scholarship Fund” created under the roof of Community Volunteers Foundation.

### ENVIRONMENTAL PRACTICES

As in previous years, Garanti Faktoring preferred to print its agendas and calendars on 100% recycled paper to support sustainable development. Additionally, used paper, batteries, plastic bottle caps and plastic courier packages are collected within the Company for recycling purposes.

### DONATION AND AID POLICY

Garanti Faktoring A.Ş. can make donations and aids to foundations, associations, schools, universities and similar organizations with social purposes, provided that it complies with Capital Markets Board regulations.

The Company draws up its donation and aid policy and submits it for the approval of the General Assembly. Shareholders are then briefed at the General Assembly Meeting under a separate agenda on the total amount and respective beneficiaries of all donations and aids made during the period pursuant to the policy approved by the General Assembly as well as any changes to the policy.

The Company keeps the size of donations and aid at a minimum level since its fundamental purpose is to ensure high income received by its investors and shareholders.





# INFORMATION ON GROUP COMPANIES

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. No counter action or measures became necessary or avoided since there is no legal proceeding started thereof, and thus no damage occurred regarding this issue.

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## AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The following amendment to the Company's Articles of Association was approved and became effective at the Ordinary General Assembly Meeting held on April 29, 2015:

### **GARANTİ FAKTORİNG A.Ş. ARTICLES OF ASSOCIATION**

#### **OLD TEXT**

##### **THE COMPANY'S HEAD OFFICE AND BRANCHES:**

Article 4: The Company's head office is located in Istanbul Province, Şişli District. Its registered address is at Eski Büyükdere Cad. Ayazağa Köy Yolu No. 23 Maslak 34396 Şişli/Istanbul. In case of any change in the address, the new address shall be registered with the Trade Registry Office and announced in the Turkish Trade Registry Gazette, and shall also be notified to the Capital Markets Board, Banking Regulation and Supervision Agency, and the Ministry of Customs and Trade. Any notice sent to the registered and announced address shall be deemed to have been made to the Company. If the Company leaves its registered and announced address, but fails to have its new address registered and announced within the legally required period, this shall be considered as a reason for dissolution of the Company. The Company may open branches both in Turkey and abroad, provided that it obtains the necessary permissions as specified in the Turkish

#### **NEW TEXT**

##### **THE COMPANY'S HEAD OFFICE AND BRANCHES:**

Article 4: The Company's head office is located in Istanbul Province, Sarıyer District. Its registered address is at Maslak Mahallesi Eski Büyükdere Caddesi No. 23 Sarıyer/Istanbul. In case of any change in the address, the new address shall be registered with the Trade Registry Office and announced in the Turkish Trade Registry Gazette, and shall also be notified to the Capital Markets Board, Banking Regulation and Supervision Agency, and the Ministry of Customs and Trade. Any notice sent to the registered and announced address shall be deemed to have been made to the Company. If the Company leaves its registered and announced address, but fails to have its new address registered and announced within the legally required period, this shall be considered as a reason for dissolution of the Company. The Company may open branches both in Turkey and abroad, provided that it obtains the necessary permissions as specified in the Turkish Commercial Code,

Commercial Code, Capital Markets Board regulations, Foreign Exchange Law, and all other applicable laws and regulations, and that it informs the relevant public authorities. Opening of new branches is subject to the rules and regulations set forth by the Banking Regulation and Supervision Agency.

#### **OLD TEXT**

##### **COMPANY'S MANAGEMENT AND REPRESENTATIVE AUTHORITY:**

Article 12: The Company's Board of Directors shall fulfill all duties and responsibilities vested in it by the Turkish Commercial Code, applicable laws and regulations, and the General Assembly in a meticulous manner befitting a prudent manager, and shall serve the best interests of the Company with honesty and integrity. With the exception of non-transferable and inalienable duties and powers described in Article 375 of the Turkish Commercial Code, the Board of Directors may delegate its management powers fully or partially to one or more Board Members or a third person by issuing an internal directive.

Pursuant to a relevant Board of Directors' resolution, the authority to represent the Company may be transferred to one Board Member, or one or more Executive Director(s), or to a third person, to act as Manager, with one signature. At least one of the Board Members must be granted the authority to represent the Company. In order for the delegation of the representative authority to be valid, the related Board of Directors' decision should be notarized, registered with the Trade Registry and announced. The announcement must indicate who the Company's representative(s) is (are) and the manner in which they shall use their representative authority. Limitation of representative authority will not suffice to eliminate the good faith of third persons; however, pursuant to Articles 371, 374 and 375 of the Turkish Commercial Code, the representative authority of signatories may only be limited either by limiting the power to the transactions regarding the headquarters or branch offices or by requiring joint signatures of multiple signatories.

In order for all documents and contracts issued by the Company to be deemed valid, such documents must be signed under the Company's trade name and by at least two signatories authorized to represent the Company.

Capital Markets Board regulations, Foreign Exchange Law, and all other applicable laws and regulations, and that it informs the relevant public authorities. Opening of new branches is subject to the rules and regulations set forth by the Banking Regulation and Supervision Agency.

#### **NEW TEXT**

##### **COMPANY'S MANAGEMENT AND REPRESENTATIVE AUTHORITY:**

Article 12: The Company's Board of Directors shall fulfill all duties and responsibilities vested in it by the Turkish Commercial Code, applicable laws and regulations, and the General Assembly in a meticulous manner befitting a prudent manager, and shall serve the best interests of the Company with honesty and integrity. With the exception of non-transferable and inalienable duties and powers described in Article 375 of the Turkish Commercial Code, the Board of Directors may delegate its management powers fully or partially to one or more Board Members or a third person by issuing an internal directive.

Pursuant to a relevant Board of Directors' resolution, the authority to represent the Company may be transferred to one Board Member, or one or more Executive Director(s), or to a third person, to act as Manager, with one signature. At least one of the Board Members must be granted the authority to represent the Company. In order for the delegation of the representative authority to be valid, the related Board of Directors' decision should be notarized, registered with the Trade Registry and announced. The announcement must indicate who the company's representative(s) is (are) and the manner in which they shall use their representative authority. Limitation of representative authority will not suffice to eliminate the good faith of third persons; however, pursuant to Articles 371, 374 and 375 of the Turkish Commercial Code, the representative authority of signatories may only be limited either by limiting the power to the transactions regarding the headquarters or branch offices or by requiring joint signatures of multiple signatories.

In order for all documents and contracts issued by the Company to be deemed valid, such documents must be signed under the Company's trade name and by at least two signatories authorized to represent the Company.

# AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The Board of Directors may delegate the authority to represent the Company to one or more Executive Director(s), or to a third person, to act as Manager. To do this, the Board of Directors must prepare an internal directive in accordance with Article 367/1 of the Turkish Commercial Code. The Board of Directors determines to whom the authority to represent the Company will be delegated.

The Board of Directors may delegate the authority to represent the Company to one or more Executive Director(s), or to a third person, to act as Manager. To do this, the Board of Directors must prepare an internal directive in accordance with Article 367/1 of the Turkish Commercial Code. The Board of Directors determines to whom the authority to represent the Company will be delegated.

The Board of Directors is entitled to adopt resolutions with regard to donations to be made to third parties and organizations. The upper limit of donations shall be determined by the General Assembly. The Company shall make donations in a way not to hinder its own purpose of establishment and operations, and provided that such donations are added to distributable profit, do not contradict or violate the Capital Markets Board's regulations on concealed transfer of income, and that required material disclosures are announced and shareholders are informed about the donations made within the year at the General Assembly Meetings.

## OLD TEXT

### GENERAL ASSEMBLY MEETINGS:

Article 17: The General Assembly convenes on ordinary and extraordinary bases. The Ordinary General Assembly shall convene within three (3) months following the end of the Company's fiscal year and at least once a year to discuss and resolve the issues under the agenda prepared by the Company's Board of Directors in accordance with Article 409 of the Turkish Commercial Code.

The Extraordinary General Assembly shall convene whenever the Company's business and affairs require, and make the necessary decisions. In addition to procedures set forth in applicable laws and regulations, the General Assembly meeting shall be announced via all available means of communication, including electronic means, at least twenty-one (21) days before the set meeting date in order to reach as many shareholders as possible. Besides the General Assembly meeting announcement, all other issues, notifications and information concerning shareholders shall also be published on the Company's website.

Shareholders entitled to attend General Assembly meetings may do so by electronic means as per Article 1527 of the Turkish Commercial Code. Pursuant to the provisions of the Regulation on Attendance at General Assembly Meetings of

## NEW TEXT

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Shareholders entitled to attend General Assembly meetings may do so by electronic means as per Article 1527 of the Turkish Commercial Code. Pursuant to the provisions of the Regulation on Attendance at General Assembly Meetings of

Joint-Stock Companies by Electronic Means, the Company may choose to set up the electronic meeting system by itself to enable shareholders to attend General Assembly meetings, make proposals, express opinions and vote by electronic means, or purchase the same from dedicated system providers. Beneficial shareholders and their representatives shall be ensured to exercise their rights set forth in the Regulation via the said system at all General Assembly meetings pursuant to this provision of the Articles of Association.

As per the compulsory Corporate Governance Principles of the Capital Markets Board, and the relevant provisions of the Turkish Commercial Code, shareholders must be given information at the General Assembly meeting about whether the Company's controlling shareholders, Board Members, executive managers, and their spouses, blood relatives and relatives by marriage up to second-degree make any important transactions with the Company or its subsidiaries, which may lead to conflicts of interest, or whether the aforementioned persons make any transactions related to a commercial business that falls within the scope of the Company's or its subsidiaries' field of activity, for their own account or for the account of others, or whether they become unlimited partners in other companies carrying out similar commercial businesses.

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Each shareholder has one voting right at General Assembly meetings.

Without prejudice to the relevant provisions of the Turkish Commercial Code, Capital Markets Law, Law No: 6361, and other applicable laws and regulations, General Assembly meetings shall be conducted in accordance with an internal directive to be approved, registered and announced by the General Assembly.

Minority rights shall be exercised by shareholders representing at least one-twentieth of the share capital. Pursuant to Article 411 of the Turkish Commercial Code, shareholders representing at least one-twentieth of the share capital may ask the Board of Directors to convene the General Assembly, or to add items to the agenda, if the General Assembly is already set to convene.

# NEW REGULATIONS IN FACTORING LEGISLATION

The “Regulation on the Principles and Procedures Applicable to Factoring Transactions” was published in the Official Gazette No: 29257 on February 4, 2015.

On February 26, 2015, the Association of Financial Institutions (FKB) and the Credit Bureau of Turkey have jointly developed and established the Central Invoice Registration System to protect factoring companies and banks, two major components of commerce, against potential damages that may arise from duplicated factoring of receivables and to avoid duplicate financing.

The Regulation on the Principles and Procedures Concerning the Establishment, Operation and Management of the Central Invoice Registration System was issued on July 8, 2015. Subsequently, the Central Invoice Registration System Practices were published under the Regulation on July 20, 2015.

Takasbank decided favorably on the request from the Association of Financial Institutions (FKB) on behalf of its member companies to participate in the Takasbank Money Market. Accordingly, necessary amendments were made to the Takasbank Money Market regulation and procedures, and this new practice came into effect on April 10, 2015.

Pursuant to a protocol signed between Türk Eximbank and the Association of Financial Institutions in June 2015, necessary adjustments were made to enable factoring companies to act as intermediaries in the disbursement of Eximbank’s rediscounting facilities to exporters.

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## IMPORTANT EVENTS THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD

None.

# COMPENSATION AND BENEFITS GRANTED TO BOARD MEMBERS AND EXECUTIVES WITH MANAGEMENT RESPONSIBILITY

Compensation and benefits granted to Board members and Executives with management responsibility are detailed

in "Footnote No. 43 of the Financial Statements of Garanti Faktoring A.Ş. as of December 31, 2015."

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## GARANTİ FAKTORİNG A.Ş. PROFIT DISTRIBUTION POLICY AND INFORMATION REGARDING PROFIT DISTRIBUTION

Garanti Faktoring A.Ş. (Company) Profit distribution Policy was determined; within the framework of the Turkish Code of Commerce, Capital Markets Law and Capital Markets Board' legislations, regulations and decisions and the relevant provisions of the Tax Procedure Law; and in line with the Corporate Governance practices, our 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 our shareholders' expectations and our Company's requirements.

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

There are no privileges in our Company's profit distribution, and without per diem deduction profit 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 profit distribution. There are no regulations in our Company's Articles of Association stipulating advanced dividend payments.

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

# **GARANTİ FAKTORİNG A.Ş. PROFIT DISTRIBUTION POLICY AND INFORMATION REGARDING PROFIT DISTRIBUTION**

In case an amendment is made to the profit distribution policy, the policy will be presented to 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 “Disclosure of Material Matters” on the Corporation’s website.

At the Ordinary General Assembly Meeting held on April 29, 2015; taking into consideration the Company’s financial statements for the period January 1-December 31, 2015, prepared under Capital Markets Board (CMB)’s “Communiqué on the Principles Regarding Financial Reporting in the Capital Markets (Series (II-14.1),” and in accordance with Turkish

Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the financial statement format imposed by the CMB, and audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the Board of Directors proposed, in accordance with the principle of “Determining and Distributing Profit” in the Company’s Articles of Association, to set aside the tax provisions from the 2014 profit of TL 25,612,581.46 and transfer the remaining net period profit of TL 20,514,539.43 to the legal and extraordinary profit reserves account, taking into consideration the impact of net deferred tax of TL 311,556.13 that was calculated from the 2014 period profit, and to keep it within the Company. The Board of Directors’ proposal was approved by the General Assembly.

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## **TRANSACTIONS WITH RELATED PARTIES**

Garanti Faktoring’s related party transactions are specified in the footnote n.25 of the financial statements of Garanti Faktoring A.Ş. as of 31<sup>st</sup> of December 2015 on page 127.



# CORPORATE GOVERNANCE COMPLIANCE REPORT

## SECTION I- CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Garanti Faktoring A.Ş. (Company) pursues and practices the Corporate Governance Principles published by the Capital Markets Board (CMB) Our 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.

Our Company complies with the compulsory Corporate Governance Principles stipulated in the Corporate Governance Communiqué II-17.1 and adopts the principle of implementing the non-compulsory Corporate Governance Principles that would not have impact on our Company's competitive power, trade secrets and on the information that will create opportunity inequalities between the shareholders and stakeholders.

Our Company pays special attention to implement the Corporate Governance Principles by internalizing them. Our Company's compliance with the Corporate Governance Principles was evaluated by the Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) and our Company's Corporate Governance Principles Compliance Rating was 9.15 (91.50) for the period between 20.08.2015 and 20.08.2016.

This result indicates; that Garanti Faktoring complies significantly with the Corporate Governance Principles published by the Capital Markets Board, and that it has established internal control systems and that these systems are active, and that it rightfully oversees shareholders' rights, and that the public disclosure and transparency activities are at carried out at a high level, and that its rightfully oversees stakeholders' rights, and that the structure of the Board of Directors and working conditions of Garanti Faktoring fully comply with the Corporate Governance Principles.

In the table below the distribution of our Corporate Governance Principles rating for the main topics is given in comparison to the previous period;

TOPIC	WEIGHT RATIO %	AUGUST, 14 - AUGUST, 15 (3 <sup>RD</sup> PERIOD REVISED)	AUGUST, 15 - AUGUST, 16 (4 <sup>TH</sup> PERIOD)
Shareholders	25	87.70	92.02
Public Disclosure & Transparency	35	93.51	96.51
Stakeholders	15	88.90	90.90
Board of Directors	25	86.86	87.74
<b>TOTAL</b>	<b>100</b>	<b>89.00</b>	<b>91.5</b>

# CORPORATE GOVERNANCE COMPLIANCE REPORT

## SECTION II – SHAREHOLDERS

### 2.1 Investor Relations Department

As per the 11<sup>th</sup> Article of the Corporate Governance Communiqué (II-17.1) published by the Capital Markets Board in the Official Gazette n.28871 (Date: 3<sup>rd</sup> of January 2014); the following issues are obligatory: An Investor Relations Department that will carry out the communication between the corporations and investors must be established. Investor Relations Department must be structured under the General Manager or the Executive Vice President of the corporation or another director who has equivalent administrative responsibilities. Investor Relations Department must prepare and present a report to the Board of Directors at least once a year about the activities it carries out. Investor Relations Department director must have “Capital Markets Activities Advanced Level License” and “Corporate Governance Rating Specialist License”, Investor Relations Department director must be working full time in the corporation and Investor Relations Department director must be appointed as a Corporate Governance Committee member. Within our Company Investor Relations Department’s activities are carried out by the General Accounting Unit.

Authorized persons are listed in the table below:

NAME	TITLE	LICENSE NUMBER/TYPE	PHONE	E-MAIL
Mert Ercan	Executive Vice President	-	(212) 365 52 13	mercan@garantifactoring.com
Serap Çakır	Unit Manager	701222/corporate governance Rating License Capital Markets Activities Level 3 License	(212) 365 52 18	scakir@garantifactoring.com
Şebnem Dede	Supervisor	206779/Capital Markets Activities Level 3 License	(212) 365 52 22	sdede@garantifactoring.com
Ümit Yıldız	Supervisor	-	(212) 365 52 15	uyildiz@garantifactoring.com

Main responsibilities of the department;

- Answering shareholders’ and investors’ written and verbal information requests,
- Carrying out relations with shareholders and investors, keeping safe, secure and up-to-date records of the written and verbal information requests and documents,
- As per the Capital Markets Board Communiqué on Material Matters, fulfilling the obligation making public disclosure by announcing the information (that must be publicly disclosed) via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and on [www.garantifactoring.com](http://www.garantifactoring.com) in the “Yatırımcı İlişkileri” section,
- Preparing and issuing financial reports in conformity with the Capital Markets Board Communiqué on Capital Markets’ Financial Reporting Principles (II-14.1) published in the Official Gazette n.28676 (Date: 13<sup>th</sup> of June 2013), and announcing them via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and on Company website [www.garantifactoring.com](http://www.garantifactoring.com),
- Preparing and issuing Annual Reports and interim activity reports in conformity with the principles stipulated in the communiqués and regulations of the Capital Markets Board and Ministry of Customs and Trade, and announcing them via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and on Company website [www.garantifactoring.com](http://www.garantifactoring.com),
- Via “Investor Relations ” webpage structured within the scope of the Capital Markets Board’s Corporate Governance Communiqué on the website [www.garantifactoring.com](http://www.garantifactoring.com),

giving and updating information to provide “Bilgi Toplumu Hizmeti” within the scope of the Ministry of Customs and Trade Regulation on Capital Companies’ Websites,

- Making Company’s General Assembly Meetings, in compliance with the Articles of Association and Garanti Faktoring A.Ş. Internal Directive on General Assembly’s Working Principles and Procedures,
- Coordinating rating procedures and relations with relevant corporations,
- Performing Company’s capital increase transactions and enabling shareholders & investors to use rights offering and scrip issue arising from capital increase,
- Making changes to the Company Articles of Association in conformity with the relevant legislation,
- Performing profit distribution transactions in accordance with the 262<sup>nd</sup> Article of the Articles of Association in case the General Assembly decides to distribute profit,
- Preparing and revising policies and procedures within the scope of Capital Markets Board Communiqués and other regulations in order to increase the Company’s compliance with the corporate governance principles.
- Keeping track of and reporting stock price and volume movements,
- Presenting reports to Corporate Governance Committee and Board of Directors.

The report prepared by the Investor Relations Department regarding the activities carried out in 2014 was presented to the information of the Board of Directors on the 10<sup>th</sup> of March 2015, and the report prepared regarding the activities carried out in the 1<sup>st</sup> Quarter of 2015 was presented to the information of the Board of Directors on the 17<sup>th</sup> of August 2015.

Activities carried out by the Investor Relations Department in 2015 are as follows:

- Within the scope of written and verbal information requests made by the shareholders and investors; questions and information requests of five shareholders were replied by making five phone calls while the questions and information requests of one shareholder were replied via e-mail.
- Disclosure of Material Matters via Public Disclosure Platform: Within the scope of the 5<sup>th</sup> Article of the Capital Markets Board Communiqué (n.II-15.1) on “Principles Regarding

Public Disclosure of Material Matters” that entered into force after being published in the Official Gazette n.28891 (dated; 23.01.2014), 70 material matter disclosures were made in 2015. These material matter disclosures were also published on the Company’s website ([www.garantifactoring.com](http://www.garantifactoring.com)) under “Investor Relations” section. Within the scope of the 7<sup>th</sup> Article of the Communiqué, the list of persons who have access to internal information was regularly updated.

- Announcement of Interim Period and Annual Financial Statements and Footnotes: Quarterly financial statements and footnotes - that were prepared in conformity with the Capital Markets Board Communiqué on “Principles Regarding Financial Reporting in Capital Markets” (Series II, n.14.1) published in the Official Gazette n. 28676 (dated; 13.06.2013) - were publicly announced in compliance with the relevant communiqué within the required timeframes via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and were also published on the Company website ([www.garantifactoring.com](http://www.garantifactoring.com))
- Issuing and Announcing Interim Period and Annual Report: On the 2<sup>nd</sup> of March 2015, Garanti Faktoring’s 2014 Annual Report was announced via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)). Turkish and English versions of the report were published on the Company website ([www.garantifactoring.com](http://www.garantifactoring.com)).
- Garanti Faktoring Board of Directors’ Interim Period Reports issued on 31<sup>st</sup> of March 2015, 30<sup>th</sup> of June 2015 and 30<sup>th</sup> of September 2015, were prepared in conformity with the principles determined by the Turkish Code of Commerce (TTK) and Capital Markets Board, and announced on the Public Disclosure Platform and on the website [www.garantifactoring.com](http://www.garantifactoring.com) simultaneously with the announcement of financial statements.
- Updates made on the website: the following information was announced on the [www.garantifactoring.com](http://www.garantifactoring.com) website: i) information provided in the “Investor Relations” section ii) compulsory information that must be published on the “Information Society Services” section in order to publish the announcements that must be made as per the 1524<sup>th</sup> Article of the Turkish Code of Commerce n.6102 iii) amendments made in 2015 to the Articles of Association iv) documents and information regarding the Ordinary General Assembly Meeting, and v) yearend financial statements.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

- General Assembly Meetings: In conformity with relevant legislations and communiqués, Garanti Faktoring A.Ş. 2014 Ordinary General Assembly Meeting was held on the 29<sup>th</sup> of April 2015 at the Company Headquarters and via Electronic General Assembly System. At the Ordinary General Assembly Meeting, only one question was asked by an investor who attended the meeting on electronic platform and this question was simultaneously answered. There was no other question that was not answered at the meeting. Shareholders did not make any proposal regarding meeting agenda. General Assembly Meeting minutes and attendance list were submitted to the Trade Registry Office in order to be registered and announced, and meeting minutes were announced in the Turkish Trade Registry Gazette n.8818 on the 12<sup>th</sup> of May 2015 and simultaneously announced to the public via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)). Furthermore, General Assembly Meeting minutes and attendance lists were made available for shareholders' and stakeholders' review on our website [www.garantifactoring.com](http://www.garantifactoring.com) under the "Investor Relations > General Assembly Meetings" section.
- Corporate Governance Principles compliance 4<sup>th</sup> period rating studies were completed on the 20<sup>th</sup> of August 2015. Rating score and the report were publicly announced on the same date via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and published on our website ([www.garantifactoring.com](http://www.garantifactoring.com)) under "Investor Relations > CMB Corporate Governance Principles Compliance Rating Reports" section.
- Amendments to the Articles of Association: With Board of Directors decision n. 2015/005 taken on the 10<sup>th</sup> of February 2015 and within the framework of the following consent letters; consent letter ( n. 29833736-110.03.02 566-2487) given by the Capital Markets Board on the 6<sup>th</sup> of March 2015, consent letter (n. 32521522-103.01.04 (134-25) -E.4106) given by the Banking Regulation and Supervision Agency on the 12<sup>th</sup> of March 2015, consent letter (n.67300147/431.02 6666767/431.02) given by T.R. Ministry of Customs and Trade, General Directorate of Domestic Trade on the 17<sup>th</sup> of March 2015, 4<sup>th</sup>, 12<sup>th</sup> and 17<sup>th</sup> Articles of our Company Articles of Association were amended and entered into force after being approved at the 2014 Ordinary General Assembly Meeting that was held on the 29<sup>th</sup> of April 2015.

## 2.2 Shareholders' Right to Information

Shareholders' information requests are evaluated without making any discrimination among the shareholders provided that they do not interfere with trade secrets and/or company interests that require protection. Various information about the Company is available for shareholders and investors on the Company's website (prepared in Turkish and English) [www.garantifactoring.com](http://www.garantifactoring.com) in the "Yatırımcı İlişkileri" section and in the "Bilgi Toplumu Hizmetleri" section. In these sections, news and announcements regarding the Company's Corporate Governance Reports, Financial Reports and Independent Audit Reports, Annual Reports, Material Matter Disclosures, Rating Report, Rating Reports for Compliance with Governance Principles and developments and changes about the Company are available for all shareholders' and investors' information and use. In order to enable shareholders to make written and verbal information requests [GFYatirimcilliskileri@garantifactoring.com](mailto:GFYatirimcilliskileri@garantifactoring.com) e-mail address and phone numbers were made available on the Public Disclosure Platform, and on the website [www.garantifactoring.com](http://www.garantifactoring.com) in "Yatırımcı İlişkileri > Kurumsal Yönetim" page.

Shareholders' right to appoint private auditors is specified in the 16<sup>th</sup> Article of the Articles of Association as; "Shareholders' right to appoint private auditors as stipulated in the provisions of the legislation, is reserved." In 2015, shareholders' made no requests to appoint a private auditor.

## 2.3 General Assembly Meetings

General Assembly Meetings are held in conformity with the regulations specified in the Company's Articles of Association and "Garanti Faktoring A.Ş. 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 29.03.2013.

Garanti Faktoring made its 2014 Ordinary General Assembly Meeting on 29.04.2015 at the Company Headquarters.

Ordinary General Assembly Meeting was held with the participation of T. Garanti Bankası A.Ş. and Türk İhracat Kredi Bankası A.Ş. (Turkish Export Credit Bank Inc.) by proxy and with the attendance of two shareholders via Electronic General Assembly System (EGKS). The meeting quorum was 91.62%. Other shareholders and media did not attend the meeting.

Ordinary General Assembly Meetings were held with the Board of Directors decision. 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 disclosure of material matters made; via Electronic General Assembly System (EGKS) and Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and on our website [www.garantifactoring.com](http://www.garantifactoring.com).

Before the General Assembly Meeting, agenda items, power of attorney sample, informative document, balance sheet, profit-loss statements, independent audit reports and their footnotes, auditor report, Board of Directors decision regarding profit distribution, Annual Report and decision regarding the election of the Independent Audit Board, were prepared and made available for the review of shareholders in prior to the meeting date on our website [www.garantifactoring.com](http://www.garantifactoring.com) in the “Yatırımcı İlişkileri” section and via Electronic General Assembly System (EGKS).

Agenda items are discussed at the General Assembly Meetings, and simultaneously submitted to the voting of the shareholders via EGKS. Shareholders can present their relevant opinions on the agenda items or can ask questions and make suggestions. Shareholders’ questions are evaluated and answered within the framework of the procedure and principles stipulated in the Corporate Governance Principles and Turkish Code of Commerce; their suggestions are submitted to the approval of the General Assembly, and turned into a resolution if approved with sufficient quorum decision.

At the Company’s Ordinary General Assembly Meeting held on the 29<sup>th</sup> of April 2015, an investor attending the meeting in electronic environment asked, “CMB Corporate Governance Principles stipulates that at least 25% of the Board of

Directors must be female members. In this aspect, I would like you to explain your Company’s target and compliance policy established in order to comply with this principle. Could you please explain the reasons for not appointing sufficient number of female Members in the Board of Directors as per the CMB reporting rules?” As an answer, the Meeting Chairman Mert Ercan, stated that the term of office of the current Members of Board of Directors would continue until the Ordinary General Assembly that will be held in 2016, and that Ali Temel was appointed as Member of the Board of Directors for the vacant position of Aydın Şenel, and that the issue could be discussed during the current term of office of the Members of Board of Directors and if necessary there would not be any impeding situation to make an appointment.

General Assembly Meeting minutes and attendance list were registered and announced and submitted to the Trade Registry Office and the meeting minutes were announced in the Trade Registry Gazette. Simultaneously, it was publicly announced via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)). Furthermore, General Assembly Meeting minutes and attendance lists were made available for shareholders’ and stakeholders’ review on our website [www.garantifactoring.com](http://www.garantifactoring.com) in the “Yatırımcı İlişkileri > Genel Kurul Toplantıları” section.

#### **2.4 Right to Vote and Minority Rights**

T. Garanti Bankası A.Ş. and Türk İhracat Kredi Bankası A.Ş. shares do not have any privileges to make nomination to the Board of Directors. Garanti Faktoring does not have any subsidiaries or is not a subsidiary in a structure that brings a parent company relationship. Minority shares are not represented in the management.

The below mentioned amendment to the Articles of Association regarding the minority rights used by the shareholders who have one twentieth of the capital within the scope of the Articles of Association was approved by the Board of Directors Decision n.5 issued on the 10<sup>th</sup> of February 2015, and application was made to the authorities for required permissions, and the amendment was approved by the Capital Markets Board (CMB ), Banking Regulation and Supervision Agency (BDDK), Ministry of Customs and Trade. The agenda item regarding the amendment to the Articles of Association was approved at the 2014 Ordinary General Assembly Meeting held on the 29<sup>th</sup> of April 2015.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

## 2.5 Right to Dividend

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

At the end of the activity period, upon the Board of Directors' decision on profit distribution, the issue is publicly announced via disclosure of material matters ([www.kap.gov.tr](http://www.kap.gov.tr)). Board of Directors' decision on profit distribution is presented to 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).

Garanti Faktoring A.Ş. Profit Distribution Policy was voted at the 2013 Ordinary General Assembly Meeting held on 17.04.2014, and was publicly announced to the shareholders via disclosure of material matters ([www.kap.gov.tr](http://www.kap.gov.tr)) and on our website [www.garantifactoring.com](http://www.garantifactoring.com) in the "Yatırımcı İlişkileri" section "Kurumsal Yönetim" page and was also included in the annual and interim reports.

Garanti Faktoring A.Ş. Profit Distribution Policy; Garanti Faktoring A.Ş. (Company) Profit Distribution Policy was determined; within the framework of the Turkish Code of Commerce, Capital Markets Law and Capital Markets Board' legislations, regulations and decisions and the relevant provisions of the Tax Procedure Law; and in line with the Corporate Governance practices, our 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 our shareholders' expectations and our Company's requirements.

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

There are no privileges in our Company's profit distribution, and without per diem deduction profit 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 profit distribution. There are no regulations in our Company's Articles of Association stipulating advanced dividend payments.

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

In case an amendment is made to the profit distribution policy, the policy will be presented to 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 frame work of the regulations of the Capital Markets Board Communiqué on Material Matters (II-15.1) on the Company website [www.garantifactoring.com](http://www.garantifactoring.com).

At the 2014 Ordinary General Assembly Meeting, the Board of Directors decision regarding the issue of setting aside the necessary amount from the 2014 profit for tax, and transferring the remaining profit to the legal and extraordinary reserve funds to keep it within the structure of the Company, was discussed and approved at the General Assembly.

## 2.6. Transfer of Shares

As per the provisions of the Company's Articles of Association, group A and B shares registered shares. Apart from the Group B registered shares, due to the fact the shares of other groups are not publicly traded, if shareholders wish to transfer their Group A registered shares, other shareholders who have registered shares in those groups will have the privileged right to purchase the shares (that will be transferred) in proportion to their own shares and at their current price. For this purpose, the shareholders who wish to transfer their shares, must notify the other shareholders who have registered shares via notary public. Within one month after this notification, if no one among the current shareholders wishes to purchase these shares, the shares can be transferred to third parties upon the Board of Directors' decision. Publicly traded registered shares

are outside the scope of this regulation. Company's capital cannot be less than the amount specified in the "Financial Leasing, Factoring and Financing Companies" Law Act n.6361 (date: 21/11/2012). Acquisition and transfer of shares are subject to Banking Regulation and Audit Board's approval.

### **SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY**

Our 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 period performance and future expectations. Within the frame work 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 was announced via Public Disclosure Platform (KAP), and on the website [www.garantifactoring.com](http://www.garantifactoring.com).

#### **3.1. Corporate Website and Its Content**

Our Company's website - structured within the scope of the Corporate Governance Principles in Turkish and English - is at the web-address [www.garantifactoring.com](http://www.garantifactoring.com).

On our Turkish website [www.garantifactoring.com](http://www.garantifactoring.com) in the "Investor Relations" section within the scope of the Corporate Governance Principles; below topics are regularly updated and made available for the information of the shareholders and public.

- Corporate Governance
- Shareholders' Structure
- Board of Directors
- Committees
- Articles of Association
- Trade Registry – MERSİS
- Prospectus and Circular
- Corporate Governance Principles Compliance Report
- Information Policy
- Compensation Policy
- Profit Distribution Policy

- Donations and Aids Policy
- Severance and Notice Payment Policy
- Share Repurchase Policy
- Environmental and Social Credit Policies
- Information Regarding Related Party Transactions
- Code of Ethics
- Factoring Sectors' Code of Ethics
- Independent Auditor
- Investor Relations
- Financial Information
- Annual Reports
- Disclosure of Material Matters
- Rating Reports
- General Assembly Meetings
- Corporate Governance Principles Compliance Rating Reports
- Information on Issuance of Bonds and Bills

Within the scope of the Ministry of Customs and Trade Regulation on "Websites to be Opened by Equity Companies" published in the Official Gazette n.28663 (date: 31.05.2013) "Bilgi Toplumu Özgülenmiş Alanı Garanti Faktoring A.Ş." section was created. In this section issues that need to be published are regularly updated.

#### **3.2. Annual report**

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 Ministry of Customs and Trade Regulation on "Determining the Minimum Content of Annual Reports of the Companies" published in the Official Gazette n.28395 (date: 28.08.2012).

Annual reports are presented to the approval of the Board of Directors and are publicly announced via Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)) and on the website [www.garantifactoring.com](http://www.garantifactoring.com) in the "Investor Relations" section under the topic of "Annual Reports".

# CORPORATE GOVERNANCE COMPLIANCE REPORT

## SECTION IV – STAKEHOLDERS

### 4.1. Informing the Stakeholders

Our Company accepts the principle of protecting all stakeholders' rights with regards to the activities of the Company and informing them about the company policies and procedures.

Garanti Faktoring, continuously informs the stakeholders via disclosure of material matters and website [www.garantifactoring.com](http://www.garantifactoring.com). Stakeholders' information requests are answered by the Executive Vice President in charge of the Investor Relations Department and Investor Relations Department. Stakeholders written information requests sent via company's website by using [GFYatirimcilliskileri@garantifactoring.com](mailto:GFYatirimcilliskileri@garantifactoring.com) and [information@garantifactoring.com](mailto:information@garantifactoring.com) e-mail addresses, are answered within the timeframes stipulated in the Corporate Governance Communiqué. Employees are informed by the Human Resources Unit via various meetings and organizations, and with emails announcements made on the Company's intranet.

In case of stakeholders' actions non-conforming with the Company's legislation and code of ethics, there are no procedures that complicate communicating with the Corporate Governance Committee or the Audit Committee. All stakeholders can reach these committees by means of any communication method they wish to use.

### 4.2. Stakeholders' Participation in the Management

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

Garanti Faktoring, every year organizes a General Manager presentation and vision meetings with the participation of all company employees. With periodical region budget and performance meetings and weekly assets/liabilities meetings, information on Company's progress is provided, suggestions are communicated and developments are tracked.

### 4.3. Human Resources Policy

The aim of the Garanti Faktoring 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, and gender discrimination, and (ii) where success is rewarded over 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.

There are career paths determined with objective and transparent criteria in Garanti Faktoring where all our employees get trainings to improve their technical, professional and individual skills. Within the limits of the Company Garanti Faktoring adopts the principle of providing its employees with all kinds of social means on the road to success besides the importance it gives to training.

Garanti Faktoring believes that the most important factor behind the success that creates difference in the sector is the qualified human resources, and thus uninterruptedly continues to invest in increasing employees' potentials 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 180 staff members in Turkey, Human Resources personnel carry out all tasks and responsibilities of the human resources management, within the frame work of the general functions of human resources.

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



There haven't been any complaints about discrimination. 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 relevant new units in the organization structure that will support Company's progress, changing the unit names, structuring new region offices, creating employees' job descriptions, are carried out by Organization and Process Development Unit and Human Resources Unit, and regularly announced on the Company web portal (intranet) where Company employees can easily access.

Performance and awarding process carried out by the Human Resources Unit, is clearly explained to 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 to performance results, are announced on the company web portal (intranet).

#### **4.4. Code of ethics and Social Responsibility**

In order to synchronize the current Ethic Principles and Rules Policy of our Company, with our shareholder BBVA S.A.' Code of Ethics document, which is practiced throughout the BBVA group, the Ethic Principles and Rules Policy of our Company was updated as "Garanti Ethics and Integrity Principles". The policy was approved by the Board of Directors decision dated 07.12.2015, and it was publicly announced at [www.garantifactoring.com](http://www.garantifactoring.com) address under the "Corporate Governance" section.

As the principles began to be practiced, "Ethics and Integrity Committee" was also established within our Company. The Committee is composed of assistant general managers, internal audit unit, and the compliance official.

In line with its vision, mission and strategic targets, Garanti Faktoring A.Ş. 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 entities it has relations with;
- Taking all measures for obtaining, maintaining, and accessing confidential information, being aware of the fact that information, accessed during professional activities, regarding customers, employees and any other third parties is confidential;
- Respecting the third parties' intellectual and commercial property rights relating to their products and services;
- Being impartial, fair, trustworthy towards its employees, as well as guiding them in their development;
- Taking necessary measures for occupational health and safety in the working environment of the employees;
- Carrying out its professional activities in a manner respecting fair competition;
- Respecting people, environment and work performed, and moreover taking part in social responsibility projects, particularly in the field of education, information and financial access;
- Taking all laws and regulations as basis in all its activities.

It is the responsibility of all directors 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.

The core element of this responsibility is to protect the respectability of the Company and to meticulously fulfill all requirements of the field of business.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

In all its transactions, Garanti Faktoring 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 legislations. In order to manage our Company's environmental and social impacts, Environmental and Social Credit Policies were put into effect with the Board of Directors Decision n.2014/53 taken on 19.08.2014.

Within the scope of social responsibility activities; lectures (27 hrs in total throughout the 9 weeks of the 2<sup>nd</sup> Semester) and relevant information were given by our Company's managers to Bahçeşehir students under the "Garanti Faktoring; The World of Receivable Finance" brand within the scope of Bahçeşehir University CO-OP project, organized by Garanti Faktoring A.Ş. for the 6<sup>th</sup> time in 2015.

In 2015, Garanti Faktoring supported sustainable development by using 100% recyclable "Cyclus coated" paper for agenda and calendar printing without cutting any trees.

With the "Garanti Faktoring Scholarship Fund" constituted within the structure of Community Volunteers Foundation, 12 students were supported with scholarships.

With Kaçuv's "Hopeful Boxes Project", Garanti Faktoring supported the production of Hospital Support Boxes for the basic needs of the children, who receive long-term inpatient treatment in hospitals, and their families. Furthermore, Garanti Faktoring sponsored the process of supporting the boxes with educational and cognitive activities, and delivering them to children who have cancer and to their families.

Furthermore, we continue to collect papers, batteries, plastic bottle caps, and plastic courier envelopes within the Company to support recycling.

## SECTION V- BOARD OF DIRECTORS

### 5.1. Board of Directors' Structure and Formation

Board of Directors 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 Capital Markets Board's compulsory Corporate Governance Principles. The independent members of the Board of Directors are elected in conformity with these regulations.

In the 7<sup>th</sup> Article of Garanti Faktoring Articles of Association; Board of Directors' duties and term, Board of Directors 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 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.

Company's Board of Directors is composed of eight members. Chairman of the Board of Directors of the Company is Ali Fuat Erbil, Vice Chairman of the Company is Gökhan Erün, and our Company's General Manager is Hulki Kara. Board of Directors' executive members are; Ali Fuat Erbil, Turgay Gönensin, Hulki Kara, Non-executive members are; Osman Bahri Turgut, Gökhan Erün, Luis Vicente Gasco Tamarit, Independent Members of the Board of Directors are; Serhat Yanik and Ali Çoşkun.

Tasks and Duties and Term of Office of the Members of the Board of Directors; At the 2012 Ordinary General Assembly Meeting held on the 29<sup>th</sup> of March 2013, Members of the Board of Directors were elected for a 3 year term (29.03.2013-29.03.2016).

Using the powers of the Nomination Committee, the Corporate Governance Committee presented its report to the Board of Directors regarding the issue of appointing Ali Temel as Member of the Board of Directors - for the vacant position of Aydın Şenel who resigned on the 10<sup>th</sup> of March 2015 - to assume duty throughout the remaining term of office of the Board of Directors. The nominated candidate was discussed, and a decision was taken at the Board of Directors Meeting held on the 25<sup>th</sup> of March 2015, to submit the issue to the General Assembly. At the Company's 2014 Ordinary General Assembly Meeting held on the 29<sup>th</sup> of April 2015, the issue of electing Ali Temel as Member of the Board of Directors was approved by majority votes.

For the vacant positions of the Members of the Board of Directors Sait Ergün Özen, Ali Temel and Manuel Pedro Galatas Sanchez Harguindey who resigned on the 1<sup>st</sup> of December 2015, Ali Fuat Erbil and Gökhan Erün were appointed on the 1<sup>st</sup> of December 2015 to assume duty throughout the remaining term of office of the Board of Directors, and to be presented to the approval of the General Assembly at the first General Assembly Meeting to be held. As a consequence of this change, the number of Members of the Board of Directors as of the 1<sup>st</sup> of December 2015 was decreased to eight.

A decision was taken to elect Ali Fuat Erbil as the Chairman of the Board of Directors, and Gökhan Erün as Vice Chairman of the Board of Directors.

The structure of the Board of Directors that was determined with the Board of Directors decision taken on the 1<sup>st</sup> of December 2015 as it had been structured after the 2012 Shareholders Ordinary General Assembly Meeting held on the 29<sup>th</sup> of March 2013, is as follows:

- Chairman of the Board of Directors is Ali Fuat Erbil, and the Vice Chairman of the Board of Directors is Gökhan Erün.
- Independent Members of Board of Directors Assistant Professor Serhat Yanık and Assistant Professor Ali Çoşkun are members of the Audit Committee. Mr. Serhat Yanık is the Committee Chairman.
- 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.

Due to the fact that a separate Nomination Committee and Compensation Committee were not established within the structure of the Board of Directors, the tasks of these committees are carried out by the Corporate Governance Committee.

Corporate Governance Committee Chairman is Mr. Serhat Yanık, and members are Mr. Osman Bahri Turgut, Mr. Aydın Şenel and Ms. Şebnem Dede.

Members of the Board of Directors' Résumés and Tasks and Duties they assume outside the Company; are listed in the "BOARD OF DIRECTORS" Section of this report.

Independence Statements of the Independent Members of the Board of Directors are publicly announced on the website [www.garantifactoring.com](http://www.garantifactoring.com) in the "Yatırımcı İlişkileri" section under the topic of "Genel Kurul Toplantıları".

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

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

## **5.2. Board of Directors' Activity Principles**

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 frame work of the Articles of Association, Turkish Code of Commerce 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 weighted right to vote and/or negative veto right. 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.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

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 Code of Commerce, Board of Directors decision books openings and closings shall be notarized and completed within the specified timeframes.

In 2015, 18 Board of Directors Meetings were held with the attendance of the majority of the total number of members. In 2015, as a result of the Board of Directors Meetings 42 pages of meeting minutes were recorded. Board of Directors took 29 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 of Directors members that would need to be recorded in the decision minutes. Members of the Board of Directors do not have weighted right to vote and/or negative veto right.

Within the scope of the insurance policy made by our main partner T. Garanti Bankası A.Ş.; there is an "Employer's Liability Insurance" that covers our Company's top management and that is valid between 03.04.2015 - 03.04.2016. Insurance Policy provides coverage up to US\$ 100.000.000- (hundred million).

### **5.3. 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. 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. Within the frame work of relevant legislation provisions, 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](http://www.kap.gov.tr)) and Company website.

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 Independent Members of the

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 our independent members of the Board of Directors has to assume tasks in two separate committees.

Relevant detailed information about the formation and performance of the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee are given in the "Committees and Attending Committee Meetings" section of this report.

### **5.4. Risk Management and Internal Control Mechanism**

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. Our 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.

Garanti Faktoring A.Ş. Risk Management Strategy, Policy and Procedures entered into effect upon the approval given with the Board of Directors decision n. 2014/15 (Date: 07.04.2014). With this policy Garanti Faktoring aims to measure the risks within the frame work of risk management strategy and Company activities and to distribute the capital optimally by maintain the risk-yield balance and to achieve growth within the frame work of this balance. Within this scope, main principles are; (i) Detecting and analyzing the risks in line with the volume, characteristic, and complexity of the Company activities; (ii) Complying with international and local legal regulations; (iii) Protecting the financial strength by monitoring and controlling risks in order to limit the impacts of potential negative market conditions on the capital and revenue; (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 in order 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.

### **5.5. Company's Strategic Targets**

Garanti Faktoring's vision is to create difference with Garanti identity and to be the leading company of the sector. Its mission is to pioneer the progress of the sector with the investments it makes in human resources, technology and innovation and to continuously create value added for its customers, employees and shareholders.

Our Strategies;

- To be a company that creates difference with its high quality human resources, fast and efficient processes and service quality,
- To use technology effectively and increase efficiency by making continuous investment in technological infrastructure,
- With its innovative products and customer-specific corporate solutions, to provide its customers with services in line with their needs,
- To effectively implement, monitor, and develop our strategies that are constructed on profitable growth, service quality and employee satisfaction, that are structured in line with the market data and customer needs. To make sure a structure based on interactive communication is embraced among the employees.

Within the frame work of these strategies, annual budgets are structured and submitted to the approval of the Board of Directors. Target achievement and development is continuously monitored at the Assets/Liabilities Committee meetings organized by the company management in weekly periods and at the region budget meetings chaired by the General Manager. In addition; the Board of Directors discusses and evaluates the Company's strategic target achievement at the quarterly held Board of Directors Meetings. Developments are instantaneously monitored through management reporting infrastructure and systems.

### **5.6. Financial Rights**

The Compensation Policy formulated regarding all rights, benefits, and wages provided to the Members of the Board of Directors and executives and the criteria and remuneration principles used in determining these rights, benefits, and wages is publicly announced on the website [www.garantifactoring.com](http://www.garantifactoring.com) in the "Yatırımcı İlişkileri > Kurumsal Yönetim" section, and under the "Remuneration and Benefits Provided to the Members of the Board of Directors and Executive Managers Who Have Administrative Responsibilities" section in this report and in the Board of Directors' annual reports. Financial rights provided to the Members of the Board of Directors and executive managers were presented on the agenda item n.10 for shareholders' information at the Ordinary General Assembly Meeting of the Company held on 29.04.2015.

Our Company, does not lend money, extend credit, or does not extend credit such as "personal loans" by means of third persons or does not give surety to any of the members of the Board of Directors' or executive managers.

# STATEMENT OF RESPONSIBILITY

## AS PER THE 9<sup>TH</sup> ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD COMMUNIQUE N.14.1 SERIES: II

- a) We have reviewed Garanti Faktoring A.Ş.'s (Company) annual report prepared and issued for the 01.01.2015-31.12.2015 period.
- 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 its was made.
- c) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, we do declare that the financial statements and the annual report prepared and issued as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) and Ministry of Customs and Trade Regulation on "Determining the Minimum Content on the Companies' Annual Report" n28395 (Date: 28.08.2012), honestly 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.

Best Regards,

**MERT ERCAN**  
Executive Vice President

**HULKİ KARA**  
General Manager

**ALİ ÇOŞKUN**  
Member of Audit Committee

**SERHAT YANIK**  
Member of Audit Committee

**GARANTİ FAKTORİNG A.Ş.**

**FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2015**

(TRANSLATED INTO ENGLISH FROM  
THE ORIGINAL TURKISH REPORT)

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

The Company's Management is responsible for the preparation and fair presentation of the financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the communiqué on "The Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies" and the regulation on "The Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette No. 28861 dated 24 December 2013, and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### ***Opinion***

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 28 January 2016.

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

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

### **Additional paragraph for English translation**

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

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

### **Şule Firuzment Bekçe**

Partner

Istanbul, 28 January 2016

# GARANTİ FAKTORİNG A.Ş.

## BALANCE SHEET AS OF 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

# GARANTİ FAKTORİNG A.Ş.

## BALANCE SHEET AS OF 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

LIABILITIES	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	3.2	1.292	12	1.304	10.249	-	10.249
II. FUNDS BORROWED	12	1.395.798	691.304	2.087.102	2.019.809	196.657	2.216.466
III. FACTORING PAYABLES	6	767	2.532	3.299	623	1.527	2.150
IV. LEASING PAYABLES		-	-	-	-	-	-
4.1 Financial lease payables		-	-	-	-	-	-
4.2 Operational lease payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Leasing Expenses		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)	13	702.552	-	702.552	611.843	-	611.843
5.1 Bills		702.552	-	702.552	611.843	-	611.843
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. OTHER LIABILITIES	14	3.411	765	4.176	2.135	830	2.965
VII. OTHER FOREIGN LIABILITIES	14	-	34	34	-	-	-
VIII. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES		-	-	-	-	-	-
8.1 Fair Value Hedging		-	-	-	-	-	-
8.2 Cash Flow Hedging		-	-	-	-	-	-
8.3 Net Foreign Investment Hedging		-	-	-	-	-	-
IX. TAXES PAYABLE	15	2.384	-	2.384	1.785	-	1.785
X. PROVISIONS	16	3.573	335	3.908	3.732	-	3.732
10.1 Reserves for Restructuring		-	-	-	387	-	387
10.2 Reserves For Employee Benefits		3.154	-	3.154	2.964	-	2.964
10.3 Other Provisions		419	335	754	381	-	381
XI. DEFERRED RECEIVABLES		-	-	-	-	-	-
XII. TAX LIABILITY		-	-	-	-	-	-
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUB TOTAL		2.109.777	694.982	2.804.759	2.650.176	199.014	2.849.190
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held for Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	17	165.762	-	165.762	140.383	-	140.383
16.1 Paid-in Capital		79.500	-	79.500	79.500	-	79.500
16.2 Capital Reserves		-	-	-	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Other comprehensive income or expense that will not be reclassified subsequently to profit or loss:		(497)	-	(497)	(446)	-	(446)
16.4 Other comprehensive income or expense that will be reclassified subsequently to profit or loss:		-	-	-	-	-	-
16.5 Profit Reserves		61.329	-	61.329	40.813	-	40.813
16.5.1 Legal Reserves		5.639	-	5.639	4.598	-	4.598
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		55.690	-	55.690	36.215	-	36.215
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 TO OWNERS OF ORDINARY SHARES		25.430	-	25.430	20.516	-	20.516
16.6.1 Retained Earnings / (Accumulated Losses)		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		25.430	-	25.430	20.516	-	20.516
TOTAL LIABILITIES AND EQUITY		2.275.539	694.982	2.970.521	2.790.559	199.014	2.989.573

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF OFF - BALANCE SHEET ITEMS

### AS OF 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF PROFIT OR LOSS

### FOR THE PERIOD ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

INCOME STATEMENT		Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
	Notes		
I. OPERATING INCOME	18	237.682	188.109
FACTORIZING INCOME		237.682	188.109
1.1 Factoring Interest Income		217.548	170.949
1.1.1 Discount		71.583	71.785
1.1.2 Other		145.965	99.164
1.2 Factoring Commission Income		20.134	17.160
1.2.1 Discount		12.880	10.115
1.2.2 Other		7.254	7.045
RECEIVABLES FROM FINANCIAL LOANS		-	-
1.3 Financial Loans Interest Income		-	-
1.4 Financial Loans Fees and Commissions Receivables		-	-
OPERATING RECEIVABLES		-	-
1.5 Financial Leasing Receivables		-	-
1.6 Operational Leasing Receivables		-	-
1.7 Leasing Operations Fees and Commissions Receivables		-	-
II. FINANCIAL EXPENSES (-)	19	(221.361)	(152.313)
2.1 Interest Expense on Funds Borrowed		(153.471)	(106.182)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Finance Lease Expense		-	-
2.4 Interest Expense on Securities Issued		(63.805)	(44.158)
2.5 Other Interest Expenses		(12)	-
2.6 Other Fees and Commissions		(4.073)	(1.973)
III. GROSS PROFIT/LOSS (I+II)		16.321	35.795
IV. OPERATING EXPENSES (-)	20	(40.030)	(38.224)
4.1 Personnel Expenses		(22.459)	(21.809)
4.2 Retirement Pay Provision Expenses		(408)	(323)
4.3 Research and Development Expenses		-	-
4.4 General Administrative Expenses		(121.97)	(16.012)
4.5 Other		(59)	(80)
V. OPERATING GROSS PROFIT/LOSS		(23.714)	(2.428)
VI. OTHER OPERATION INCOME	21	589.667	249.807
6.1 Interest Income from Deposits		2.057	634
6.2 Interest Income from Reverse Repurchase Agreements		-	-
6.3 Interest Income from Marketable Securities		-	-
6.3.1 Interest Income from Financial Assets Held for Trading		-	-
6.3.2 Interest Income from Financial Assets at Fair Value Through Profit and Loss		-	-
6.3.3 Interest Income from Financial Assets Available For Sale		-	-
6.3.4 Interest Income from Financial Assets Held to Maturity		-	-
6.4 Dividend Income		-	-
6.5 Interest Received from Money Market Placements		82.963	44.562
6.5.1 Derivative Financial Transactions		82.963	44.562
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		501.892	203.278
6.7 Other		2.795	1.333
VII. SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)	22	(20.258)	(15.860)
VIII. OTHER OPERATION EXPENSES	23	(513.841)	(205.905)
8.1 TO OWNERS OF ORDINARY SHARES		-	-
8.1.1 Financial Assets at Fair Value Through Profit and Loss		-	-
8.1.2 Financial Assets Available For Sale		-	-
8.1.3 Financial Assets Held to Maturity		-	-
8.2 Expense from Impairment on Tangible and Intangible Assets		-	-
8.2.1 Impairment on Tangible Assets		-	-
8.2.2 Impairment on Assets Held for Sale and Discontinued Operations		-	-
8.2.3 Impairment on Goodwill		-	-
8.2.4 Impairment on Intangible Assets		-	-
8.2.5 Impairment on Subsidiaries, Associates and Joint Ventures		-	-
8.3 Losses from Derivative Financial Transactions		(1.579)	(12.299)
8.4 Foreign Exchange Losses		(512.162)	(193.060)
8.5 Other		(100)	(546)
IX. NET OPERATING INCOME (I+...+VI)		31.824	25.614
X. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI. NET MONETARY GAIN/LOSS		-	-
XII. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (VII+VIII+IX)		31.824	25.614
XIII. TAX PROVISION FOR CONTINUING OPERATIONS (+)	10	(6.394)	(5.098)
13.1 Current Tax Charge		(7.110)	(4.786)
13.2 Deferred Tax Charge (-)		-	(312)
13.3 Deferred Tax Benefit (+)		716	-
XIV. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS		25.430	20.516
XV. INCOME ON DISCONTINUED OPERATIONS		-	-
15.1 Income on Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Joint Ventures		-	-
15.3 Other Income on Discontinued Operations		-	-
XVI. EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
16.1 Expenses on Assets Held for Sale		-	-
16.2 Losses on Sale of Associates, Subsidiaries and Joint Ventures		-	-
16.3 Other Expenses on Discontinued Operations		-	-
XVII. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX		-	-
XVIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (+)		-	-
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (+)		-	-
18.3 Deferred Tax Benefit (-)		-	-
XIX. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS		-	-
XX. NET PERIOD PROFIT/LOSS		25.430	20.516
Earnings/Loss Per Share (Kurus (0.01 TL) per thousand shares)	24	319,87	258,06

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

PRIOR PERIOD 1 January - 31 December 2014	Other comprehensive income or expenses that will be reclassified to profit or loss			Other comprehensive income or expenses that will be reclassified to profit or loss			Share Cancellation Premium	Share Profits	Capital Reserves	Extraordinary Reserves	Statutory Reserves	Current Year Profit/ (Loss)	Retained Earnings/ (Accumulated Losses)	Current Year Net Profit/ (Loss)	Total Shareholders' Equity
	1	2	3	4	5	6									
1. Balances at the beginning of the prior period	17	79,500	-	-	25,511	4,198	-	21,313	-	15,302	-	15,302	-	120,066	
2. Corrections made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances	17	79,500	-	-	25,511	4,198	-	21,313	-	15,302	-	15,302	-	120,066	
IV. Total Comprehensive Income	-	-	-	-	(199)	-	-	-	-	-	-	-	-	(199)	
V. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital increase through internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Increase/Decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Dividends	-	-	-	-	15,302	400	-	14,902	-	(15,302)	-	20,516	-	20,516	
12.2 Transfers to reserves	-	-	-	-	15,302	400	-	14,902	-	(15,302)	-	(15,302)	-	-	
12.3 Other	-	-	-	-	-	-	-	-	-	-	-	15,302	-	(15,302)	
Balance at the end of the period (31 December 2014) (III+IV+.....+XI+XII)	17	79,500	-	-	40,813	4,598	-	36,215	-	20,516	-	20,516	-	140,383	
CURRENT PERIOD															
1 January - 31 December 2015															
I. Balances at the beginning of the prior period	17	79,500	-	-	40,813	4,598	-	36,215	-	20,516	-	20,516	-	140,383	
II. Corrections made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances	17	79,500	-	-	40,813	4,598	-	36,215	-	20,516	-	20,516	-	140,383	
IV. Total Comprehensive Income	-	-	-	-	(51)	-	-	-	-	-	-	-	-	(51)	
V. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital increase through internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Increase/Decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Foreign exchange conversion differences	-	-	-	-	20,516	1,041	-	19,475	-	(20,516)	-	25,430	-	25,430	
12.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfers to reserves	-	-	-	-	20,516	1,041	-	19,475	-	(20,516)	-	(20,516)	-	-	
12.3 Other	-	-	-	-	-	-	-	-	-	-	-	20,516	-	(20,516)	
Balance at the end of the period (31 December 2015) (III+IV+.....+XI+XII)	17	79,500	-	-	61,329	5,639	-	55,690	-	25,430	-	25,430	-	165,762	

1) TO OWNERS OF ORDINARY SHARES  
2) Accumulated evaluation profits/losses from defined benefit plans  
3) Other (Other comprehensive income and expenses) from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss)  
4) Foreign exchange conversion differences  
5) Revaluation and/or reclassification differences of available-for-sale financial assets.  
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 profit/loss).

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF CASH FLOWS

### FOR THE PERIOD ENDED 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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



# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF PROFIT DISTRIBUTION

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

		THOUSANDS OF TURKISH LIRA	
		Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(1)</sup></b>		
1.1	CURRENT PERIOD PROFIT	31.824	25.614
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	6.394	5.098
1.2.1	Corporate tax (income tax)	7.110	4.786
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	(716)	312
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>25.430</b>	<b>20.516</b>
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(1.041)
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>25.430</b>	<b>19.475</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of participating shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	(19.475)
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>	-	-
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of participating shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>	-	-
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

<sup>(1)</sup> Decision regarding to the 2015 profit distribution will be held at General Assembly meeting.

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 1 ORGANIZATION AND OPERATIONS OF THE COMPANY

Aktif Finans Faktoring Hizmetleri A.Ş. was incorporated on 4 September 1990 in Turkey to provide factoring services to industrial and commercial firms. The commercial title of Aktif Finans Faktoring Hizmetleri A.Ş. was changed to Garanti Faktoring Hizmetleri A.Ş. ("the Company") with the approval of the General Assembly held on 27 March 2002. At the 2013 General Assembly Meeting of the company held on 17 April 2014 the commercial title of the Company was changed to Garanti Faktoring A.Ş. (The Company). The Company offered its shares to public in 1993 with the authorization of the Capital Markets Board ("CMB") and is quoted in Borsa İstanbul A.Ş. (BİAŞ). The Company operates in accordance with the Capital Markets Law, "The Code of Leasing, Factoring and Finance Companies" published in the Trade Registry Gazette dated 13 December 2012 No: 28496 and the Communiqué on the "The Establishment and Main Activities of Finance Leasing, Factoring and Financing Companies" issued by the Banking Regulation and Supervision Agency ("BRSA") dated 24 April 2013 No: 28627 published in the Trade Registry Gazette.

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

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

The shareholding of Türkiye Garanti Bankası A.Ş. as of 31 December 2015 is 55,40% and Türkiye Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via Borsa İstanbul.

The Company has 175 employees as of 31 December 2015 (31 December 2014: 180)

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

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

The Company provides factoring operations with twenty one branches in Turkey.

Approval of Financial Statements:

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

# **GARANTİ FAKTORİNG A.Ş.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **AS AT 31 DECEMBER 2015**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

### **2.1 Basis of Presentation**

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

The Company maintains its books of account in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the communique on "The Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies" and the regulation on "The Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette No. 28861 dated 24 December 2013, and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations.

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

#### **2.1.2 Functional Currency**

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

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

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

#### **2.1.4 Offsetting**

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

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

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

- Note 3 - Financial Assets at fair value through profit and loss
- Note 6 - Factoring receivables
- Note 8 - Tangible Assets
- Note 9 - Intangible Assets
- Note 10 - Tax Assets and Liabilities
- Note 16 - Provisions

### 2.4 Adoption of New and Revised Turkish Financial Reporting Standards

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

None.

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

TAS 19 (Amendments)	<i>Defined Benefit Plans: Employee Contributions:</i> <sup>1</sup>
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39</i> <sup>1</sup>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 30 June 2014.

#### Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

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

#### Annual Improvements to 2010-2012 Cycle

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

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

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

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

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

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

#### **Annual Improvements to 2011-2013 Cycle**

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

### 2.4 New and revised Turkish Accounting Standarts (Cont'd)

#### c) New and revised TFRSs in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants<sup>1</sup></i>
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations<sup>1</sup></i>
Annual Improvements to 2011-2013 Cycle TFRS 1 <sup>2</sup>	
Amendments to TAS 1	<i>Disclosure Initiative<sup>2</sup></i>
Annual Improvements to 2012-2014 Cycle TFRS 5, TFRS 7, TAS 34, TAS 19 <sup>2</sup>	
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements<sup>2</sup></i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception<sup>2</sup></i>
TFRS 14	<i>Regulatory Deferral Accounts<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

#### TFRS 9 *Financial Instruments*

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

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

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

### 2.4 New and revised Turkish Accounting Standarts (Cont'd)

#### *c) New and revised TFRSs in issue but not yet effective (Cont'd)*

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

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

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

#### **Amendments to TFRS 11 and TRFS 1 Accounting for Acquisition of Interests in Joint operations**

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

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

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

#### **Annual Improvement to 2011-2013 Cycle**

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

#### **Amendments to TAS 1 Disclosure Initiative**

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

#### **Annual Improvements to 2012-2014 Cycle**

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

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

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

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

# **GARANTİ FAKTORİNG A.Ş.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **AS AT 31 DECEMBER 2015**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

### **2.5 New and revised Turkish Accounting Standarts (Cont'd)**

#### ***c) New and revised TFRSs in issue but not yet effective (Cont'd)***

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

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

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

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

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

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

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

##### ***TFRS 14 Regulatory Deferral Accounts***

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

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

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

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

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

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



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

#### (a) Revenue (Cont'd)

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

Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established. Other interest income is accrued based on the effective interest rate which equals the estimated cash flows to net book value of the related asset.

#### (b) Financial Instruments

##### Financial Assets

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

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

##### Effective interest method

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

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

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

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

##### Held to maturity investments

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

##### Financial Assets (Cont'd)

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

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

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

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

##### Factoring receivables and other receivables

Factoring receivables and other receivables are stated at fair value at initial recognition. Subsequent to initial recognition, all receivables except for factoring receivables are carried at amortized cost using the effective interest method. Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition. Interest income is calculated and accounted by using the effective interest rate method.

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

##### Impairment of Financial Assets

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

##### Financial Assets (Cont'd)

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

##### Cash and cash equivalents

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

##### Derivative financial instruments and hedge accounting

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

##### Financial Liabilities

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

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

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

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

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

##### Other financial liabilities

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

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

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

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

#### *(d) Intangible Assets*

##### Intangible Fixed Assets Acquired

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

##### Computer Software

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

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

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

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

#### *(f) Capital Increase*

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

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

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

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

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

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

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

#### *(i) Borrowing Costs*

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

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

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

The foreign currency exchange rates used by the Company as of 31 December 2015 and 31 December 2014 are as follows:

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

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

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

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

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

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

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

#### *(m) Segmental Information:*

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

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

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

#### (n) Taxation on Income (Cont'd)

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

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

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

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

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

#### (o) Statement of Cash Flows

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

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

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

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

	31 December 2015	31 December 2014
Banks	40.254	4.815
	40.254	4.815

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

##### 3.1 Derivative Financial Assets Held for Trading

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

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

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

##### 3.2 Derivative Financial Liabilities Held for Trading

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

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

#### 4 BANKS

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

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

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



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 5 FINANCIAL ASSETS AVAILABLE FOR SALE

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

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

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

#### 6 FACTORING RECEIVABLES AND PAYABLES

##### Factoring Receivables

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

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

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

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

##### Factoring Payables

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

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Factoring payables	767	2.532	623	1.527
	<b>767</b>	<b>2.532</b>	<b>623</b>	<b>1.527</b>

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 7 NON-PERFORMING RECEIVABLES

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

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

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

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

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

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

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 8 TANGIBLE ASSETS

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

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

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

	1 January 2014	Additions	Disposals	31 December 2014
<b>Acquisition Cost</b>				
Furniture and fixtures	2.777	289	(20)	3.046
Vehicles	19	-	-	19
Leasehold improvements	1.147	24	-	1.171
	<b>3.943</b>	<b>313</b>	<b>(20)</b>	<b>4.236</b>
		<b>Charge</b>		
<b>Accumulated Depreciation</b>	<b>1 January 2014</b>	<b>for the period</b>	<b>Disposals</b>	<b>31 December 2014</b>
Furniture and fixture	2.227	285	(20)	2.492
Vehicles	17	2	-	19
Leasehold improvements	1.011	34	-	1.045
	<b>3.255</b>	<b>321</b>	<b>(20)</b>	<b>3.556</b>
<b>Net book value</b>	<b>688</b>			<b>680</b>

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

	Economical Life
Vehicles	5
Furnitures and fixtures	3-15
Specific Costs	3-10

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 9 INTANGIBLE ASSETS

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

	1 January 2015	Additions	31 December 2015
<b>Acquisition Cost</b>			
Rights	3.076	-	3.076
Other (Software)	7.064	2.617	9.681
	<b>10.140</b>	<b>2.617</b>	<b>12.757</b>
		<b>Charge</b>	
<b>Accumulated Amortization</b>	<b>1 January 2015</b>	<b>for the period</b>	<b>31 December 2015</b>
Rights	3.076	-	3.076
Other ( Software)	3.713	2.217	5.930
	<b>6.789</b>	<b>2.217</b>	<b>9.006</b>
<b>Net book value</b>	<b>3.351</b>		<b>3.751</b>

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

	1 January 2014	Additions	31 December 2014
<b>Acquisition Cost</b>			
Rights	3.076	-	3.076
Other (Software)	4.458	1.972	6.430
	<b>7.534</b>	<b>1.972</b>	<b>9.506</b>
		<b>Charge</b>	
<b>Accumulated Amortization</b>	<b>1 January 2014</b>	<b>for the period</b>	<b>31 December 2014</b>
Rights	3.012	52	3.064
Other ( Software)	2.108	1.138	3.246
	<b>5.120</b>	<b>1.190</b>	<b>6.310</b>
<b>Net book value</b>	<b>2.414</b>		<b>3.196</b>

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

	Economical Life
Rights	3-5
Others	3-5

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 10 TAX ASSETS AND LIABILITIES

##### Corporate Tax

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

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

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

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax is calculated as 20% of the income in the year 2015 (2014: 20%)

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

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

##### Income Withholding Tax

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

##### Reconciliation of tax charge

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

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

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

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

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

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

The effective corporate tax rate is 20% as at 31 December 2015 (31 December 2014: 20%). The Company calculates deferred tax assets and liabilities according to the balance sheet liability method on the temporary differences that will be utilized using the rate 20%.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

Breakdown of temporary differences and deferred tax assets and liabilities that are calculated by using current tax rates as at 31 December 2015, 31 December 2014 are as follows:

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

#### 11 PREPAID EXPENSES AND OTHER ASSETS

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

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

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

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

#### 12 FUNDS BORROWED

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

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



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 12 FUNDS BORROWED (Cont'd)

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

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

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

#### 13 MARKETABLE SECURITIES ISSUED

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

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
<i>Bills</i>				
Nominal	726.240	-	627.210	-
Cost	688.263	-	600.083	-
<b>Carrying Value</b>	<b>702.552</b>	<b>-</b>	<b>611.843</b>	<b>-</b>

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 14 SUNDRY CREDITORS AND OTHER LIABILITIES

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

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

#### 15 TAX PAYABLES AND LIABILITIES

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

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

#### 16 PROVISIONS

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 16 PROVISIONS (Cont'd)

##### 16.1 Provision for Employee Benefits

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

##### *Retirement Pay Provision*

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

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

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

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

##### *Personnel Bonus Accrual*

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 16 PROVISIONS (Cont'd)

##### 16.1 Provision for Employee Benefits (Cont'd)

###### *Unused Vacation Accrual*

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

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

##### 16.2 Other Provisions

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

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

#### 17 SHAREHOLDERS' EQUITY

##### 17.1 Paid-in Capital

As of 31 December 2015, the Company's share capital amounts to TL 79,500 thousand (31 December 2014: TL 79,500 thousand).

As at 31 December 2015 the Company has 7,950,000,000 (31 December 2014: 7,950,000,000) total registered shares consisting of 4,004,242,970 preferred shares and 3,945,757,030 ordinary shares with a par value of Kuruş ("Kr") 1 each (31 December 2014: Kr 1).

##### 17.2 Capital Reserves

None. (31 December 2014: None)

##### 17.3 Other Comprehensive Income or Expense

As of 31 December 2015, TL (497) thousand includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss. (31 December 2014: TL (446) thousand includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss.)

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 17 SHAREHOLDERS' EQUITY (Cont'd)

##### 17.4 Profit Reserves

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

##### 17.5 Profit Distribution

###### 2014 PROFIT DISTRIBUTION TABLE

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

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

#### 18 OPERATING INCOME

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

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

#### 19 FINANCE EXPENSES

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 20 OPERATING EXPENSES

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

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 21 OTHER OPERATING INCOME

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

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

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

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

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

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

#### 23 OTHER OPERATING EXPENSES

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

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

#### 24 EARNINGS PER SHARE

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

	1 January- 31 December 2015	1 January- 1 December 2014
Net profit for the period	25.430	20.516
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
<b>Earnings per thousand shares (KR)</b>	<b>319,87</b>	<b>258,06</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### 25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

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

	1 January - 31 December 2015		1 January - 31 December 2014	
	<b>Interest income from factoring receivables</b>			
Doğuş Yayın Grubu A.Ş.		1.786		1.834
Doğuş Perakende Satış Giyim ve Aksesuar Ticaret A.Ş.		34		100
Garanti Bank International NV		124		354
Işıl Televizyon Yayıncılık A.Ş.		13		-
Bmk Turizm ve Otelcilik Hiz. A.Ş.		42		13
		<b>1.999</b>		<b>2.301</b>
<b>Interest income on bank deposits</b>				
Türkiye Garanti Bankası A.Ş.		28		16
Garanti Bank International NV		3		-
		<b>31</b>		<b>16</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

	1 January - 31 December 2015	1 January - 31 December 2014
<b>Commission income from factoring receivables</b>		
Doğuş Perakende Satış Giyim ve Aksesuar Tic. A.Ş.	-	8
	-	8
<b>Interest expenses on funds borrowed</b>		
Türkiye Garanti Bankası A.Ş.	41.022	6.683
Garanti Bank International NV	3.128	732
	44.150	7.415
<b>Fees and commissions given</b>		
Garanti Yatırım Menkul Kıymetler A.Ş.	2.993	1.900
Türkiye Garanti Bankası A.Ş.	487	497
Garanti Bank International NV	84	11
	3.564	2.408
<b>General Administrative Expenses</b>		
Türkiye Garanti Bankası AŞ ( <i>Rent expense, intermediary services fee, IT maintenance and contract expenses</i> )	4.523	4.513
Garanti Filo Yönetim Hizmetler AŞ ( <i>Car rental expenses</i> )	1.312	1.267
Antur Turizm AŞ ( <i>Travelling expenses</i> )	126	127
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri AŞ ( <i>Information technologies maintenance and contract costs</i> )	5	5
Garanti Finansal Kiralama AŞ ( <i>Office rent expenses, contribution to building costs</i> )	660	566
Garanti Emeklilik ve Hayat AŞ ( <i>Insurance expenses</i> )	55	48
	6.681	6.526

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

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Profits from Financial Derivatives</b>		
Türkiye Garanti Bankası A.Ş.	30.453	8.904
Banco Bilbao Vizcaya Argentaria	6.503	458
	<b>36.956</b>	<b>9.362</b>
<b>Losses from Financial Derivatives</b>		
Türkiye Garanti Bankası A.Ş.	113	213
	<b>113</b>	<b>213</b>

#### Salary and other benefits provided to board members and executives:

The amount of salary and other benefits provided to board members and executives by the Company for the period ended as of 31 December 2015 is TL 10.503 thousand (31 December 2014: TL 10.009 thousand)

#### 26 CONTINGENT ASSETS AND LIABILITIES

##### 26.1 Guarantees Received

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

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

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

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

##### 26.2 Guarantee Given

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

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

##### 26.3 Commitments

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

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

##### 26.4 Derivative Agreements

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

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

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### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

### 26.5 Safety Securities

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

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

## 27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

### 27.1 Financial Risk Management Purposes and Policies

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

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

#### 27.1.1 Credit Risk

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

Under the credit allocation;

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

###### **27.1.1 Credit Risk (Cont'd)**

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

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

Credit monitoring phase;

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

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

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

###### **27.1.2 Market Risk**

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

#### 27.1.3 Liquidity Risk

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

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

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

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

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

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

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(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

###### **27.1.4 Operational Risk**

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

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

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

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

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



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(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

###### **27.1.4 Operational Risk (Cont'd)**

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

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

###### **27.1.5 Reputation Risk**

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

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

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

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

#### 27.2 Explanations on Risk Management

##### 27.2.1 Credit Risk

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

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

#### 27.2 Explanations on Risk Management (Cont'd)

##### 27.2.1 Credit Risk (Cont'd)

31 December 2014	Factoring Receivables		Non-performing receivables			Other Assets			Derivative Financial Assets Held for Trading	Financial Assets Available for Sale	2
	Related Party	Others	Related Party	Others	Related Party	Others	Banks	Financial Assets Held for Trading			
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	16.438	2.931.669	-	10.840	-	2.051	4.815	-	4.814	2	
A. Carrying value of financial assets that are not past due nor impaired	16.438	2.920.676	-	-	-	2.051	4.815	-	4.814	2	
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	882	-	-	-	-	-	-	-	-	
C. Financial assets that are past due but not impaired	-	10.111	-	-	-	-	-	-	-	-	
- carrying value	-	10.111	-	-	-	-	-	-	-	-	
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	10.840	-	-	-	-	-	-	
- Past due (gross carrying value)	-	-	-	56.475	-	-	-	-	-	-	
- impairment (-)	-	-	-	(45.635)	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	14	-	-	-	-	-	-	
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-	-	
- impairment (-)	-	-	-	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-	
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-	-	

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

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

###### 27.2.2 Liquidity Risk

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

#### 31 December 2015

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

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

#### 31 December 2014

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 months	1-5 years
<b>Non-derivative financial liabilities</b>	<b>2.833.424</b>	<b>2.853.568</b>	<b>2.417.087</b>	<b>397.307</b>	<b>39.174</b>
Funds borrowed	2.216.466	2.221.243	2.101.262	80.807	39.174
Bond issued	611.843	627.210	310.710	316.500	-
Factoring payables	2.150	2.150	2.150	-	-
Sundry creditors	2.965	2.965	2.965	-	-

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 Months	3-12 months	1-5 years
<b>Derivative financial liabilities and foreign exchange buy-sell commitments</b>	<b>4.001</b>	<b>4.001</b>	<b>4.190</b>	<b>(189)</b>	<b>-</b>
Derivative cash inflows	821.703	821.703	617.829	203.874	-
Derivative cash outflows	(817.702)	(817.702)	(613.639)	(204.063)	-

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

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

#### 27.2.3 Market Risk

##### Foreign currency risk

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

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

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

<sup>(\*)</sup> Derivative financial instruments include forward asset purchases and sales which are recorded under irrevocable commitments.

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

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

##### 27.2.3 Market Risk (cont'd)

Foreign currency risk (cont'd)

The table below summarizes the Company's foreign currency position in detail as of 31 December 2015 and 31 December 2014. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

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

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

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

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

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

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

Foreign Currency Risk (Cont'd)

31 December 2014	USD	EURO	GBP	Total
<b>Assets</b>				
Banks	864	3.017	393	4.274
Financial assets available for sale	-	2	-	2
Factoring receivables <sup>(*)</sup>	715.815	281.009	7.245	1.004.069
<b>Total Assets</b>	<b>716.679</b>	<b>284.028</b>	<b>7.638</b>	<b>1.008.345</b>
<b>Liabilities</b>				
Funds borrowed	48.153	146.343	2.161	196.657
Factoring payables	295	1.018	214	1.527
Sundry creditors and other liabilities	15	720	95	830
<b>Total liabilities</b>	<b>48.463</b>	<b>148.081</b>	<b>2.470</b>	<b>199.014</b>
<b>Net foreign currency position</b>	<b>668.216</b>	<b>135.947</b>	<b>5.168</b>	<b>809.331</b>
Derivative financial instruments <sup>(**)</sup>	(668.931)	(134.445)	(5.394)	(808.770)
<b>Net position</b>	<b>(715)</b>	<b>1.502</b>	<b>(226)</b>	<b>561</b>

<sup>(\*)</sup> Includes the foreign currency indexed factoring receivables amounting to TL 315.345 thousand that are presented in TL column on the balance sheet.

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

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

Foreign currency sensitivity risk

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

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

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



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

#### Interest Rate Risk

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

###### Interest Rate Sensitivity Analysis

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

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

If interest rates of the floating rate instruments denominated in USD and EURO were 100 basis points higher/lower at the date of reissue and all other variables were constant as of 31 December 2015, net income for the period would decrease/increase by TL 4.915 thousand (31 December 2014: TL 192 thousand) as a result of higher/lower interest expense from floating interest rate financial instruments.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

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

#### Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the profit through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings disclosed in Note 18.

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

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

## 28 FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2015

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

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

##### Fair Value of Financial Instruments Classification

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

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

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

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

31 December 2015	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	11.869	-	11.869
	-	11.869	-	11.869
Derivative financial liabilities held for trading	-	1.304	-	1.304
	-	1.304	-	1.304
31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	4.814	-	4.814
	-	4.814	-	4.814
Derivative financial liabilities held for trading	-	10.249	-	10.249
	-	10.249	-	10.249

# **GARANTİ FAKTORİNG A.Ş.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **AS AT 31 DECEMBER 2015**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (THOUSANDS OF "TL") UNLESS OTHERWISE INDICATED.)

#### **29 SUBSEQUENT EVENTS**

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

# GARANTİ FAKTORİNG A.Ş

## CONTACT INFORMATION

BRANCH NAME	ADDRESS	TELEPHONE
Head Office	Maslak Mahallesi Eski Büyükdere Caddesi No: 23 Sarıyer/İstanbul	(+90212) 365 52 00
Head Office (Outbuilding)	Maslak Mahallesi Eski Büyükdere Caddesi Oycan Plaza No: 15 K:6 Sarıyer/İstanbul	(+90212) 365 52 00
Adana Branch	Reşatbey Mah. Atatürk Cad. Mimar Semih Rüstem İş Merkezi No: 18 K: 4 A Blok 01020 Seyhan/Adana	(+90322) 355 10 71
Ankara Branch	Kızılırmak Mah. 1437. Sok. Meva İş Merkezi No: 9/5-9/6 Çukurambar Çankaya/Ankara	(+90312) 284 79 42
Ankara Ostim Branch	Ostim Mah. Yüzüncü Yıl Bulvarı No: 2 Yenimahalle/Ankara	(+90312) 592 71 29
Ankara Siteler Branch	Siteler Mah. Demir Hendek Cad. No: 89 Altındağ/Ankara	(+90312) 596 50 37-38
Antalya Branch	Kızıllık Mah.2754 Sokak No : 1/3-103 Oficitiy İş Merkezi Muratpaşa/ Antalya	(+90242) 310 94 81-86
Bursa Branch	Nilpark AVM Karaman Mah. İzmiryolu Cad. No: 90 K: 6 Nilüfer/Bursa	(+90224) 249 53 22-66
Denizli Branch	Saraylar Mah. Gazi Mustafa Kemal Bulv. No: 2 Saraylar/Denizli	(+90258) 295 46 43-44
Eskişehir Branch	75. Yıl Mah. Teksan Sanayi Sitesi 1. Cadde No: 64/D 26070 Eskişehir	(+90222) 211 31 88-89
Gaziantep Branch	Mücahitler Mah. Gazimuhtarpaşa Bulvarı No: 48 K: 4 Şehitkamil/Gaziantep	(+90342) 211 68 55- 56-58
İstanbul Anadolu Branch	Koşuyolu Mah. Koşuyolu Cad. No: 59/61 Koşuyolu Kadıköy/İstanbul	(+90216) 428 97 71
İstanbul Avrupa Branch	Evren Mah. Bahar Cad. No: 71/A K: 5 Güneşli Bağcılar/İstanbul	(+90212) 630 53 87
İstanbul Beylikdüzü Branch	Cumhuriyet Mah. Gürpınar Yolu No: 7 Beylikdüzü 34500 İstanbul	(+90212) 630 53 89
İstanbul İmes Branch	Eseşehir Mah. İmes C301 Sok. No:5 34776 Ümraniye/ İstanbul	(+90216) 528 32 38-39
İstanbul Karaköy Branch	Müeyyetzade Mah. Kemeraltı Cad. No:24/A Karaköy 34425 İstanbul	(+90212) 377 12 31-34
İzmir Branch	Cumhuriyet Bulv. No:20 K: 7 Konak/İzmir	(+90232) 488 70 16
İzmir Karabağlar Branch	Aşık Veysel Mah. Yeşillik Cad. No:443 35380 İzmir	(+90232) 455 06 79
Kayseri Branch	Cumhuriyet Mahallesi Nazmi Tokar Cad. No: 15/A 38040 Melikgazi/ Kayseri	(+90352) 207 23 47-48
Kocaeli İsmetpaşa Branch	İsmetpaşa Cad. No:20 Gebze/Kocaeli	(+90262) 678 69 48-49
Konya Branch	Büsan Özel Organize Sanayi Bölgesi Fevzi Çakmak Mah. Kosgeb Cad. No: 1/G 42010 Karatay/Konya	(+90332) 221 10 78
Samsun Branch	Gülsan Sanayi Sitesi Ali Rıza Bey Bulvarı No: 19/A Samsun	(+90362) 311 10 47-48
Trabzon Branch	Sanayi Mahallesi Devlet Karayolu Cad. No: 89 Değirmendere/Trabzon	(+90462) 377 06 49



