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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 2016.

#### *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 27, 2017, 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**

Müjde Şehsuvaroğlu, SMMM  
Partner

Istanbul, February 27, 2017

# STATEMENT OF RESPONSIBILITY RELATED TO ACCEPTANCE OF THE ANNUAL REPORT

ATTN: BORSA İSTANBUL A.Ş. PRESIDENCY  
İSTİNYE/İSTANBUL

**BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT**

RESOLUTION DATE : 27/02/2017

RESOLUTION NUMBER : 2017/004

**STATEMENT OF RESPONSIBILITY**

**AS PER THE 9<sup>TH</sup> ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD COMMUNIQUE NO.14.1 SERIES: II**

a) We have reviewed Garanti Faktoring A.Ş. (Company)'s annual report for the period 01.01.2016-31.12.2016.

b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the annual report does not include any misleading disclosure on material matters or deficiencies that might cause misconception about the disclosure as of the date it was made.

c) Within the framework of the information we obtained 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 the Ministry of Customs and Trade Regulation on "Determination of the Minimum Content of the Companies' Annual Report" No: 28395 (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.

**Mert ERCAN**  
Executive Vice  
President

**Hasan Hulki KARA**  
General Manager

**Ali COŞKUN**  
Member of Audit  
Committee

**Serhat YANIK**  
Member of Audit  
Committee

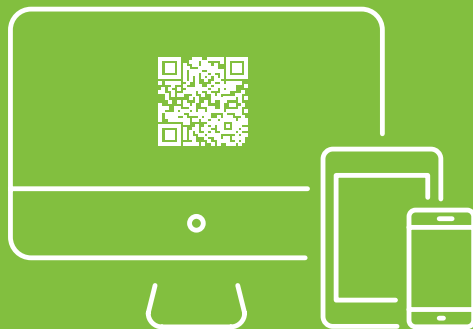


***Remaining the best is  
as difficult as  
becoming the best.***

---

*Achieving remarkable success once again in 2016, Garanti Faktoring was voted the world's "Best Factoring Company" for the second consecutive year.*

*Please scan the QR code below with your mobile phone to access Garanti Faktoring's digital annual report.*



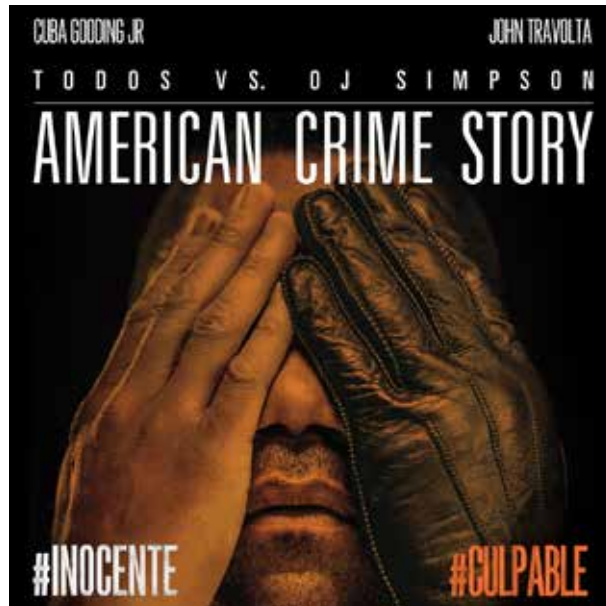


## **MOONLIGHT**

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*A timeless story of the human connection and self-discovery, "Moonlight" chronicles the life of a young black man from childhood to adulthood as he struggles to find his place in the world while growing up in a rough and tumble neighborhood in Miami. Written and directed by Barry Jenkins, "Moonlight" won the Oscar for Best Picture.*





## **AMERICAN CRIME STORY**

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*TIME Magazine, one of the most recognized and respected news publications in the world, placed "The People v. O.J. Simpson: American Crime Story" at the top of its annual list of the "Top 10 TV Shows of the Year." This true crime anthology tells the story of a murder trial in California.*



## **FLYTE**

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*TIME Magazine selected the levitating light bulb “Flyte” as the best invention of the year. Financed by a Swedish company, Flyte floats in the air, defying gravity like objects in space, and gently rotates while it shines.*



## **PRISMA**

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*Apple named Prisma the "Best App of 2016." The app turns photos and videos into works of art with a simple touch. So far, **Prisma** users have edited more than 400 million photos, and the number of daily downloads reached a high of about 700,000.*



2016

**BEST**

**FACTORING**

**COMPANY**



# Garanti Faktoring

## ***GARANTİ FAKTORİNG***

---

*Based on the evaluation conducted by Factors Chain International (“FCI”), the world’s largest factoring network with more than 400 members, **Garanti Faktoring** earned a score of “100%” on all the evaluation criteria—including service quality, correspondent network, and export transaction volume—to become the top scorer in the history of FCI.*

# ABOUT GARANTİ FAKTORİNG

## **GARANTİ FAKTORİNG PROVIDES FINANCING, GUARANTEE AND COLLECTION SERVICES RELATED TO DOMESTIC AND FOREIGN TRADE TO A BROAD CUSTOMER BASE THROUGH ITS 20 BRANCH NETWORK.**

Garanti Faktoring is a powerful partner in international factoring transactions. Always aiming to create added value for its customers and the industry with its expert team and customer-focused approach, Garanti Faktoring is a pioneer in product consulting and product development. The Company develops customized corporate solutions with its highly competent workforce; stands out in the industry with its operational transaction speed; and has a wide correspondent network, thanks to its FCI membership.

Garanti Faktoring provides financing, guarantee and collection services related to domestic and foreign trade—with a special focus on trade financing and accounts receivable financing—to a broad customer base primarily consisting of SMEs, import and export companies, and other enterprises that have a wide supplier and dealer network. The Company serves clients through a 20 branch network located in 14 cities across Turkey.

Garanti Faktoring operates in accordance with the Capital Markets Law, the 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 8.38% of Garanti Faktoring's free-floating shares are traded on Borsa Istanbul. Thanks to the synergy created with BBVA, the Company delivers domestic and international factoring services via an extensive network while keeping its focus on meeting customer needs.

As an indicator of Garanti Faktoring's financial strength, Fitch Ratings affirmed the Company's Long-Term Local and Foreign Currency IDR at BBB and Long-Term National Rating at AAA (tur).

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. ("Kobirate") raised Garanti Faktoring's Corporate Governance Principles Compliance Rating from the initial 8.36 to 9.26. Garanti Faktoring is also included in the BIST Corporate Governance Index.

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).



## 20 BRANCHES

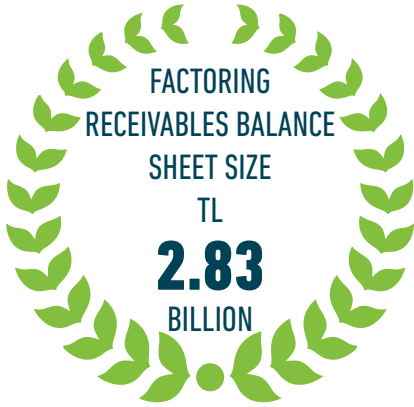
Garanti Faktoring delivers domestic and international factoring services through its 20 branch network located across Turkey.



## GARANTİ FAKTORİNG AT A GLANCE







## STRONG SHAREHOLDING STRUCTURE

### WITH ITS DYNAMIC BUSINESS MODEL AND SUPERIOR TECHNOLOGY INTEGRATED WITH ITS INNOVATIVE PRODUCTS AND SERVICES, GARANTI BANK CONTINUES TO FACILITATE THE LIVES OF ITS CUSTOMERS.

#### TÜRKİYE GARANTI BANKASI A.Ş.

Established in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets of US\$ 88.8 billion as of December 31, 2016.

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, 2016, Garanti provides a wide range of financial services to more than 14.6 million customers with over 20 thousand employees through a multi-channel distribution network consisting of 959 domestic branches, nine foreign branch locations (seven in Cyprus, one in Luxembourg and one in Malta), three international representative offices in London, Düsseldorf and Shanghai, in addition to 4,825 ATMs, an award winning Call Center, internet, mobile and social banking platforms, all built on a highly advanced 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 USA, Garanti has an actual free float of 50.06% in Borsa Istanbul as of December 31, 2016.

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 wide product variety play a key role in reaching US\$ 73.3 billion cash and non-cash loans. The high asset quality attained through advanced risk management systems and a well-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 where it operates. Garanti further strengthens its sustainable banking approach through community investment programs 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 Doğuř Holding A.ř. in 2011, Banco Bilbao Vizcaya Argentaria S.A ("BBVA") Group currently owns 39.90% of Garanti Bank shares. Garanti Bank is controlled jointly by Doğuř 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, 2016, BBVA's assets amounted to EUR 792 billion, shareholders' equity was EUR 55 billion, and net profit totaled EUR 3.48 billion. BBVA shares are traded on stock exchanges in Spain, New York, London, Mexico and Peru. As of year-end 2016, the Group's shares carried equal voting rights, with about 936 thousand 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 70 million customers with 134,792 employees, 8,660 branches 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.ř.**

Türkiye İhracat Kredi Bankası A.ř. (Export Credit Bank of Turkey – Türk Eximbank) was established with a decree of the Turkish Council of Ministers published in the Official Gazette on August 21, 1987. The main objective of Türk Eximbank is to boost exports by providing loans.

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.

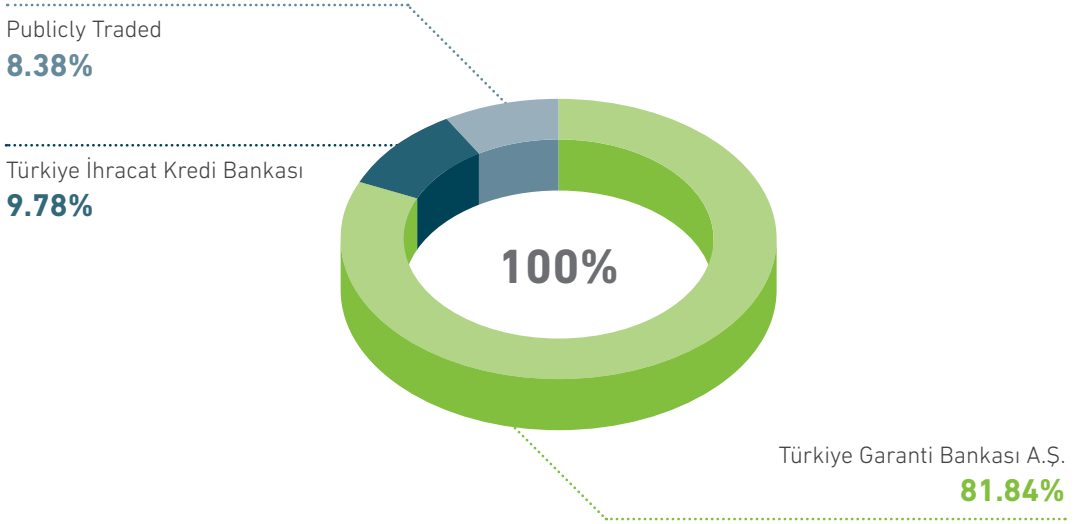
Türk Eximbank, as the sole corporate incentive source of export in Turkey, provides short, medium and long term cash and non-cash loans, insurance and guarantee programs to support exporters having the same objective, and manufacturers that produce for export as well as contractors and entrepreneurs 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 2016, Türk Eximbank provided US\$ 32.9 billion in total support to exports, US\$ 21.9 billion in cash loans and US\$ 11 billion in insurance/guarantees. As a result, Türk Eximbank extended cash and non-cash finance support to 23% of all exports made in Turkey. At year-end 2016, Türk Eximbank's assets totaled TL 68.3 billion, and paid-in capital amounted to TL 3.7 billion.

Türk Eximbank's headquarters is located in Istanbul. 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, 2016, Garanti Faktoring's paid-in capital amounted to TL 79,500,000.



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



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

# 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 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, and improved while ensuring interactive communication among employees.

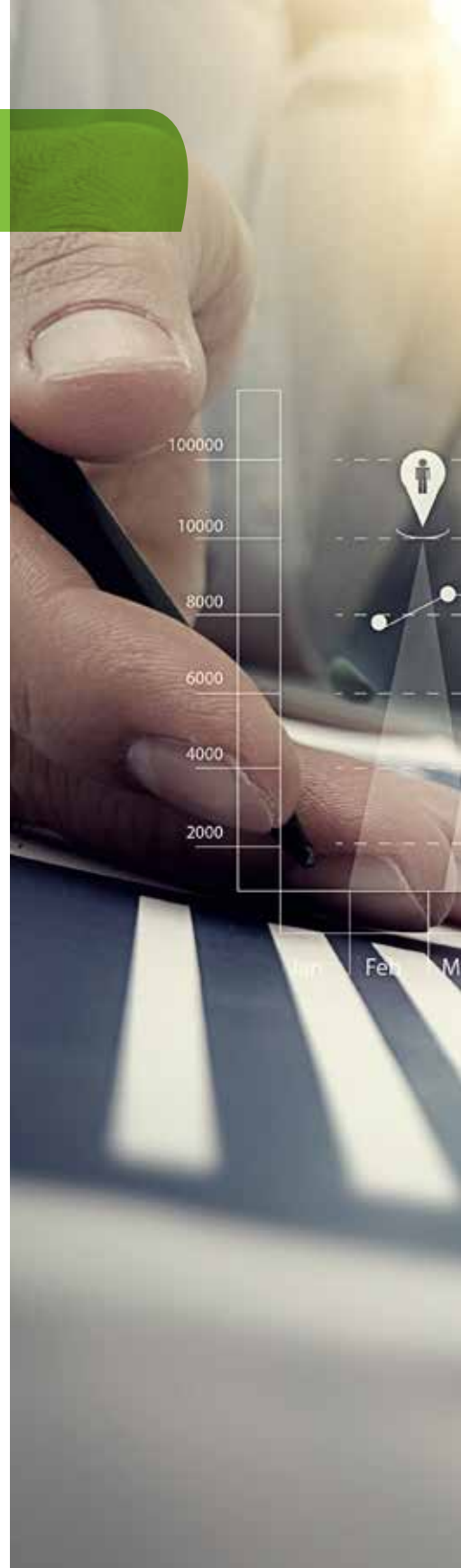


## OUR CORE VALUES

- 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 GARANTI FAKTORING

- 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

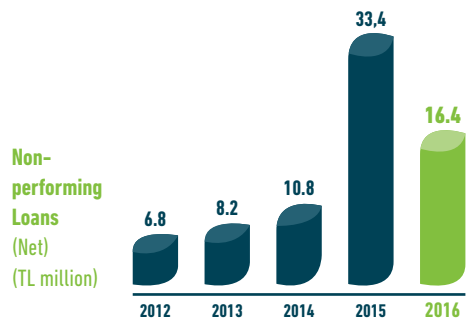
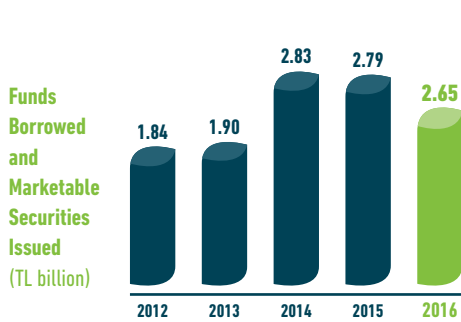
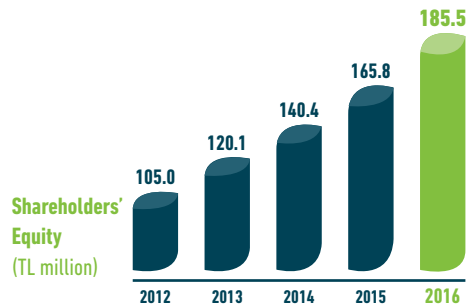
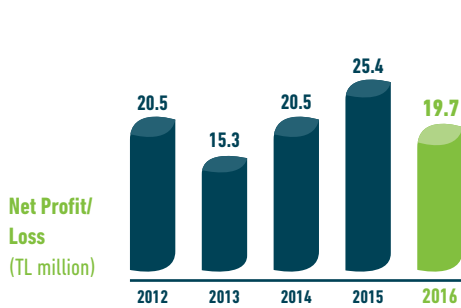
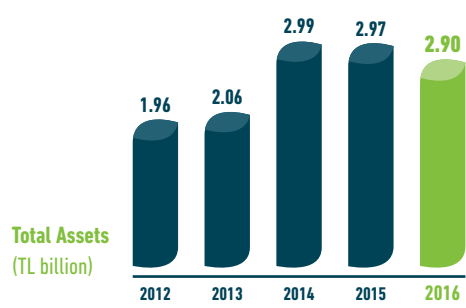
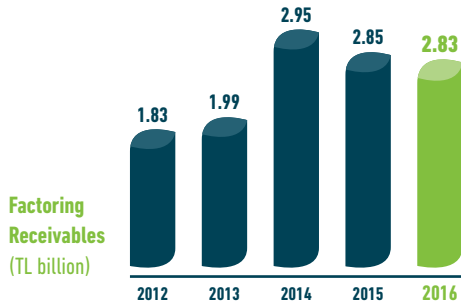






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# FINANCIAL INDICATORS AND RATIOS



	2012	2013	2014	2015	2016
Return on Assets (%)	1.37	0.87	0.89	0.86	0.73
Return on Equity (%)	21.41	13.44	15.73	16.65	11.16
NPL (%)	1.43	1.92	1.88	3.31	2.49

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

	2012	2013	2014	2015	2016
<b>FACTORING INCOME</b>	<b>144,598</b>	<b>134,792</b>	<b>188,109</b>	<b>237,682</b>	<b>244,268</b>
Factoring Interest Income	122,769	112,351	170,949	217,548	222,624
Factoring Commission Income	21,829	22,441	17,160	20,134	21,644
<b>OPERATING EXPENSES</b>	<b>(34,551)</b>	<b>(37,267)</b>	<b>(38,224)</b>	<b>(40,035)</b>	<b>(78,945)</b>
Personnel Expenses	(20,409)	(21,908)	(22,132)	(22,867)	(24,292)
General Administrative Expenses	(13,859)	(15,149)	(16,012)	(17,129)	(17,923)
Other	(283)	(210)	(80)	(39)	(36,730)
<b>OTHER OPERATION INCOME/EXPENSES</b>	<b>7,715</b>	<b>18,539</b>	<b>43,902</b>	<b>75,826</b>	<b>99,612</b>
Interest Income from Deposits	4,460	4,293	634	2,057	2,331
Derivative Financial Transactions Gains/Losses (Net)	1,886	(15,921)	32,263	81,384	20,055
Foreign Exchange Gains/Losses (Net)	694	30,133	10,218	(10,270)	39,230
Other *	675	34	787	2,655	37,996
<b>FINANCIAL EXPENSES</b>	<b>(85,467)</b>	<b>(85,839)</b>	<b>(152,313)</b>	<b>(221,361)</b>	<b>(211,021)</b>
Interest Expense on Funds Borrowed	(84,378)	(84,047)	(106,182)	(153,471)	(143,286)
Other Fees and Commissions	(1,088)	(447)	(1,973)	(4,073)	(11,240)
Interest Expense on Securities Issued	-	(1,341)	(44,158)	(63,805)	(56,478)
Other	(1)	(4)	-	(12)	(17)
<b>SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES</b>	<b>(6,713)</b>	<b>(11,062)</b>	<b>(15,860)</b>	<b>(20,288)</b>	<b>(30,106)</b>
<b>TAX PROVISION FOR CONTINUING OPERATIONS</b>	<b>(5,122)</b>	<b>(3,861)</b>	<b>(5,098)</b>	<b>(6,394)</b>	<b>(4,092)</b>
<b>NET PERIOD PROFIT/LOSS*</b>	<b>20,460</b>	<b>15,302</b>	<b>20,516</b>	<b>25,430</b>	<b>19,716</b>

(\*) Includes loss from the sale of non-performing receivables.

(\*\*) Includes the amount of special provisions cancelled due to the sale of non-performing receivables.

# FINANCIAL SITUATION AND PERFORMANCE ASSESSMENT IN 2016

**WITH TL 2.9 BILLION IN TOTAL ASSETS, GARANTI FAKTORİNG  
RECORDED A TRANSACTION VOLUME OF TL 14 BILLION IN 2016.**

## Factoring Receivables

---

*In 2016, Garanti Faktoring ranked third in the industry with factoring receivables of TL 2.8 billion and market share of 9.14%.*

## Asset Size

---

*With TL 2.9 billion in total assets and 8.76% market share, Garanti Faktoring ranked third in the sector in 2016.*

## Transaction Volume

---

*Garanti Faktoring recorded a transaction volume of TL 14 billion (US\$ 4.7 billion) in 2016.*

*For the year, domestic transactions totaled TL 7.6 billion (US\$ 2.5 billion); export transaction volume amounted to TL 5.4 billion (US\$ 1.8 billion); and import transaction volume totaled TL 978 million (US\$ 318 million). Garanti Faktoring ranked second with 11.45% market share of the sector's total transaction volume.*

## Garanti Faktoring's Sector Distribution of Transaction Volume and Factoring Receivables - 2016

### Sector Distribution of Transaction Volume

	TL THOUSAND
<b>AGRICULTURAL SECTOR</b>	<b>425,096</b>
Agriculture, Livestock, Forestry	377,022
Fishing	48,074
<b>MANUFACTURING SECTOR</b>	<b>8,277,747</b>
Extraction of Metals Used for Energy Production	11,692
Extraction of Metals Not Used for Energy Production	719,010
Food, Beverage and Tobacco	14,252
Textile and Textile Products	1,215,750
Leather and Leather Products	37,603
Wood and Wood Products	5,766
Paper Raw Materials and Paper Products	442,294
Printing	
Nuclear Fuels, Petroleum and Coal Products	1,792,422
Chemical and Chemical Products and Artificial Fiber	284,460
Rubber and Plastic Products	19,984
Other Non-Metal Mining Industry	4,809
Metal Key and Processed Material Manufacturing	358
Machinery and Equipment	162,215
Electrical and Optical Devices	420,430
Transportation Vehicles	1,505,220
Manufacturing Not Classified Elsewhere	1,633,229
Electrical Gas and Water Resources	8,253
<b>SERVICES SECTOR</b>	<b>1,836,946</b>
Construction	363,797
Wholesale and Retail Trade Motorized Vehicle Services	235,716
Hotels and Restaurants (Tourism)	8,230
Financial Institutions	507,383
Other Financial Instruments	16,705
Education	1,470
Transportation, Warehousing, and Communication	685,074
Health and Social Services	8,285
Other Public, Social and Private Services	10,286
<b>OTHER</b>	<b>3,474,224</b>
<b>GRAND TOTAL</b>	<b>14,014,013</b>

### Sector Distribution of Factoring Receivables

	TL THOUSAND	(%)
<b>AGRICULTURAL SECTOR</b>	<b>68,330</b>	<b>2.39%</b>
Agriculture, Livestock, Forestry	49,968	1.75%
Fishing	18,362	0.63%
<b>MANUFACTURING INDUSTRY</b>	<b>1,097,774</b>	<b>38.53%</b>
Transportation Vehicles	142,720	5.02%
Manufacturing Not Classified Elsewhere	99,899	3.51%
Textile and Textile Products	419,910	14.74%
Chemical and Chemical Products and Artificial Fiber	61,300	2.14%
Nuclear Fuels, Petroleum and Coal Products Industry	12,007	0.42%
Electrical and Optical Devices	6,627	0.25%
Extraction of Metals Not Used for Energy Production	139,737	4.91%
Paper Raw Materials and Paper Products Printing	44,870	1.58%
Metal Key and Processed Material Manufacturing	56,725	2.00%
Machinery and Equipment	44,027	1.54%
Food, Beverage and Tobacco	21,427	0.74%
Wood and Wood Products	26,225	0.91%
Rubber and Plastic Products	19,575	0.70%
Leather and Leather Products	1,318	0.04%
Extraction of Metals Used for Energy Production	1,146	0.04%
Electrical Gas and Water Resources	261	0.00%
<b>SERVICES SECTOR</b>	<b>1,071,171</b>	<b>37.54%</b>
Wholesale and Retail Trade Motorized Vehicle Services	653,258	22.91%
Transportation, Warehousing, and Communication	167,703	5.89%
Construction	149,167	5.23%
Other Public, Social and Private Services	85,923	3.02%
Financial Institutions	6,317	0.21%
Hotels and Restaurants (Tourism)	4,340	0.14%
Health and Social Services	2,182	0.07%
Other	2,281	0.07%
<b>OTHER</b>	<b>613,949</b>	<b>21.54%</b>
<b>GRAND TOTAL</b>	<b>2,851,224</b>	<b>100.00%</b>

\*Including net non-performing loans

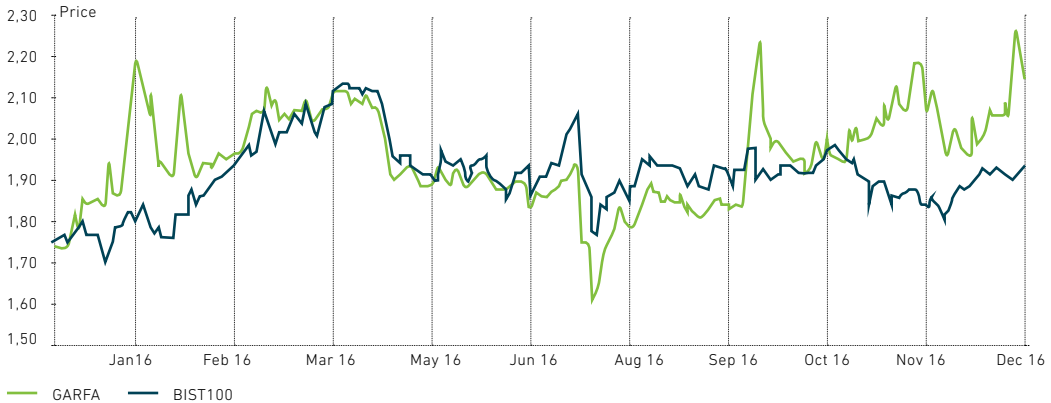
## INFORMATION ON GARFA SHARES

**DURING THE PERIOD JANUARY-DECEMBER 2016, GARFA STOCK REACHED A HIGH CLOSING PRICE HIGH OF TL 2.23 WHILE THE TRANSACTION VOLUME TOTALED TL 168.5 MILLION.**

Garanti Faktoring shares have 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 2016, GARFA stock reached TL 2.23 – the highest closing price – while the transaction volume totaled TL 168.5 million during the same period.

### SHARE PERFORMANCE



# CREDIT RATINGS

On June 10, 2016, the global credit rating agency Fitch Ratings affirmed Garanti Faktoring A.Ş.'s ratings as follows: Fitch revised its outlook for 18 banks in Turkey, including Garanti Bank and its subsidiaries, to "Negative from "Stable" on August 25, 2016.

FOREIGN CURRENCY	
Long Term	BBB
Short Term	F2
Outlook	Negative
TURKISH LIRA	
Long Term	BBB
Short Term	F2
Outlook	Negative
NATIONAL	
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 9.15 TO 9.26 IN 2016.

The fifth period of the "Corporate Governance Principles Compliance Rating" study to assess the Company's compliance with Corporate Governance Principles was completed on August 19, 2016.

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 9.15 to 9.26 for the period August 19, 2016 - August 19, 2017.

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

**BASED ON THE EVALUATION CONDUCTED BY FACTORS CHAIN INTERNATIONAL, GARANTI FAKTORING EARNED A SCORE OF “100%” ON ALL THE EVALUATION CRITERIA TO BECOME THE TOP SCORER IN THE HISTORY OF FCI.**

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

With its extensive know-how and high 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” by Factors Chain International (“FCI”), the world’s largest factoring network with more than 400 members. Based on the evaluation conducted by FCI, Garanti Faktoring earned a score of “100%” on all the evaluation criteria—including service quality, correspondent network, and export transaction volume—to become the top scorer in the history of FCI.

### **TURKEY’S MOST POPULAR FACTORING COMPANY**

Capital magazine named Garanti Faktoring the “Most Popular Factoring Company in Turkey” in 2016.

### **GARANTI FAKTORING ANNUAL REPORT GARNERED AWARDS IN THE US**

With its many achievements to date, Garanti Faktoring holds a special place of distinction within the factoring sector. Repeating its success of last year, the Company won several awards with its annual report in 2016. The Garanti Faktoring Annual Report received the “Honor” award in the “Printing & Production” category at 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. The Company’s 2016 Annual Report also won the “Bronze” award in the category of “Cover Design-Special Treatment,” and the “Honor” award in the “Printing” category at the Galaxy Awards.



Capital magazine named Garanti Faktoring the “Most Popular Factoring Company in Turkey” in 2016.

# 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., Garanti Investment Trust and

Garanti Bank International N.V; Vice Chairman of the Board of Directors at Garanti Securities and Garanti Leasing; and Board Member at Garanti Bank International N.V. With 22 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).

## **HULKİ KARA** **General Manager/Member of the Board of Directors**

Hüskü Karayazıcı 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 Board Member and General Manager at Garanti Faktoring since October 18, 2011.

### **OSMAN BAHRİ TURGUT**

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

Osman Bahri 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 graduated from the University of Granada in Spain. He earned his Bachelor's degree in Law in 1996 and in Business Administration in 1997 from ICADE University. He then acquired his Master's degree in Wholesale Banking from BBVA Finance School. Mr. Tamarit started his BBVA career in 1998 and assumed managerial duties in 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 Istanbul University and holds a Bachelor's degree in Public Administration as well as a Master's degree and a Ph.D. in Business Administration from Istanbul University. He is currently acting as the President of Direct

Procurement and Tender the Commission of Istanbul University, President of Accounting and Finance Department in the Faculty of Political Sciences School of Business Administration of Istanbul University, Finance Director of Istanbul University Hospitals General Directorate, Vice Manager of Istanbul University Circulating Capital Management. He is also Board Member of the Expert Accountants Association of Turkey and Editorial Board Member of the Internal Audit Bulletin of the Institute of Internal Audits and Member of the 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 Istanbul Technical University, Department of Industrial Engineering. In addition, he holds a Master's degree in Finance from Bosphorus University and Ph.D. degree in Accounting and Information Management from the University of Texas. He continues to pursue his career as an academician at Bosphorus University, Economics and Administrative Sciences Faculty. He is currently acting as Head of Bosphorus University Finance Research 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 and Capital Market Professionals Association.

# COMMITTEES AND ATTENDANCE AT COMMITTEE MEETINGS

## AUDIT COMMITTEE

The Audit Committee was established with the aim of helping the Board of Directors to fulfill its overseeing duties regarding the functioning and effectiveness of the internal control system. The 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.

The Audit 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.

### Internal Control System:

- To evaluate whether the Company management shares the importance of the internal control with the Company employees or not, and whether the Company adopts a "suitable 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,
- 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, pursuant to Article 13/4 provisions of the Regulation on "Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies"
- 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 take 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 ensure that the detected faults and fraud are corrected,
- To select the independent audit firm, to prepare the audit agreements and to start 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.

The Audit Committee convened seven times in 2016. In these meetings, important findings and the results of the periodic 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 31.12.2016, 31.03.2016, 30.06.2016, 30.09.2016, and about the prepared management recommendation letter.

### CORPORATE GOVERNANCE COMMITTEE

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

The Chairman of the Corporate Governance Committee is Mr. Serhat Yanik, 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 also performing 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 conflicts of interest 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 compensation of the Members of the Board of Directors and the Executive Directors.

In 2016, the Corporate Governance Committee convened four times.

# COMMITTEES AND ATTENDANCE TO COMMITTEE MEETINGS

## EARLY RISK DETECTION COMMITTEE

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

The Committee is composed of the Independent Members of the Board 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,
- Requesting information, opinion and report from the relevant units if deemed necessary, with the aim of performing the risk monitoring function effectively,
- Reviewing and evaluating the risk management system at least once a year,
- Informing the Board of Directors periodically about the risk management practices,
- Fulfilling other duties that are assigned or that will be assigned to the Committee through relevant legal legislation.

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

Early Risk Detection Committee convened six times in 2016. 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 Commercial Code), status of the Company's foreign exchange position, status of the problem factoring receivables, cost-yield and maturity composition of the balance sheet, assets & liabilities composition and status of operational expenses (OPEX).

The 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 COMMITTEE

The members of the Assets Liabilities Committee are; Hulki Kara (Member of the Board of Directors and General Manager), İlkey 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.

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

In 2016, the Committee was convened 48 times by the General Manager in order to discuss and assess the specified issues weekly.

### **CREDIT COMMITTEE**

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

Garanti Faktoring Board of Directors transferred a 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 which convenes once a week.

The Credit Committee examines the loan proposals and concludes the ones that are within the scope of its authorization. The Committee presents the loan proposals that exceed its authorization to the Board of Directors so that they are concluded.

### **CREDIT PROCESSES COMMITTEE**

The Credit Processes Committee members are: Hulki Kara (General Manager), İlky 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.

The Credit Processes Committee convened two times in 2016.

### **IT COMMITTEE**

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

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

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

The Committee convened two times in 2016.

At its first meeting in 2016, the IT Committee evaluated the projects completed in 2015, and determined the priorities for 2016 based on the requests of the Company's various business units. At its second meeting, the Committee reviewed progress on ongoing projects, assessed the current status according to the priorities set at the first meeting and discussed the priorities for 2017.

# SENIOR MANAGEMENT



## Hulki Kara

General Manager and Member of the Board of Directors  
See Page 32.



## Mert Ercan

Executive Vice President

He 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.



## İlkyay Şahin

Executive Vice President

She 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 and Garanti Leasing, respectively. Her career at Garanti Faktoring started in 2005 as Credit Manager and she has continued as Executive Vice President since April 1, 2011.



## Erkan Coplugil

Executive Vice President

He 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	27 years
Mert Ercan	Executive Vice President	17 years
İlkyay Şahin	Executive Vice President	24 years
Erkan Coplugil	Executive Vice President	18 years



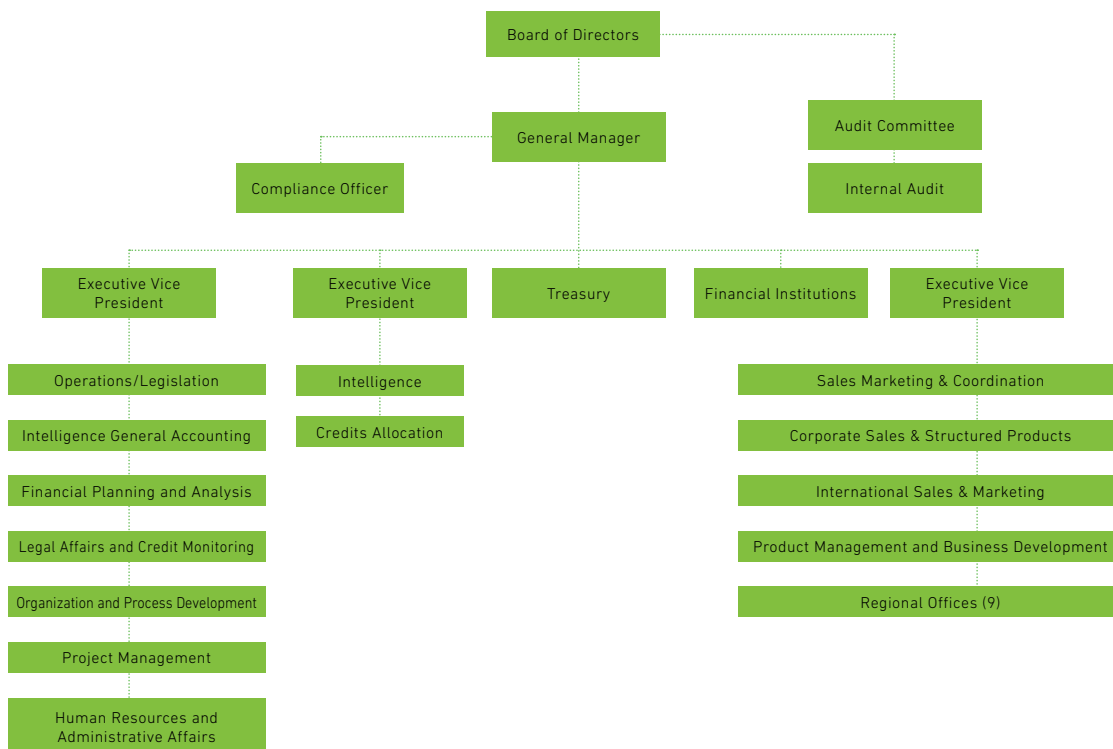
# ORGANIZATIONAL STRUCTURE AND ORGANIZATIONAL STRUCTURE CHANGES

## CHANGES TO THE ORGANIZATIONAL STRUCTURE

During the period January 1-December 31, 2016, the following changes were made to the Company's organizational structure:

As of March 3, 2016, the name of the Customer and Correspondent Relations Department, which operates under the Sales and Marketing Executive Vice President, was changed to the International Sales and Marketing Department. The job titles were also changed to Customer Relations Supervisor/Director and Correspondent Relations Supervisor/Director.

## ORGANIZATIONAL CHART



## CHAIRMAN'S ASSESSMENT

**DESPITE FLUCTUATIONS IN DOMESTIC ECONOMIC ACTIVITY, GARANTI FAKTORING, ONE OF THE STRONGEST PLAYERS IN THE TURKISH FACTORING INDUSTRY, CONTINUED TO OUTPERFORM THE INDUSTRY IN TERMS OF GROWTH IN 2016, THANKS TO THE COMPANY'S SOLID FINANCIAL STRUCTURE.**



In recognition of its many achievements, Garanti Faktoring was named the "World's Best Export Factoring Company."

Esteemed Shareholders,

The global recession which took hold with the 2008 financial crisis continues to persist as of year-end 2016, becoming a chronic problem for developed countries, European countries in particular. According to IMF growth forecasts, the world economy expanded 3% in 2016 with the US economy expected to grow by 1.7%, the Euro Area by 1.6% and Japan by 1.1%.

Even though advanced countries started off 2016 with a relatively positive economic growth outlook, their economies began to lose momentum towards the end of the year. This downshift was caused by increased uncertainty surrounding future US economic policy after the election of Donald Trump, potential risks arising from the UK's decision to leave the EU (Brexit), and concerns over the outcome of Italy's constitutional referendum, which represented a significant victory for anti-EU supporters. All these factors worked together to create a dismal outlook for 2017. Economic forecasts for the coming year indicate 2.5% growth for the United States and 1.5% for the Euro zone; in other words, global economic growth is expected to remain subdued in 2017.

Economic stagnation in the most developed countries caused emerging market economies to slow as well. While China posted 6.7% GDP growth, its slowest since 2009, India's GDP expanded 7.5%, outperforming the Chinese economy. However, average GDP growth rate in developing countries stood at 4% in 2016.

### **THE FIRST YEAR-ON-YEAR CONTRACTION RECORDED IN 27 QUARTERS.**

The Turkish economy continued to expand in the first half of 2016, but lost momentum in the second half due to political developments and geopolitical factors. Global economic fluctuations, the failed coup attempt of July 15, the Russia crisis and the Syrian civil war all hampered economic growth. As a result, the Turkish economy contracted by 1.8% in the third quarter. Turkey's economic growth is estimated to reach 3% by year's end.



**ALİ FUAT ERBİL**, CHAIRMAN OF THE BOARD OF DIRECTORS

## CHAIRMAN'S ASSESSMENT

**TURKEY'S ECONOMY IS EXPECTED TO GAIN MOMENTUM IN 2017. RECENT INITIATIVES BY THE TURKISH GOVERNMENT—SUCH AS NEW INCENTIVE PACKAGES, THE ASSET PEACE ACT, AND CREDIT GUARANTEE SCHEMES GEARED TOWARD SMES—ARE EXPECTED TO BOOST INVESTMENTS IN THE COMING YEAR.**



**Providing affordable financing for its clients' guaranteed foreign receivables, Garanti Faktoring increased its export factoring volume to US\$ 1.8 billion in 2016.**

As the economy shrank for the first time in 27 quarters, Turkey's unemployment rate rose to 11.3% in September, up 1 percentage point year-on-year. Meanwhile, the Turkish lira plumbed record lows against the US dollar, as foreign investors began to lose their appetite for the Turkish market. During this period, Turkey's currency negatively differentiated from almost all emerging-market currencies.

The declining price of oil, a major import product for Turkey, helped the current account deficit fall below US\$ 30 billion in first quarter 2016. However, after narrowing to 4.2% of GDP in the second quarter, Turkey's current account gap widened again to reach US\$ 35 billion at year-end, as the price of Brent oil climbed to US\$ 50/bbl in the third quarter.

Despite the negative economic indicators in 2016, Turkey's economy is expected to gain momentum in 2017. Recent initiatives by the Turkish government—such as new incentive packages, the Asset Peace act, and credit guarantee schemes geared toward SMEs—are expected to boost investments in the coming year.

Meanwhile, the factoring industry remained in a stubborn two-year slump in 2015 and 2016.

### **WE ARE THE BEST IN THE WORLD.**

Despite fluctuations in economic activity, Garanti Faktoring, one of the strongest players in the Turkish factoring industry, had a very successful year and continued to outperform the industry in terms of growth in 2016, thanks to its solid financial structure.

Having achieved significant progress, particularly in export factoring, Garanti Faktoring guarantees faster, easier and more reliable forward cash against goods sales to its clients by capitalizing on a wide correspondent network that consists of more than 400 FCI (Factors Chain International) members in 90 countries, the world's largest factoring network.

In 2014, Garanti Faktoring began to obtain funding from correspondent companies for the receivables it has acquired. Furthermore, our Company is also able to provide affordable financing for its clients' guaranteed foreign receivables. As a result, Garanti Faktoring's export factoring volume reached US\$ 1.8 billion in 2016.

Our Company's achievements are recognized year after year. Garanti Faktoring was named the "World's Best Export Factoring Company" by Factors Chain International ("FCI"). Based on the evaluation conducted by FCI, Garanti Faktoring was the first company to earn a score of "100%" on all the evaluation criteria—including service quality, correspondent network, and export transaction volume.

Additionally, Capital magazine named Garanti Faktoring the "Most Popular Factoring Company in Turkey" in 2016.

### **WE RAISED OUR CORPORATE GOVERNANCE RATING.**

Garanti Faktoring's corporate governance approach is a key component that underlies its success. Our primary aim is to create value for our country, economy, employees and all stakeholders. Accordingly, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. ("Kobirate") raised Garanti Faktoring's Corporate Governance Rating from 9.15 to 9.26.

A score of 9.26 indicates that Garanti Faktoring substantially complies with the Corporate Governance Principles published by the Capital Markets Board and that the Company has established internal control systems which are active. This high score also shows that the Company rightfully oversees shareholders' rights; carries out public disclosure and transparency activities at a high level; and safeguards stakeholders' rights. In addition, the Company's strong result indicates that the structure of the Board of Directors and working conditions fully comply with the Corporate Governance Principles.

### **WE CONTINUE TO SUPPORT EDUCATION.**

Acting as a good corporate citizen, Garanti Faktoring is committed to fulfilling its duties and responsibilities toward society.

To this end, Garanti Faktoring organized the seventh edition of the Bahçeşehir University CO-OP project in 2016. Under the "Garanti Faktoring: The World of Accounts Receivable Finance" banner, our Company's managers delivered 27 hours of training to the students of Bahçeşehir University and shared relevant industry information over the course of nine weeks.

Additionally, our Company provided scholarships to 12 students through the "Garanti Faktoring Scholarship Fund" constituted under the Community Volunteers Foundation. Under the "Hopeful Boxes" project, initiated by KAÇUV (Hope Foundation for Children with Cancer), Garanti Faktoring provided Hospital Support Boxes to meet the basic needs of children who receive long-term inpatient treatment in hospitals, and their families. Our Company also organized educational and cognitive activities to support children with cancer and their families.

Our Company's achievements in 2016, as well as our products and services, are a strong assurance of our future success. I would like to extend my deepest gratitude to our employees and shareholders for their valuable role in Garanti Faktoring's success.

Respectfully yours,

**Ali Fuat Erbil**

Chairman of the Board of Directors



**9.26**

**In 2016, Garanti Faktoring raised its Corporate Governance Rating from 9.15 to 9.26.**

## GENERAL MANAGER'S ASSESSMENT

### IN 2017, GARANTİ FAKTORİNG PLANS TO DEVELOP NEW SYSTEMS DESIGNED TO BOOST THE NUMBER AND VOLUME OF TRANSACTIONS, PARTICULARLY IN THE SME SEGMENT.



#### TL 2.9 BILLION

**Garanti Faktoring continuously invests in its technology infrastructure to offer its clients new products and services and to further bolster its corporate structure.**

Esteemed Shareholders,

The factoring industry's struggle continued into 2016.

As of year-end 2016, 62 factoring companies operated in Turkey, serving 98,908 customers with a total of 4,716 employees through 360 branch locations.

At year's end, the total transaction volume of the industry expanded 3.4% year-on-year to TL 122 billion. During the same period, factoring receivables went up 24.2% to TL 31 billion while total assets increased 24% to TL 33.1 billion. Shareholders' equity rose 10.8% to TL 5.1 billion and the industry's overall after-tax profit amounted to TL 664 million.

The factoring industry has positive expectations for 2017, as new regulations stoke optimism. The industry particularly welcomed the new regulation that reduces transaction costs for investments and eliminates the differences in practices implemented by financial institutions.

Garanti Faktoring was not affected by fluctuations in the industry and maintained steady growth with its highly popular products and services.

As of year-end 2016, Garanti Faktoring's total assets amounted to TL 2,899 million; factoring receivables totaled TL 2,835 million; shareholders' equity was TL 185 million; and year-end profit stood at TL 19,716 thousand.

In 2016, Garanti Faktoring performed a total of 35,275 financing transactions with 7,395 customers. The Company's domestic transaction volume amounted to TL 7,643 million, while export and import transaction volume totaled TL 5,393 million and TL 978 million, respectively.



**HÜLKİ KARA, GENERAL MANAGER**

## GENERAL MANAGER'S ASSESSMENT

**IN 2016, GARANTI FAKTORING PERFORMED A TOTAL OF 35,275 FINANCING TRANSACTIONS WITH 7,395 CUSTOMERS. DOMESTIC TRANSACTION VOLUME AMOUNTED TO TL 7,643 MILLION, WHILE EXPORT AND IMPORT TRANSACTION VOLUME TOTALED TL 5,393 MILLION AND TL 978 MILLION, RESPECTIVELY.**



As in previous years, the Collection Guarantee offering, which Garanti Faktoring added to its product portfolio in 2013, continued to generate huge demand in 2016. Therefore, the Company focused its efforts on this product while adding new export products to its portfolio.

According to industry data issued by the Association of Financial Institutions ("FKB"), Garanti Faktoring ranks third in the industry with an 8.8% market share in asset size, and a 9.1% market share in factoring receivables. Our Company ranks second in terms of transaction volume with an 11.4% market share.

### **COLLECTION GUARANTEE GENERATES HUGE DEMAND**

Garanti Faktoring has become one of the biggest export factoring companies in the world and was named the "World's Best Export Factoring Company" by Factors Chain International ("FCI"). As a result, Garanti Faktoring is an important business partner for companies that move Turkey forward in domestic and international markets.

As in previous years, the Collection Guarantee offering, which Garanti Faktoring added to its product portfolio in 2013, continued to generate huge demand in 2016. Therefore, our Company focused its efforts on this product while adding new export products to its portfolio.

Garanti Faktoring continued to improve its Supplier Finance and Commercial Collection Management services in 2016. Meanwhile, import-factoring transactions—first introduced to Turkey by Garanti Faktoring—are becoming increasingly widespread.

In 2015, factoring companies began to offer affordable financing to exporters, provided by Eximbank. In 2016, this initiative was further improved to provide financing for receivables secured under Eximbank's credit insurance.

During the reporting year, FKB initiated efforts to establish the systems infrastructure and legal framework for supply chain finance, which is widely used in other countries. FKB plans to complete and launch the project in 2017.



## INVESTMENTS IN INFRASTRUCTURE CONTINUE APACE

Garanti Faktoring continuously invests in its technology infrastructure to offer clients new products and services and to further bolster its corporate structure.

Under the supervision of the Association of Financial Institutions ("FKB"), Garanti Faktoring undertook joint efforts with the Credit Bureau ("KKB") for the centralization of invoice factoring transactions in order to align its operations with industry-wide practices. As a result, Garanti Faktoring's system was integrated into the Central Invoice Registration System. Additionally, the system was further improved to operate within manageable parameters to boost the effectiveness of intelligence processes.

Our Company's website was also revamped in 2016. Incorporating the latest digital and online marketing trends, our website provides users with easy access to information about factoring transactions with its innovative, user-friendly interface. Furthermore, the Customer Application Form on the website facilitates customers' applications and enables them to easily get in touch with relevant business units.

## SOME 4,186 HOURS OF TRAINING PROVIDED IN 2016

Garanti Faktoring provides its staff with training programs to help them improve their technical and professional knowledge as well as personal skills. In 2016, the Company organized more than 350 classroom and on-the-job training courses on 62 different topics, delivering 4,186 hours of training in total. Each employee on average received 25 hours of training during the year.

Aiming to meet the training needs of personnel in a fast and convenient way, Garanti Faktoring also provided 25 different e-learning courses in 2016. In addition, employees participated in five different conferences and seminars related to their respective areas of expertise.

## TRANSACTION VOLUME WILL EXPAND FURTHER

In 2017, Garanti Faktoring plans to develop new systems designed to boost the number and volume of transactions, particularly in the SME segment. Additionally, the Company aims to play a more active role and maintain its market leadership in Correspondent Guaranteed Factoring and Import Factoring transactions related to the overseas operations of its clients.

Garanti Faktoring will continue investing in systems infrastructure and human capital and improving operational efficiency in pursuit of its goals for 2017. In the coming year, Garanti Faktoring will also focus on digitalization efforts in collaboration with its main partner.

I would like to thank all our stakeholders for supporting Garanti Faktoring. I am confident that in the coming period we will achieve even greater success with the support of our strong shareholders, experienced business partners, and highly competent employees.

Best regards,

**Hulki Kara**  
General Manager



**4,186**

**In 2016, Garanti Faktoring provided 4,186 hours of classroom and on-the-job training to its staff. Each employee on average received 25 hours of training during the year.**

# OVERVIEW OF THE TURKISH AND GLOBAL ECONOMY

**THE TURKISH ECONOMY SOARED IN THE FIRST QUARTER OF 2016. HOWEVER, IN THE SECOND HALF OF THE YEAR, TURKEY'S ECONOMIC GROWTH BECAME INCREASINGLY VOLATILE DUE TO GLOBAL DEVELOPMENTS. AS A RESULT, THE ECONOMY CONTRACTED FOR THE FIRST TIME SINCE THIRD QUARTER 2009.**



**7.0%**

**The annual inflation rate fell to 7.0% in November, down from 7.2% in October.**

The world economy is on the threshold of a new era. US inflation expectations have been rising since the end of September 2016, and even more sharply after the presidential election. As a result, government bond yields in developed countries increased by 50 to 80 basis points.

Inflation is forecast to increase with US government bond yields remaining high in the coming period due to the base effect of rising oil prices and OPEC's decision to cut oil production, coupled with expectations that president Donald Trump's economic policy will accelerate the US economy while the budget deficit widens.

### **RISK APPETITE HAS RECEDED**

The reversal in risk appetite, which benefitted emerging markets in the first half of the year, triggered capital flight from these countries. Even though these developments are unlikely to affect the Fed's policy decisions, increased risk appetite for developing countries affect risk premiums in Turkey.

The events that unfolded in the aftermath of the treacherous coup attempt on July 15 had a negative impact on Turkey's financial assets. The Turkish lira has lost about 17% of its value against the US dollar since end-September while TL-denominated bond yields increased by 160 to 200 basis points for all maturities.

### **CONTRACTION EXPERIENCED IN THE THIRD QUARTER**

According to Turkish Statistical Institute ("TÜİK") data, the Turkish economy contracted 1.8% year-on-year in third quarter 2016. However, the economy began to recover in the fourth quarter in line with the measures implemented by monetary authorities. Thanks to recent incentives, consumer lending seems to have picked up while

increased public spending supports economic growth. On the other hand, low consumer and real sector confidence and the manufacturing PMI, which remains below the 50-point mark, indicate that economic recovery in the fourth quarter will likely be weak to moderate. The Turkish economy is expected to grow 2.5% in 2016.

Meanwhile, the annual inflation rate fell to 7% in November, down from 7.2% in October. As a result of month-on-month declines in food prices, headline inflation remained below its expected level. Annual food inflation dropped to 3.25% in November, its lowest level yet. Despite considerable depreciation of the Turkish lira, core inflation (excluding food and energy prices) remained flat at 7% due to weak demand. However, it seems that the foreign exchange rate pass-through into import prices, rising energy prices, and higher taxes on automobiles, alcoholic beverages and tobacco will outweigh the effect of weak demand and cause core inflation to rise in December. In this respect, risks over expected inflation of 7.7% at year-end appear balanced.

#### **CURRENT ACCOUNT DEFICIT WIDENS**

The 12-month cumulative current account deficit widened to US\$ 32.4 billion at end-Q3 from US\$ 29.4 billion at end-Q2. (The current account deficit to GDP ratio rose to 4.6% from 4.2% in the same period.) Considering that oil prices are rising and the balance of trade is contributing increasingly less, the current account gap will continue to widen in the coming period. As a result, the current account deficit will rise to close to 5% of GDP at end-2016 (4.5% at end-2015).

Supportive monetary policies and improved relations with Russia may lead to economic recovery, albeit with limited growth, in 2017.



**3.25%**

**Annual food inflation dropped to 3.25% in November, its lowest level yet.**

## FACTORING SECTOR OVERVIEW

**IN TURKEY, A SIGNIFICANT PORTION OF DOMESTIC TRADE IS FORWARD TRANSACTIONS, WHILE THE CASH AGAINST GOODS (OPEN ACCOUNT TRANSACTION) PAYMENT METHOD IS WIDELY USED FOR EXPORT SALES.**

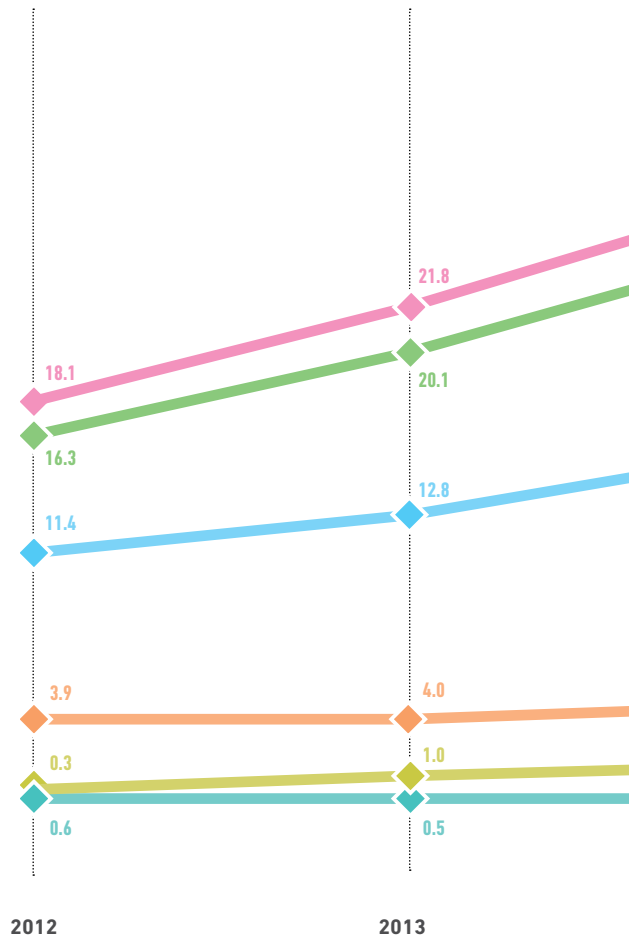
### FACTORING IN TURKEY

Factoring transactions in Turkey began in the 1980s and were initially conducted by banks. Today, factoring companies are regulated by the "Financial Leasing, Factoring and Financing Companies Law No. 6361" published in Official Gazette No: 28496 on December 13, 2012, and the "Regulation on the Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies No: 28627" issued by the Banking Regulation and Supervision Agency ("BRSA") on April 24, 2013. As of end-2016, 62 factoring companies operated in Turkey under the supervision of the Association of Financial Institutions ("FKB").

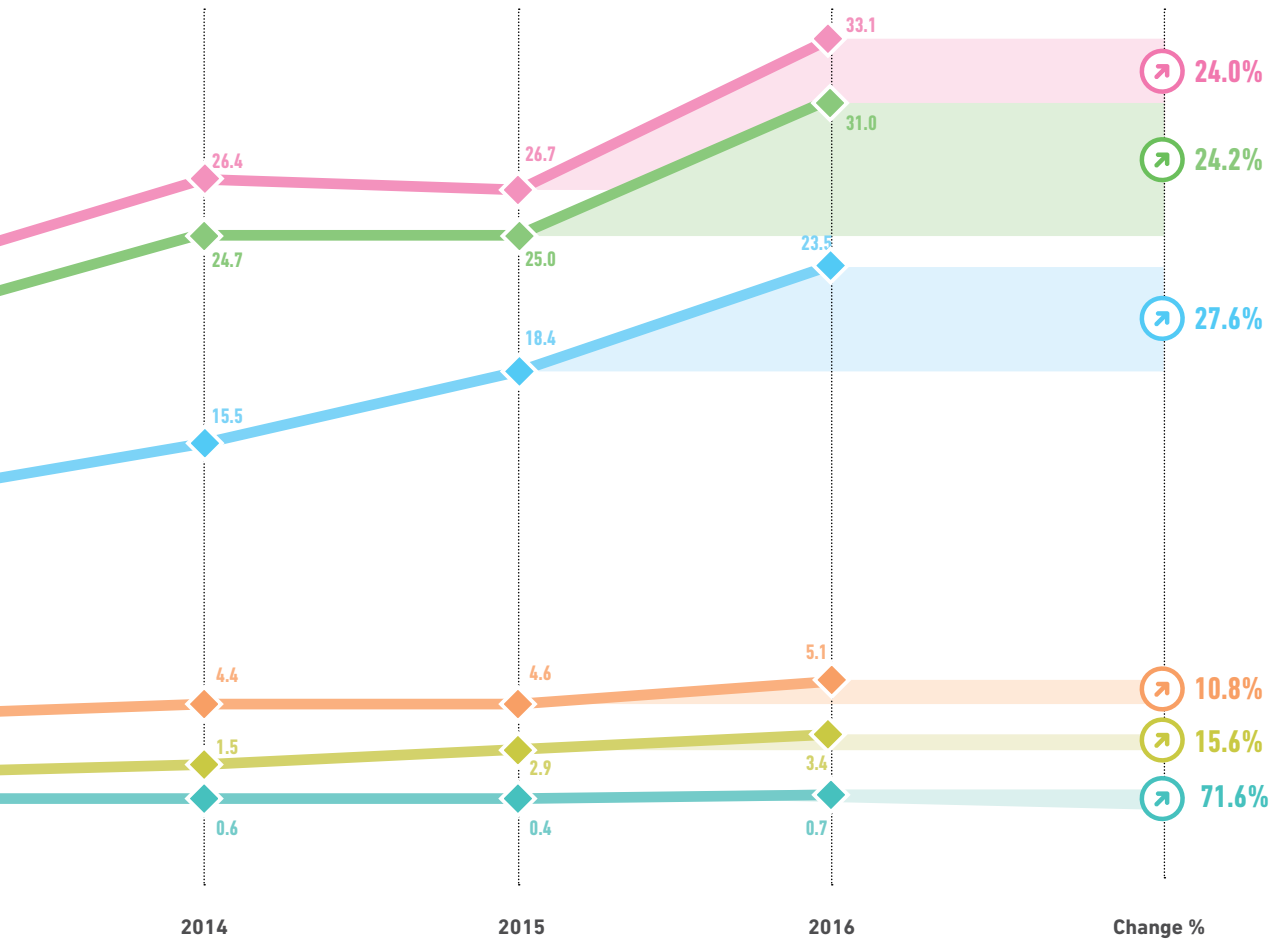
Factoring is a financial transaction in which companies that sell products and services through forward contracts transfer their accounts receivable to a third party financial company to ensure cash flow and secure their receivables. Factoring is basically defined as financing, guarantee and collection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

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

### FACTORING INDUSTRY MAJOR BALANCE SHEET ITEMS



- 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

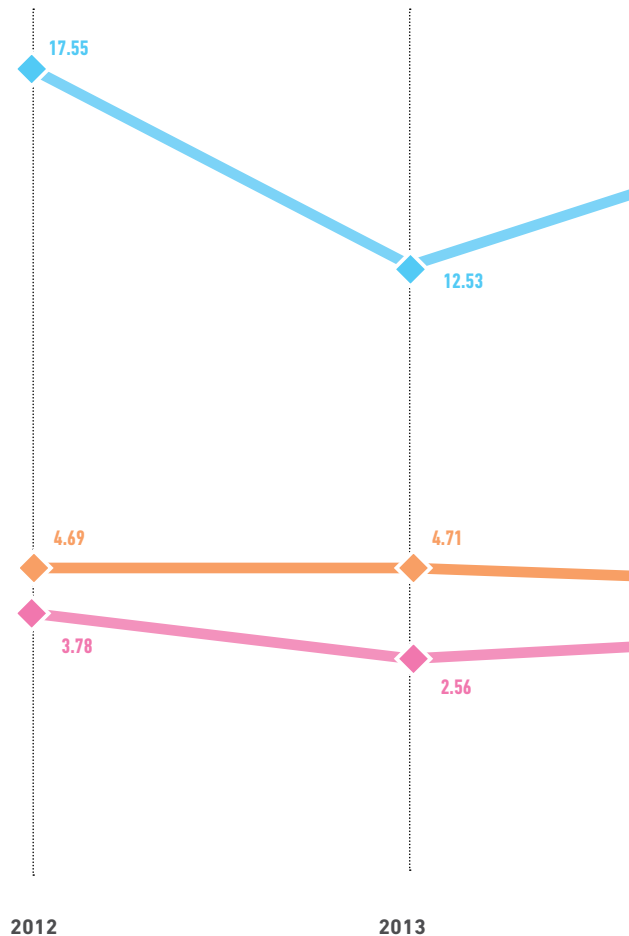
### FACTORING COMPANIES BEGAN TO PROVIDE FINANCING TO EXPORTERS FOR THEIR EXPORT RECEIVABLES, WHICH ARE SECURED UNDER EXIMBANK'S INSURANCE POLICIES.

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

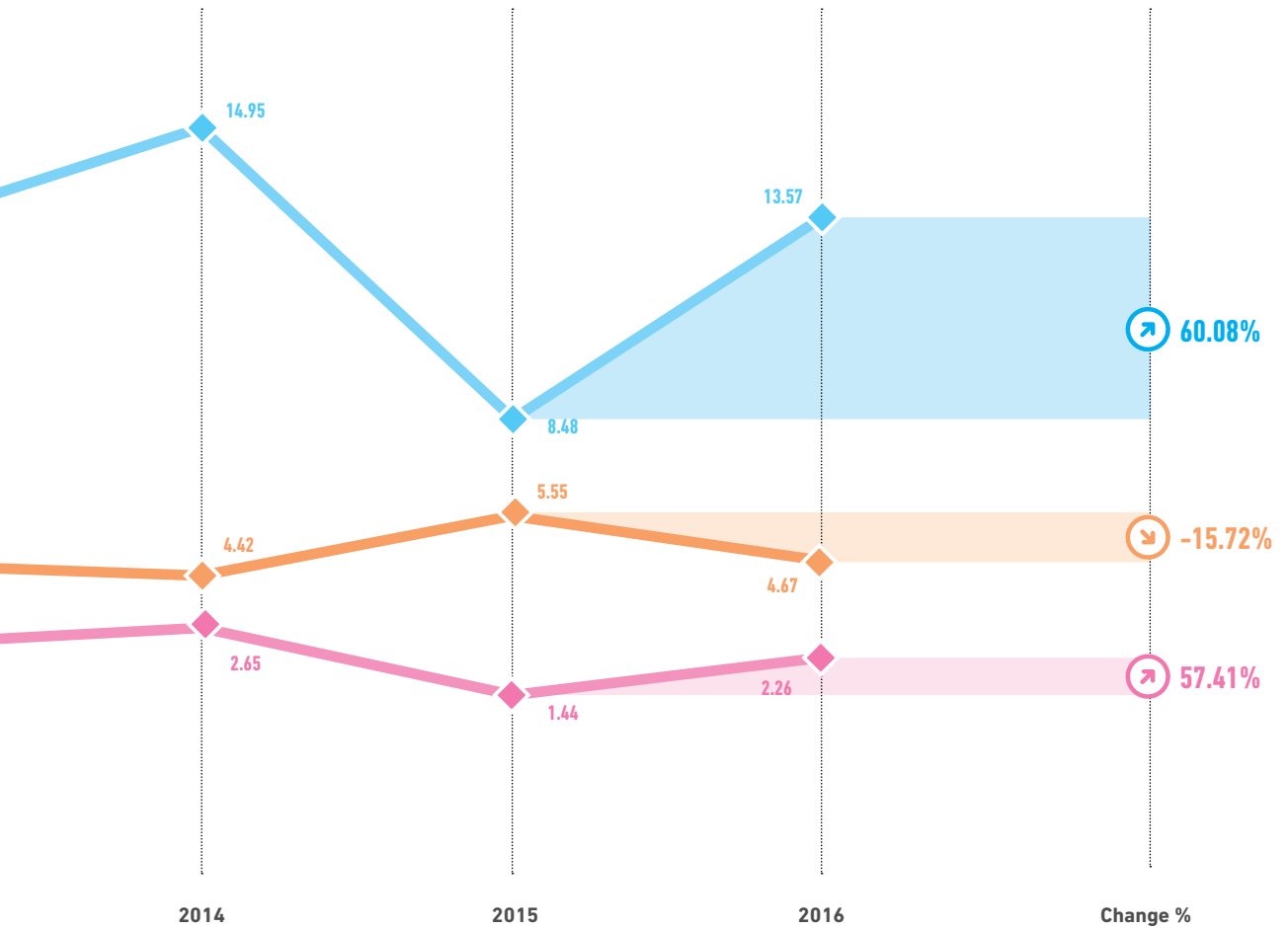
In 2016, the factoring industry strengthened its collaboration with Türk Eximbank. After obtaining access to Eximbank's export rediscount credits, which are extended to exporters, the factoring industry executed an agreement with Eximbank in 2016 to use insured receivables as additional collateral. Subsequently, factoring companies began to provide financing to exporters for their export receivables, which are secured under Eximbank's insurance policies.

Additionally, FKB is currently developing the system infrastructure and the legal framework for the Supplier Finance product, which it plans to launch in 2017.

#### SECTOR RATIOS



RETURN ON ASSETS (%) ◆  
 RETURN ON EQUITY (%) ◆  
 NPL RATIO (%) ◆

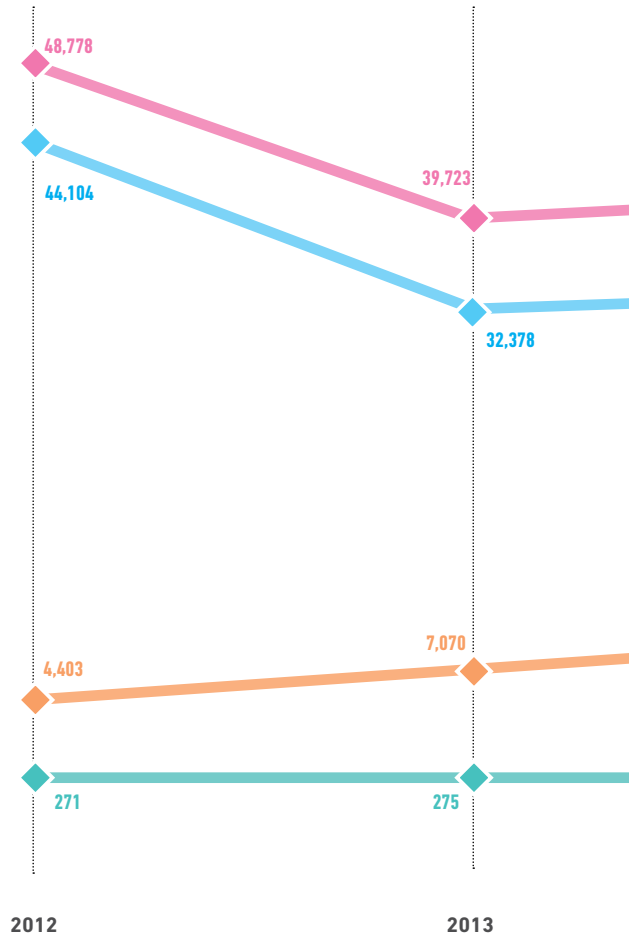


## FACTORING SECTOR OVERVIEW

**IN 2016, THE FACTORING INDUSTRY RECORDED A TOTAL TRANSACTION VOLUME OF TL 122 BILLION.**

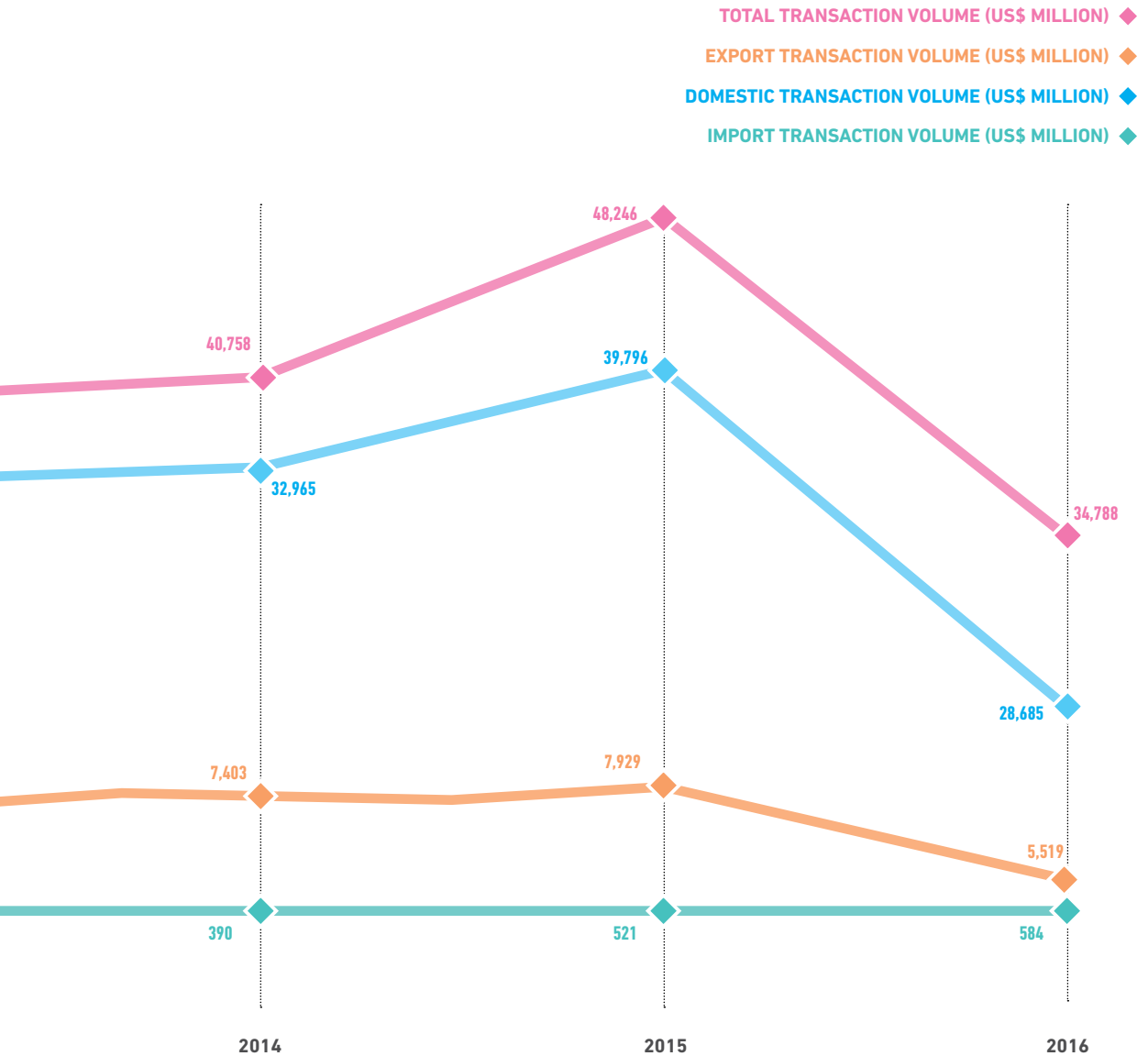
A review of the industry's year-end financial results shows that factoring receivables went up 24.2% y-o-y to TL 31 billion while total assets rose 24% to TL 33.1 billion. In 2016, the factoring industry met its funding needs by securing bank loans, which increased 27.6% over the previous year, while funds generated through security issues totaled TL 3.4 billion, up 15.6% from 2015. Total shareholders' equity grew 10.8% to TL 5.1 billion. Industry profits jumped 71.6% y-o-y to TL 663.6 million. As of year-end 2016, the industry's ROA and ROE stood at 2.26% and 13.6%, respectively. Meanwhile, the Non-Performing Loans (NPL) ratio fell 15.7% from the previous year to 4.7%. In 2016, the factoring industry recorded a total transaction volume of TL 122 billion.

### FACTORING SECTOR TRANSACTION VOLUME IN TURKEY



Source: Association of Financial Institutions and BRSA





## FACTORING SECTOR OVERVIEW

**IN PARALLEL WITH THE EXPANSION OF FACTORING INTO NEW INDUSTRIES AND REGIONS COUPLED WITH THE RAPID RISE IN COMPUTER USAGE AND TECHNOLOGY ADVANCEMENTS, THE GLOBAL FACTORING VOLUME IS GROWING RAPIDLY.**

### **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 (66%), the US (24%) and America (8%).

The global factoring industry has expanded at an average annual rate of 13% over the last 25 years. The industry maintained its growth in 2015 despite the global recession.

## SALES, MARKETING AND COORDINATION

### **CAPTURING MORE THAN A 47% MARKET SHARE IN IMPORT FACTORING TRANSACTIONS, GARANTİ FAKTORİNG MAINTAINED ITS LEADERSHIP POSITION IN 2016. GARANTİ FAKTORİNG'S TOTAL TRANSACTION VOLUME AMOUNTED TO TL 14 BILLION.**

Garanti Faktoring conducts domestic and international factoring transactions via an extensive network while keeping its focus on customer needs.

Garanti Faktoring provides its services to a broad customer base primarily consisting of SMEs, import and export companies, and other enterprises that have a wide supplier and dealer network. Boasting the most extensive branch network among bank subsidiary companies, Garanti Faktoring delivers its products and services across the country.

#### **12% INCREASE IN TRANSACTION VOLUME**

In 2016, Garanti Faktoring served a total of 7,395 customers through its 20 branch locations across Turkey. The Company's domestic and international transaction volume amounted to TL 7,643 million and TL 6,371 million, respectively.

Capturing more than a 47% market share in import factoring transactions, Garanti Faktoring maintained its leadership position in 2016.

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 any issues that may arise.

#### **NEW SYSTEM DESIGNS**

In 2017, Garanti Faktoring plans to develop new systems designed to boost 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 of 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 2017. The Company targets improving operational efficiency while striving to realize its set performance objectives.

# CORPORATE SALES AND STRUCTURED PRODUCTS

## GARANTİ FAKTORİNG PROVIDES NEW AND UNIQUE PRODUCTS FOR CORPORATE CUSTOMERS, IN LINE WITH THEIR FINANCIAL NEEDS AS WELL AS APPLICABLE REGULATIONS.

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

The Company offers new and unique products to its corporate customers, in line with their financing needs as well as applicable regulations.

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

In 2016, the Corporate Sales and Structured Products Unit further expanded the reach and scope of innovative products in both domestic and international transactions.

### **COLLECTION GUARANTEE GENERATES HUGE DEMAND.**

As in previous years, the Collection Guarantee offering, which Garanti Faktoring added to its product portfolio in 2013, continued to generate huge demand in 2016. Therefore, the Company focused its efforts on this product while adding new export products to its portfolio.

Garanti Faktoring continued to improve its Supplier Finance and Commercial Collection Management services in 2016. 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.

In 2017, Garanti Faktoring will continue to structure and provide innovative products to meet the needs of the market via its widespread branch network and expert staff.

In 2017, 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 AND MARKETING

## **GARANTİ FAKTORİNG CAPITALIZES ON THE WIDE CORRESPONDENT NETWORK OF FACTORS CHAIN INTERNATIONAL (“FCI”), THE WORLD’S LARGEST FACTORING NETWORK CONSISTING OF MORE THAN 400 MEMBERS IN 90 COUNTRIES.**

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.

Boasting the most extensive branch network among bank subsidiary companies, Garanti Faktoring expanded its export factoring customer base significantly in 2016, compared to previous years. The Company also increased its market share of correspondent guaranteed export-factoring turnover to 34%.

### **SECOND PLACE IN GLOBAL EXPORT FACTORING VOLUME**

Garanti Faktoring guarantees faster, easier and more reliable forward cash against goods sales to its customers by capitalizing on the wide correspondent network of Factors Chain International (“FCI”), the world’s largest factoring network consisting of more than 400 members in 90 countries. Providing affordable financing for its clients’ foreign receivables, Garanti Faktoring boosted its export factoring volume to US\$ 1.8 billion in 2016.

### **THE WORLD’S BEST FOR THE SECOND YEAR IN A ROW**

Thanks to its high quality services, innovative products and remarkable achievements, Garanti Faktoring was voted the “World’s Best Export Factoring Company” for two years in a row. Based on the evaluation conducted by Factors Chain International (“FCI”), the world’s largest factoring network with more than 400 members across the globe, Garanti Faktoring earned a score of “100%” on all the evaluation criteria—including service quality, correspondent network, and export transaction volume—to become the top scorer in the history of FCI and the world’s best in both 2015 and 2016.

Garanti Faktoring accelerated efforts to ensure continued success, and made capital investments in systems infrastructure throughout 2017. 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 2017, 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.

## PRODUCT MANAGEMENT AND BUSINESS DEVELOPMENT

**IN 2015, FACTORING COMPANIES BEGAN TO OFFER AFFORDABLE FINANCING TO EXPORTERS, PROVIDED BY TÜRK EXIMBANK. IN 2016, THIS COLLABORATION WAS FURTHER EXPANDED TO INCLUDE FINANCING FOR RECEIVABLES SECURED UNDER EXIMBANK'S CREDIT INSURANCE.**

The Product Management and Business Development Unit is primarily responsible for developing new products and business partnerships in accordance with factoring legislation, while improving the effectiveness of existing products and executing marketing activities to promote new products.

In 2016, the Company further improved and expanded the scope of its existing product portfolio and launched new products.

In a 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. This collaboration was further expanded in 2016 to include financing for receivables secured under Eximbank's credit insurance.

### **APPLICATIONS ACCEPTED THROUGH THE NEW WEBSITE**

In 2016, the Company stepped up its social media activity to support customer communications. To this end, the Company's website was redesigned to serve as an application channel.

During the year, FKB initiated efforts to establish the systems infrastructure and the legal framework for supply chain finance, which is widely used in other countries. FKB plans to complete and launch the project in 2017.

Garanti Faktoring also plans to focus on digitalization efforts in 2017.

# CREDITS ALLOCATION AND INTELLIGENCE

## IN 2016, GARANTI FAKTORING BEGAN USING THE NEW FINANCIAL APPLICATIONS INTRODUCED BY CENTRAL DECISION-MAKING AUTHORITIES SUCH AS THE CREDIT BUREAU AND THE RISK CENTER.

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.

### OUTPERFORMING THE INDUSTRY AVERAGE

Despite unfavorable economic and political conditions, especially in the second half of the year, Garanti Faktoring's good (paid) check ratio was much higher than the industry average while its bad check (dishonored) ratio stood at 1%, well below the sector average of 4%.

In 2016, Garanti Faktoring reviewed and updated all credit allocation and intelligence processes in line with changing market conditions and the Company's strategies. The Company also accelerated efforts to boost efficiency and developed new control mechanisms to monitor high-risk areas.

In 2017, Garanti Faktoring plans to reorganize the systems infrastructure in line with the revised credit policy while continuing to improve the efficiency of credit analysis processes. The Company will also prioritize collection related efforts in order to assess market dynamics and their effect on internal processes.

### INTELLIGENCE UNIT

As part of intelligence efforts in 2016, the Company adapted several new financial applications—including Check Status Inquiry, Cross Check Inquiry, Trade Registry Sharing System, which were introduced by central decision-making authorities such as the Credit Bureau and the Risk Center—to its business processes.

The recently launched Parametric Morality Project enabled the Company to conduct systematic rating of both drawers and endorsers during the intelligence decision-making process, resulting in increased efficiency of business processes and objectivity in making intelligence decisions.

The Company collaborated with a total of 195 public hospitals related to accounts receivable financing and began building income-generating assets with this product.

In 2017, the Intelligence Unit will continue efforts to further improve intelligence-gathering channels and provide full support to the Company in boosting its market share and transaction volume in the microenterprise and SME segment.

## FINANCIAL INSTITUTIONS

### IN 2016, GARANTI FAKTORİNG FURTHER DIVERSIFIED ITS SUSTAINABLE FUNDING SOURCES AND SECURED FINANCING TO EXTEND TO ITS CUSTOMERS UNDER FAVORABLE TERMS.

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.

In 2016, Garanti Faktoring further diversified its sustainable funding resources. Focusing on factoring facilities of domestic and overseas trade to meet customer needs, the Company has deepened its relationships with partner banks and obtained financing for customers under favorable terms.

#### RELATIONS DEEPENED

During the year, Garanti Faktoring increased the number of its partner banks to fund its 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.

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

In 2017, 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 2016, GARANTI FAKTORİNG ISSUED DISCOUNT BONDS WITH SIX-MONTH MATURITY AND TOTAL NOMINAL VALUE OF TL 1,010 MILLION, WHICH WERE OFFERED EXCLUSIVELY TO QUALIFIED INVESTORS.**

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 derivatives 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 program, which started in 2013, has significantly contributed to Garanti Faktoring's asset-liability management practices in 2016.

### **AMORTIZED BONDS WITH TOTAL NOMINAL VALUE OF TL 1,215 MILLION**

In 2016, Garanti Faktoring issued discount bonds with a six-month maturity and total nominal value of TL 1,010 million offered exclusively to qualified investors via private placement. The Company also amortized bonds with a total nominal value of TL 1,215 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 2017 as well.



**TL 1,215 MILLION**

**In 2016, Garanti Faktoring amortized bonds with a total nominal value of TL 1,215 million, which were offered exclusively to qualified investors.**

## OPERATIONS AND LEGISLATION

### **GARANTI FAKTORING PLAYED A PIONEERING ROLE BY ENSURING COMPLIANCE OF ITS PRACTICES WITH LEGISLATIVE AND REGULATORY REQUIREMENTS. THE COMPANY ALSO PROVIDED TRAINING TO EMPLOYEES TO ENSURE EFFECTIVE PROBLEM SOLVING.**

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 2016.

#### **35,275 CREDIT ALLOCATIONS**

In 2016, the Operations Unit conducted 35,275 credit allocations and processed a total of 752,484 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.

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 continued during the year.

#### **INTERNAL TRAINING PROGRAMS**

The Company also set up the system for transferring checks that have been matched to invoices to the Central Invoice Registration System ("CIRS") at the time of transaction, in addition to collection information on transferred receivables that have been registered in the system via online services.

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 2017 with training programs for all the Company's units.

# HUMAN RESOURCES AND TRAINING

**IN LINE WITH ITS HUMAN RESOURCES APPROACH, GARANTI FAKTORING AIMS TO BECOME A COMPANY THAT IS ORIENTED TOWARD SUCCESS, AND HAS HAPPY EMPLOYEES, WHO ARE WILLING TO TAKE ON A LEADERSHIP ROLE IN THEIR RESPECTIVE JOBS.**

Boasting a highly qualified, dynamic workforce that has the capability to make a difference, Garanti Faktoring employed 164 personnel as of December 31, 2016. Garanti Faktoring considers employees its most valuable asset. Aware that a highly qualified and dynamic staff drives growth, the Company continuously invests in its human capital and improves corporate human resource practices.

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

## **4,186 HOURS OF TRAINING**

Garanti Faktoring provides its employees with training programs to help them improve their technical and professional knowledge as well as personal skills. In 2016, the Company organized more than 350 classroom and on-the-job training courses on 62 different topics, delivering 4,186 hours of training in total. Each employee on average received 25 hours of training for the year.

Aiming to meet the training needs of employees in a fast and convenient way, Garanti Faktoring also provided 25 different e-learning courses in 2016. Additionally, staff members participated in six different conferences and seminars related to their respective areas of expertise.

Training programs organized in 2016 included technical and professional courses, such as Advanced Excel, Access, Recent Developments

in Financial Markets, Techniques for Interpreting the Company's Balance Sheet, Accounts Payable, Tracking, Consumer Law, among others. Personal development courses offered included Stress Management, Coaching Skills, Speed Reading Techniques, Persuasion and Conflict Management, Results Orientation, Presentation Skills, Personal Leadership Skills, Creative Drama in Communications, Proper and Effective Speaking, and Self-Motivation.

## **OCCUPATIONAL HEALTH AND SAFETY TRAINING**

Under the Company's occupational health and safety training programs, 15 employees attended the in-class training course on Basic Occupational Health and Safety & Emergency and Ergonomics while nine employees participated in the e-learning course on Basic Occupational Health and Safety in 2016. In addition to basic training programs, 10 employees completed First-Aid Certification Training, including three certification renewal courses, and two employees received Fire Safety Training.

All new employees completed the e-learning course on Anti-Money Laundering and Combatting the Financing of Terrorism.

As in previous years, the training programs of IFG and FCI—two large international factoring chains—were included in Garanti Faktoring's training catalogue in 2016. The Company also began rewarding the employees who successfully completed these certification programs.

# HUMAN RESOURCES AND TRAINING

## **GARANTI FAKTORING OWES ITS STEADY GROWTH TO ITS HIGHLY QUALIFIED AND DYNAMIC WORKFORCE, WHICH HAS THE CAPABILITY TO MAKE A DIFFERENCE. THE COMPANY CONTINUOUSLY INVESTS IN ITS HUMAN CAPITAL AND IMPROVES ITS HUMAN RESOURCES PRACTICES.**

In addition to current technical and personal training courses, the Company's plans for 2017 include focusing more on sales and leadership courses geared toward sales teams and leadership development training for managers.

### **CAREER MAPS**

In line with the human resources policy, Garanti Faktoring aims to cultivate future managers by giving priority to promoting from within the Company. All the promotions that took place at Garanti Faktoring in 2016 used internal candidates from among the Company's own staff.

To this end, 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.

### **REWARDING 16 EMPLOYEES WHO MAKE A DIFFERENCE**

The purpose of the recognition program 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 2016, 16 employees received awards in various categories.

With the Foreign Language Proficiency Bonus, Garanti Faktoring aims to motivate its personnel to improve their foreign language skills. This bonus is available to all employees up to the management levels. The Company pays the exam fees for staff members who take and pass the proficiency test. In 2016, 11 employees took the IELTS test.

### **DISTRIBUTION OF EMPLOYEES BY GENDER (%)**

Male	43
Female	57

### **AVERAGE AGE OF EMPLOYEES (YEARS)**

Male	36
Female	34

### **EDUCATION LEVEL**

Primary School	1
High School	7
Associate Degree	13
Bachelor's Degree	118
Master's Degree	24
Doctoral Degree	1

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

Per person	25
Total	4,186

## RESEARCH AND DEVELOPMENT

### **UNDER THE SUPERVISION OF THE ASSOCIATION OF FINANCIAL INSTITUTIONS (“FKB”), GARANTİ FAKTORİNG ENGAGED IN JOINT EFFORTS WITH THE CREDIT BUREAU (“KKB”) CONCERNING THE CENTRALIZATION OF INVOICE FACTORING TRANSACTIONS.**

Garanti Faktoring conducts continuous efforts to achieve its productivity targets and goal of becoming the industry leader. In 2016, the Company executed projects to improve internal processes, boost automation and align its operations with industry-wide practices.

Under the supervision of the Association of Financial Institutions (“FKB”), Garanti Faktoring engaged in joint efforts with the Credit Bureau (“KKB”) concerning the centralization of invoice factoring transactions to align its operations with industry-wide practices. To this end, Garanti Faktoring’s system was integrated with the Central Invoice Registration System.

Additionally, the system was further improved to operate within manageable parameters to boost the effectiveness of intelligence processes.

Garanti Faktoring’s website was revamped to provide detailed information on the Company’s products and processes to existing and potential customers.

## INVESTMENTS

During the 2016 accounting period, Garanti Faktoring:

- Performed time deposit transactions totaling TL 308,400 thousand, US\$ 20,988 thousand with banks and earned TL 2,331 thousand in interest income; and,
- Purchased tangible assets amounting to TL 1,530 thousand and intangible assets (software) amounting to TL 4,272 thousand.

# RISK MANAGEMENT POLICIES

## GARANTI FAKTORING HEDGES AGAINST ADVERSE MARKET MOVEMENTS. MARKET RISK IS MANAGED VIA DERIVATIVE TRANSACTIONS AND RISK AVOIDING POSITIONS IN LINE WITH TREASURY TRANSACTION LIMITS.

### 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.

#### **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 2016, 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 2017, 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**



## 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, 2016.

## INFORMATION ON ACQUIRED SHARES

As of December 31, 2016, Garanti Faktoring A.Ş. has not acquired any of its own shares.

## INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT

The Company did not undergo any private audits in 2016.

## LAWSUITS FILED AGAINST GARANTİ FAKTORNG A.Ş.

During 2016, no lawsuits have been filed against Garanti Faktoring A.Ş. that could significantly affect its financial situation and activities.

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

In 2016, there have been no significant administrative or legal penalties imposed on the Company or its Board Members.

## PREVIOUS PERIOD BUDGET AND PERFORMANCE ASSESSMENT

Garanti Faktoring holds a 9.1% market share in total factoring receivables of the industry, and an 11.4% market share in total factoring turnover.

As the industry's total shareholders' equity increased 8.4% over 2015, Garanti Faktoring achieved 15.2% growth in shareholders' equity during the year.

In 2016, Garanti Faktoring sold off TL 36.6 million in non-performing receivables, while the Company's NPL ratio improved by 1.2 points, dropping to 2.5%. By implementing effective risk management under adverse market conditions, Garanti Faktoring reduced the amount of non-performing receivables after collection from TL 40.9 million in 2015 to TL 11.6 million in 2016.

Despite increased interest expenses under current market conditions, Garanti Faktoring reduced funding costs by diversifying its funding sources and improved its balance sheet net interest margin.

<b>ASSETS (TL MILLION)</b>	<b>2015</b>	<b>2016</b>
Liquid Assets and Banks	40	10
Factoring Receivables	2,850	2,835
Other	80	54
<b>Total Assets</b>	<b>2,971</b>	<b>2,899</b>
<b>LIABILITIES</b>	<b>2015</b>	<b>2016</b>
Funds Borrowed	2,087	2,149
Bond Issuance	703	504
Other	15	61
Shareholder's Equity	166	185
<b>Total Liabilities</b>	<b>2,971</b>	<b>2,899</b>
<b>NET PROFIT (THOUSAND TL)</b>	<b>2015</b>	<b>2016</b>
Net Interest Income	2,329	25,174
Other Income	63,136	73,487
Operating Expenses	-40,035	78,945
<b>Net Profit</b>	<b>25,430</b>	<b>19,7176</b>

<b>GROWTH RATE</b>	<b>GARANTİ FAKTORİNG</b>	<b>SECTOR</b>
Average Assets	(8.1)	7.5
Average Factoring Receivables	(9.5)	7.7
Average Equity	15.2	8.4
NPL Ratio	2.5	4.7
Number of Total Factoring Employees	(6.3)	(1.8)

<b>GARANTİ FAKTORİNG MARKET SHARES</b>	<b>2015</b>	<b>2016</b>	<b>CHANGE (%)</b>
Average Assets	11	9.4	(1.6)
Average Factoring Receivables	11.5	9.7	(1.8)
Total Factoring Turnover	14.6	11.4	(3.1)
Average Equity	3.5	3.7	0.2

<b>PROFITABILITY RATIOS</b>	
Average Return on Assets	0.7%
Average Return on Equity	11%
Operating Income/Average Assets	9.0%
Operating Expense/Average Assets	1.6%

Net Interest Margin	1.3%
Coverage Ratio	11.6%

\* Calculated by comparing December 2015 and December 2016 figures.

\*\* The effect of receivables sold off in December is not included.

## DONATION AND AID GRANTED IN 2016 - SOCIAL RESPONSIBILITY PROJECTS

### **GARANTİ FAKTORİNG MAKES CHARITABLE DONATIONS TO FOUNDATIONS, ASSOCIATIONS, SCHOOLS, UNIVERSITIES AND SIMILAR ORGANIZATIONS WITH SOCIAL MISSIONS, THE COMPANY ALSO SUPPORTS SUSTAINABLE DEVELOPMENT THROUGH ITS ENVIRONMENTAL PRACTICES.**

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".

#### **DONATION AND AID POLICY**

Garanti Faktoring A.Ş. can make donations and aid to foundations, associations, schools, universities and similar organizations with social missions, 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 item on the total amount and respective beneficiaries of all donations and aid 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.

#### **DONATIONS TOTALING TL 60,715**

In 2016, Garanti Faktoring donated TL 30,000 to Community Volunteers Foundation; TL 20,000 to KAÇUV (Hope Foundation for Children with Cancer); TL 5,000 to Hayata Bağış Derneği (Donate Life); TL 5,000 to the Turkish Foundation for Children in Need of Protection; and TL 715 to Turkish Educational Foundation. The Company's donations totaled TL 60,715 for the year.

#### **SCHOLARSHIPS TO 12 STUDENTS**

Garanti Faktoring provided scholarships to 12 students through the Garanti Faktoring Scholarship Fund constituted under the Community Volunteers Foundation.



#### **CO-OP PROJECT**

Under the seventh edition of Bahçeşehir University's CO-OP project, "Garanti Faktoring: The World of Receivable Finance" classes continued during spring semester 2016. 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 2016.

#### **PRIVATE SECTOR VOLUNTEERS FOUNDATION'S SCHOOL-FRIENDLY PROGRAM – CURIOUS BOOKS PROJECT:**

The Curious Books Project aims to encourage children's curiosity and interest in reading books. To this end, volunteers read books to elementary school youth for one hour per week, over a course of four weeks.

#### **ENVIRONMENTAL PRACTICES**

As in previous years, Garanti Faktoring preferred to print its agendas and calendars on 100% recycled paper to support sustainable development. Used paper, plastic bottle caps and plastic courier packages are collected within the Company for recycling purposes. The Company also collected used batteries under the Battery Recycling Campaign, which was conducted at high schools to develop young people's sensitivity about conserving the Earth's limited resources. The used batteries were then sent to Eyüp Kemberburgaz Halis Kutmangil Multi-Program Anatolian High School.

## 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 was no legal proceeding started thereof, and thus no damage occurred regarding this issue.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The following amendment to the Company's Articles of Association was approved by Board of Directors Resolution No: 035 dated December 5, 2016. It will become effective after being approved at the first Ordinary General Assembly Meeting in 2017:

### OLD VERSION

#### REGISTERED CAPITAL:

Article 6: The Company has adopted the registered capital system within the framework of the Capital Market Law and under the Capital Markets Board's permission numbered 709, dated October 8, 1993. The Company's registered capital amounts to TL 175,000,000, which is divided into 17,500,000,000 shares, each with a nominal value of 1.-Kr.

The permission for the registered capital ceiling that was granted by the Capital Markets Board is valid for the period 2012-2016 (5 years). Even if the permitted registered capital ceiling has not been reached as of the end of 2016, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain permission from the Capital Markets Board for the ceiling that was previously permitted or for a new ceiling amount, and to receive authorization from the General Assembly for a new time period. If such authorization cannot be obtained, it shall be deemed that the Company has been excluded from the registered capital system.

### NEW VERSION

#### REGISTERED CAPITAL:

Article 6: The Company has adopted the registered capital system within the framework of the Capital Market Law and under the Capital Markets Board's permission numbered 709, dated October 8, 1993. The Company's registered capital amounts to TL 175,000,000, which is divided into 17,500,000,000 shares, each with a nominal value of 1.-Kr.

The permission for the registered capital ceiling that was granted by the Capital Markets Board is valid for the period 2016-2020 (5 years). Even if the permitted registered capital ceiling has not been reached as of the end of 2020, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain permission from the Capital Markets Board for the ceiling that was previously permitted or for a new ceiling amount, and to receive authorization from the General Assembly for a new time period. If such authorization cannot be obtained, the Company cannot raise the capital with a Board of Directors' resolution.

The Board of Directors is authorized to raise the issued capital up to the registered capital ceiling by issuing new shares, whenever it deems necessary, between the years of 2012 and 2016, in accordance with the provisions of the Capital Market Law. The Board of Directors is also authorized to restrict the rights of privileged shareholders, to limit the preemptive rights of shareholders to obtain new shares, and to issue new shares at a price lower than the premium or nominal value. The authority to restrict the preemptive rights to obtain new shares shall not be exercised in a manner leading to inequality among shareholders. The Board of Directors is authorized, without being bound by the provisions of the Turkish Commercial Code pertaining to capital increase, to raise the issued capital up to the registered capital ceiling by issuing bearer shares.

The Company's issued capital of TL 79,500,000 (Seventy-nine million, five hundred thousand Turkish lira) has been divided into 7,950,000,000 shares each with a nominal value of 1.-Kr (One kuruş); of these shares, 4,004,242,898.779 are Class A shares and 3,945,757,101.221 are (Class B) registered shares.

As per Law No: 5274 regarding Amendments to the Turkish Commercial Code, the nominal value of shares was changed from TL 1,000 to 1 Ykr. Due to this amendment, the total number of shares has decreased; therefore, each 10 former shares having a former par value of 1,000.-- TL shall be replaced by one share having a par value of 1 (Yeni/New) Kuruş. This amendment in and of the nominal/par values of shares has been made without prejudice to the existing rights of the shareholders arising out of the shares they currently hold so that all their existing rights are reserved. Shares representing the capital are monitored on a registered basis pursuant to registration principles.

While the nominal values of shares have been changed to 1 Yeni (New) Kuruş per share, as per Law No: 5274 regarding Amendments to the Turkish Commercial Code, the term "Yeni (New)" was removed from the currency denominations "Yeni Türk Lirası (New Turkish Lira)" and "Yeni Kuruş (New Kuruş)" as per Decree No: 2007/11963 of the Council of Ministers on April 4, 2007, and thereby, these were amended as "Turkish Lira" and "Kuruş."

The issued capital has been fully paid up in cash. The Board of Directors is authorized to issue shares of all classes, privileged shares, at a price either below or above the nominal value; to limit the preemptive rights of shareholders to obtain new shares; and to restrict the rights of privileged shareholders.

The Board of Directors is authorized to raise the issued capital up to the registered capital ceiling by issuing new shares, whenever it deems necessary, between the years of 2016 and 2020, in accordance with the provisions of the Capital Market Law. The Board of Directors is also authorized to restrict the rights of privileged shareholders, to limit the preemptive rights of shareholders to obtain new shares, and to issue new shares at a price lower than the premium or nominal value. The authority to restrict the preemptive rights to obtain new shares shall not be exercised in a manner leading to inequality among shareholders. The Board of Directors is authorized, without being bound by the provisions of the Turkish Commercial Code pertaining to capital increase, to raise the issued capital up to the registered capital ceiling by issuing bearer shares.

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The issued capital has been fully paid up in cash. The Board of Directors is authorized to issue shares of all classes, privileged shares, at a price either below or above the nominal value; to limit the preemptive rights of shareholders to obtain new shares; and to restrict the rights of privileged shareholders.

## NEW REGULATIONS IN FACTORING LEGISLATION

None.

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

Fitch Ratings revised Garanti Faktoring A.Ş.'s ratings on February 2, 2017.

After downgrading Turkey's Long-Term Foreign Currency IDR to BB+ from BBB-, Fitch Ratings revised down its outlook for 18 Turkish banks and their subsidiaries including Garanti Faktoring A.Ş. Fitch Ratings affirmed Garanti Faktoring A.Ş.'s rating at BBB-, the country ceiling for Turkey. The revised ratings are presented below:

- Long-Term Foreign and Local Currency IDRs were downgraded to "BBB-" from "BBB". Outlook was revised from Negative to Stable.
- Short-Term Foreign and Local Currency IDRs were downgraded to "F3" from "F2". Outlook was revised from Negative to Stable.
- Support Rating was affirmed at "2".
- Long-Term National Rating was affirmed at "AAA (tur)", and outlook at Stable.

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

Is available under the topic "5.6 Financial Rights" specified in the "Corporate Governance Principles Compliance Report" section of this report.



# 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 Commercial Code, Capital Market Law and Capital Markets Board legislation, regulations and decisions and the relevant provisions of the Tax Procedure Law; and in line with the Corporate Governance practices, 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 framework 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 framework of the regulations of the Capital Markets Board Communiqué on "Disclosure of Material Matters" on the Company's website.

At the Ordinary General Assembly Meeting held on March 23, 2016, 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 2015 profit of TL 31,824,480.87 and transfer the remaining net period profit of TL 25,429,841.17 to the legal and extraordinary profit reserves account, taking into consideration the impact of net deferred tax of TL 715,560.69 that was calculated from the 2015 period profit, and to keep it within the Company. The Board of Directors' proposal was approved by the General Assembly.

## TRANSACTIONS WITH RELATED PARTIES

Garanti Faktoring's related party transactions are specified in footnote n.25 of the financial statements of Garanti Faktoring A.Ş. as of the 31<sup>st</sup> of December 2016 on page 142.

# 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.

As a result of the rating assesment made for the fifth time this year in order to register our

Company's practices regarding compliance with the Corporate Governance Principles, our Company's Corporate Governance Rating score for the 19.08.2016-19.08.2017 period rose from "9.15" to "9.26" with a report issued by Kobirate International Credit Rating and Corporate Governance Services Inc. (Kobirate Inc.).

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. The details of the Corporate Governance Principles rating scores in major topics are given below in a comparison to the previous period;

TOPIC	WEIGHT RATIO %	AUGUST, 14 - AUGUST, 15 2016 (4 <sup>TH</sup> PERIOD REVISED)	AUGUST, 15 - AUGUST, 16 2016 (5 <sup>TH</sup> PERIOD)
Shareholders	25	92.02	92.02
Public Disclosure & Transparency	35	96.51	97.67
Stakeholders	15	90.90	90.90
Board of Directors	25	87.74	90.01
<b>TOTAL</b>	<b>100</b>	<b>91.5</b>	<b>92.60</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, 305653/ Derivative Financial Instruments License, 602587/Credit Rating 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:

- Managing relations with shareholders, investors, analysts and main partners and answering their written and verbal information requests,
- Carrying out relations with shareholders and investors, keeping 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 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 Toplum 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,
- Carrying out activities and managing relations with corporate governance rating agencies,
- giving answers to information requests of international credit rating agencies.
- 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.

Information requests of nine shareholders were answered orally, and information requests of two shareholders were answered in writing by the Investor Relations Department while fulfilling its main responsibilities in 2016. Investor relations activity report prepared for the activities carried out in the first half of 2016 was presented to the Board of Directors on the 21<sup>st</sup> of September 2016.

## 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 Toplum 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." On January, 1 – December, 31 2016, 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 23.03.2016.

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

Ordinary General Assembly Meeting was held on 19.02.2016 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

# CORPORATE GOVERNANCE COMPLIANCE REPORT

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).

At the Garanti Faktoring A.Ş.'s Ordinary General Assembly meeting held on the 23<sup>rd</sup> of March 2016, an investor who attended the meeting in an electronic environment asked; "CMB Corporate Governance Principles stipulates that at least 25% of the Board of Directors must be female members. In this aspect, have you set a goal and compliance policy 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 Mr. Mert Ercan stated that "In the written policies and procedures of our Company's internal directive, and in the Articles of Association there is no provision against appointing female members to the Board of Directors. Some members of the Board of Directors changed during this period and Mr. Ali Fuat Erbil was appointed in the position of Mr. Ergun Özen who also served as the General Manager of T. Garanti Bankası A.Ş. Moreover, Mr.

Gökhan Erün was appointed as Vice Chairman of the Board of Directors within the framework of new organizational structure. In case there is a vacant membership position in the Board of Directors in the upcoming periods, of course it will be possible to appoint female members in these vacant positions." There was no other question that could not be replied at the meeting.

Within the scope of the 12<sup>th</sup> item of the agenda, information was given regarding the aid and donation made in 2015, and the issue of determining the upper limit of aid and donation that will be made in 2016, was discussed.

The minutes of the General Assembly meeting and the list of attendants were sent to the Trade Registry Office to be registered and announced, and the minutes of the meeting were announced in the Trade Registry Gazette dated April 1, 2016.

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.

In the 17<sup>th</sup> Article of the Articles of Association, the minority rights are stipulated as follows; "Minority rights shall be used by the shareholders having at least one-twentieth of the capital. Within the framework of the 411<sup>th</sup> Article of the Turkish Code of Commerce, shareholders who have at least one twentieth of the capital may ask the Board of Directors to make a call for the General Assembly or if the General Assembly is already going to convene, they may request an issue to be resolved and ask the Board of Directors to add the issue on the agenda".

### 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 Factoring A.Ş. Profit Distribution Policy that was approved at the 2013 Ordinary General Assembly Meeting held on the 17<sup>th</sup> of April 2014 is publicly announced to the shareholders via disclosure of material matters ([www.kap.gov.tr](http://www.kap.gov.tr)), and under the Corporate Governance sub-section of the "Investor Relations" section on the website [www.garantifactoring.com](http://www.garantifactoring.com). The Profit Distribution Policy is also included in the annual and interim annual reports.

### **GARANTİ FAKTORİNG 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 framework 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 framework 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 2015 Ordinary General Assembly Meeting held on 23.03.2016, the Board of Directors decision regarding the issue of setting aside the necessary amount from the 2015 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.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

## 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

Garanti Faktoring'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).

Our company's website was renewed in June 2016. The aim is to ensure that the website, which brings digital marketing trends and the target audience together most appropriately, has a very innovative and easy-to-use interface. With animations creating a warm atmosphere, the aim was to help users get information about factoring operations. In addition, the "Customer Application Form" which is accessible uninterruptedly on the website, allows the customers to make application easily within minutes and to reach the relevant departments.

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 Reports
- Annual Reports
- Related Institutions
- Disclosure of Material Matters
- Credit Ratings
- General Assembly Meetings
- Corporate Governance Principles Compliance Rating Reports
- Bond Issuances

are regularly updated and presented to the information of the shareholders and the public.

Within the scope of the relevant regulation of the Ministry of Customs and Trade, the issues that must be published are specified, and the "Information Society Services Garanti Factoring A.Ş." section is updated regularly.

### 3.2. Annual Report

The Company's annual reports are prepared and issued in "Turkish" and "English" in conformity with the provisions of the Capital Markets Board Communiqué on "Corporate Governance Principles" and 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). Garanti Factoring annual report was improved every year and received various awards in international platforms. The 2015 annual report received the honor award in the category of "concept / design and printing", bronze award in the category of "Cover Design-Special Application" and honor award in the field of "Printing".

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".

## 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 be 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.

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. Stakeholders can participate in the management through the meetings organized.

### 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.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

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 170 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.

Within the scope of Personal Data Protection Law n.6698 published on the 7<sup>th</sup> of April 2016, all types of arrangements related to human resources applications were made and included in the processes.

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.

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 7th time in 2016.

In 2016, 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.

Within the scope of the Curious Books Project organized in the framework of Private Sector Volunteers Association's School-Friendly Program in order to encourage children to read books by attracting their curiosity and attention, and getting them excited, our volunteers read books to primary school children for an hour every week, within a four-week period.

Moreover, in order to support recycling within the Company; paper, plastic bottle caps and cargo bags are still being collected. Within the framework of "Waste Battery Collection Campaign" waste batteries collected at our Company were sent to Eyüp Kemerburgaz Halis Kutmangil Multi Programmed Anatolian High School.

## **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.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

In the 9<sup>th</sup>, 10<sup>th</sup> and 11<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.

Garanti Faktoring'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; Gökhan Erün, Osman Bahri Turgut, Luis Vicente Gasco Tamarit, Independent Members of the Board of Directors are; Serhat Yanık and Ali Çoşkun.

## **DUTIES & TASKS ASSUMED BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THEIR TERM OF OFFICE**

At the 2015 Ordinary General Assembly Meeting held on the 23<sup>rd</sup> of March 2016, regarding the term of office and election of the real person members of the Board of Directors with expired term of office, decision was taken by majority vote to;

have the candidates submitted to the Corporate Governance Committee – acting as the Nomination Committee – evaluated by the committee, and elect – in line with the proposal made by the representative of T. Garanti Bankası A.Ş. – Ali Fuat Erbil, Gökhan Erün, Turgay Gönensin, Osman Bahri Turgut, Luis Vicente Gasco Tamarit and Hasan Hulki Kara as Real Person Members of the Board of Directors with term of office for 3 years, elect Serhat Yanık and Ali Çoşkun – candidates who were evaluated and submitted with a report to the Board of Directors by the Corporate Governance Committee (acting as the Nomination Committee) – as Independent Members of the Board of Directors with term of office for 3 years (23.03.2016-23.03.2019).

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

- 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.
- 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. Assistant Professor Serhat Yanık and Osman Bahri Turgut are members of the committee.
- As per the Capital Markets Board's Communiqué on Corporate Governance Principles, and the Turkish Code of Commerce n.6102, the Early Risk Detection Committee was established within the structure of Board of Directors. Committee Members are Assoc. Prof. Dr. Serhat Yanık and Assistant Prof. Ali Çoşkun.
- Assoc. Prof. Dr. Serhat Yanık is the chairman of the Corporate Governance Committee and the Early Risk Detection Committee.

## RÉSUMÉS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND TASKS ASSUMED OUTSIDE THE COMPANY

### ALİ FUAT ERBİL

#### Chairman of the Board of Directors

Ali Fuat Erbil is a graduate of Middle East Technical University Computer Engineering Department, Bilkent University (MBA), Istanbul Technical University Banking and Finance PhD program. Ali Fuat Erbil worked as a manager in various private sector corporations and banks. He joined Garanti Bank in 1997 as Distribution Channels Manager, and later served as Vice CEO (Assistant General Manager) in charge of Retail Banking and Distribution Channels between 1999 and 2012. In this position, Erbil was also in charge of mortgage loans and private banking. In 2012, he was appointed as the Vice CEO (Assistant General Manager) in charge of Financial Institutions and Corporate Banking. He became CEO (General Manager) of Garanti Bank on the 2<sup>nd</sup> of September 2015. Erbil is also member of the Bank's Board of Directors. Fuat Erbil serves as Chairman of the Board of Directors of Garanti Finansal Kiralama A.Ş., member of the Board of Directors of Garanti Yatırım Menkul Kıymetler A.Ş., Garanti Bilişim Teknolojisi ve Ticaret Türk A.Ş., Garanti Emeklilik ve Hayat A.Ş., and Garanti Ödeme Sistemleri A.Ş. He is also a member of the Board of Directors and member of the Board of Trustees of Teachers Academy Foundation.

### GÖKHAN ERÜN

#### Vice Chairman of the Board of Directors

Gökhan Erün received his bachelor's degree from Istanbul Technical University, Department of Electronics and Communications, and master's degree from Yeditepe University, Department of Business Administration (MBA). In 1994, he started his professional career at Treasury Department of Garanti Bank. Between 1999-2004, he served as Commercial Marketing Manager. After being appointed as CEO of Garanti Emeklilik ve Hayat A.Ş. in 2004, he was later appointed as Vice CEO (Assistant General Manager) of Garanti Bankası A.Ş. on the 1<sup>st</sup> of September 2005. Since September 2, 2015 Erün has been serving as Deputy CEO of Garanti Bank. At the same time, Gökhan Erün is the Chairman of the Board of Directors of Garanti Hizmet Management i A.Ş., Garanti Yatırım Ortaklığı A.Ş. and Garanti Bank International N.V. He is the Chairman of the Board of Directors at Garanti Bank

International N.V., Vice Chairman of the Board of Directors at Garanti Finansal Kiralama A.Ş., and Member of the Board of Directors at Garanti Yatırım ve Menkul Kıymetler A.Ş. Having 22 years of professional experience in Banking and Business Administration, Erün is in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivative Products and Cash Management and Transaction Banking.

### TURGAY GÖNENSİN

#### Member of the Board of Directors

Turgay Gönensin is the graduate of Boğaziçi University Business Administration Department, and started his professional career in 1987 working in various departments of Garanti. He worked as CEO at Garanti Bank International NV between 1997 and 2000 and at Osmanlı Bank between 2000 and 2001. Between 2001 and 2015, he served as Vice CEO (Assistant General Manager) in charge of Commercial Banking and as Vice CEO (Assistant General Manager) in charge of Coordination of Domestic and Foreign Affiliates at Garanti Bank. Gönensin is currently the Chairman of the Board of Directors and Member of the Audit Committee at Garanti Filo Management i Hizmetleri A.Ş. He is also Member of the Board of Directors and Audit Committee at Garanti Finansal Kiralama A.Ş., and Member of the Board of Directors and Audit Committee at Garanti Bank SA (Romania).

### HASAN HULKİ KARA

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

Hasan Hülki Kara graduated from Dokuz Eylül University, Department of Economics. Kara joined T. Garanti Bankası A.Ş. in 1989 and served as 1<sup>st</sup> Degree Bank Examiner, Branch Manager and Region Manager. He is Member of the Board of Directors and General Manager at Garanti Faktoring A.Ş. since October 18, 2011.

### OSMAN BAHİRİ TURGUT

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

Osman Bahri Turgut graduated from Marmara University, Department of Economics. He started university education in 1986 at Marmara University, Department of Economics and received his bachelor's degree in 1990. The same year, Osman Bahri Turgut started his professional career at T. Garanti Bankası A.Ş. as Assistant Bank Examiner, and served as Branch Manager, Vice Chairman of the Audit Board, Commercial Loans Unit

# CORPORATE GOVERNANCE COMPLIANCE REPORT

Manager, Internal Control Center Manager and the Head of Internal Audit and Control. He still serves as Chairman of the T. Garanti Bankası A.Ş. Audit Board. He is a Member of the Board of Directors and member of the Audit Committee at Garanti Finansal Kiralama A.Ş., Garanti Filo Management i Hizmetleri A.Ş., Member of the Board of Directors at T. Garanti Bankası A.Ş. Pension and Assistance Foundation, Garanti Kültür A.Ş, Member of the Audit Committee at Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Ödeme Sistemleri A.Ş.

## **LUIS VICENTE GASCO TAMARIT** **Member of the Board of Directors**

He received his bachelor's degree in Law (in 1996) and in Business Administration (in 1997) from ICADE University, and 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/Chairman of the Corporate Governance Committee**

He received his bachelor's degree in Public Administration and master's degree and PhD degree in Business Administration from Istanbul University. He continues his career as an academician at the Business Administration Department of Istanbul University Faculty of Political Sciences. At the same time, he serves as; the Head of Direct Procurement and Tender Commission of Istanbul University, Head of Istanbul University Faculty of Political Sciences Business Administration Department Accounting and Finance, Finance Director of Istanbul University Hospitals (HAGED) and Assistant Manager of Istanbul University Circulating Capital Management.

He is also a Member of the Board of Directors of Expert Accountants Association of Turkey (EAAT), Editorial Board Member of TIDE Magazine and Member of the Association of University Hospitals. He also has got Independent Accountant and Financial Advisor (CPA) License, and Independent Auditor License from the Public Oversight, Accounting and Auditing Standards Authority.

## **ALİ ÇOŞKUN** **Independent Member/Audit Committee Member/ Early Risk Detection Committee Member**

He received his bachelor's degree from Istanbul Technical University, Department of Industrial Engineering, his master's degree in Finance from Bosphorus University and his PhD degree in "Accounting and Information Management" from University of Texas. He continues his career as an academician at Bosphorus University, in the Business Administration Department of the Faculty of Economics and Administrative Sciences. At the same time, he assumes administrative tasks as; Director of Bosphorus University "Center for Applied Research in Finance", Member of the Board of Directors of Bosphorus University "Center for Research in Corporate Governance and Financial Regulation", Member of the Board of Directors of Bosphorus University Social Facility Administration, Assistant Manager of Sustainable Development and Cleaner Production Center. He is also Member of the Board of Directors at Financial Literacy and Inclusion Association (FODER) and at Capital Market Professionals Association.

## INDEPENDENCE STATEMENTS OF THE INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

### INDEPENDENCE STATEMENT

February 18, 2016

I do declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Garanti Faktoring A.Ş. (Company), pursuant to the criteria stipulated in the Capital Markets Board's Corporate Governance Communiqué II-17.1, and within this scope:

a) Within the last five years, no executive employment relationship that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) the Company and (ii) subsidiaries of the Company, and (iii) shareholders who control the management of the Company or who have significant influence in the Company and juridical persons controlled by these shareholders; and that I (individually or collectively) neither possess more than 5% of any and all Company capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchases products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services),

c) I do have the professional training, know how, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership on the Board of Directors,

d) In accordance with the legislation, I will not be working fulltime in public institutions and organizations (except working as an academic at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

f) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interest between the Company and the shareholders, and that will help me make decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare sufficient time for the activities of the Company to an extent that will help me pursue the activities of the Company and fulfil the requirements of my tasks and duties,

h) I have not been a member of the Board of Directors of the Company for more than six (6) years in total within the last decade,

i) I have not been an independent member of the Board of Directors in more than three (3) of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five (5) of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as a member of the Board of Directors.

Associate Professor Dr. Serhat Yanık

# CORPORATE GOVERNANCE COMPLIANCE REPORT

## INDEPENDENCE STATEMENT

February 18, 2016

I do declare that I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Garanti Faktoring A.Ş. (Company), pursuant to the criteria stipulated in the Capital Markets Board's Corporate Governance Communiqué II-17.1, and within this scope:

a) Within the last five years, no executive employment relationship that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) the Company and (ii) subsidiaries of the Company, and (iii) shareholders who control the management of the Company or who have significant influence in the Company and juridical persons controlled by these shareholders; and that I (individually or collectively) neither possess more than 5% of any and all Company capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities and I have not been a member of the Board of Directors nor have I been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchases products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/ purchasing of the products and services),

c) I do have the professional training, knowhow, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership on the Board of Directors,

d) In accordance with the legislation, I will not be working fulltime in public institutions and organizations (except working as an academic at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

f) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interest between the Company and the shareholders, and that will help me make decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare sufficient time for the activities of the Company to an extent that will help me pursue the activities of the Company and fulfil the requirements of my tasks and duties,

h) I have not been a member of the Board of Directors of the Company for more than six (6) years in total within the last decade,

i) I have not been an independent member of the Board of Directors in more than three (3) of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five (5) of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as a member of the Board of Directors.

Ass. Associate Professor Dr. Ali Coşkun



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.

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 2016, 23 Board of Directors Meetings were held with the attendance of the majority of the total number of members. In 2016, as a result of the Board of Directors Meetings 60 pages of meeting minutes were recorded. Board of Directors took 38 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.

Mapfre Genel Sigorta issued an Employers' Liability Insurance for our Parent Company T. Garanti Bankası A.Ş and for its subsidiaries that are covered within the policy terms. This insurance policy will be valid between 01.01.2016-31.12.2016 and will provide coverage up to EUR 100.000.000. Our company also benefits from the provisions of this policy. This policy limit is a common limit determined for all companies of T. Garanti Bankası A.Ş. covered by the policy.

### 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.

Corporate Governance Committee Members are Serhat Yanık, Osman Bahri Turgut and Serap Çakır. Committee convened 4 (four) times in 2016.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Committee;  
At the Corporate Governance Committee meeting held on the 18<sup>th</sup> of February 2016;  
Corporate Governance Committee (acting as the Nomination Committee) did not see any problem, within the frame of Corporate Governance Principles, to appoint Members of the Board of Directors of Garanti Faktoring A.Ş ; Ali Fuat Erbil, Gökhan Erün, Turgay Gönensin, Luis Vicente Gasco Tamarit, Osman Bahri Turgut ve Hasan Hulki Kara – with expired term of office and with detailed résumés given in the annex – as Members of the Board of Directors, and to appoint Serhat Yanık and Ali Çoşkun as Independent Members of the Board of Directors.

Corporate Governance Committee determined that the abovementioned persons are able to spare the sufficient time for the activities of the Company to an extent that will help them pursue the activities of the Company and fulfil the requirements of their tasks and duties. Corporate Governance Committee decided to submit to the Company's Board of Directors that electing the candidates as Members of the Company's Board of Directors is considered appropriate by the Committee.

Corporate Governance Committee (acting as the Remuneration Committee) decided to propose to the Board of Directors; I) to increase – within the scope of Garanti Faktoring A.Ş's remuneration policy – by 10% the gross amount of TL 130,680 paid annually and separately in 2015 as honorarium to each Independent Member of the Board of Directors elected at the Ordinary General Assembly meeting of Garanti Faktoring A.Ş held on the 29<sup>th</sup> of April 2015, and thus II) to make honorarium payment of gross TL 143,748 annually and separately to each Independent Member of the Board of Directors for 2016.

At the Corporate Governance Committee meeting held on 23.06.2016;  
A decision was taken to; I) extend for one year the Rating and Corporate Governance Service Agreement, with expiry date of 26.06.2016, signed with Kobirate International Credit Rating and Corporate Governance Services Inc., and II) authorize Kobirate to perform rating.

At the Corporate Governance Committee meeting held on 20.09.2016;  
A decision was taken to submit to the Board of Directors, the report regarding the General Accounting / Investor Relations Department's activities in 01.01.2016-30.06.2016 period.

At the Corporate Governance Committee meeting held on 28.09.2016; Kobirate made a presentation about the activities and gave information to the committee members about Garanti Faktoring A.Ş's "19.08.2016-19.08.2017 Corporate Governance Principles Compliance Rating Report".

Audit Committee members are Serhat Yanık and Ali Çoşkun. The Committee convened 7 (seven) times in. At these meetings, important findings of the audits performed by the Internal Audit Unit and the results of the periodical control activities were discussed. Moreover, information was given about the actions taken for previous findings. The Audit Committee members were given information by Deloitte, about the results of the audit performed by independent audit firm Deloitte on the Company's financial data on dates; 31.12.2015, 31.03.2016, 30.06.2016 and 30.09.2016, and about the management recommendation letter.

Early Risk Detection Committee members are Serhat Yanık and Ali Çoşkun. The Committee convened 6 (six) times in 2016. At these meetings, the Committee presented the Board of Directors Members and the auditor its reports regarding; compliance with standard ratio, compliance with the 376<sup>th</sup> Article of the Turkish Code of Commerce, the trend of the Company's foreign exchange position, the outstanding factoring receivables, cost-return and maturity composition of the balance sheet, asset-liability composition and trend of operational expenses.

#### **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.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

Within the framework 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. Results achieved with regard to the Company's strategic targets are discussed by the Board of Directors at the Board of Directors meetings held quarterly. Management reporting infrastructure and systems provide real-time information on developments.

## 5.6. Financial Rights

"Remuneration Policy Regarding the Remuneration Principles of Garanti Faktoring Board of Directors' Members and Executives" is publicly announced via website [www.garantifactoring.com](http://www.garantifactoring.com), under the "Investor Relations Corporate Governance" section, and in "Section II - Remuneration and All Benefits of the Members of the Board of Directors and Executives" section of this report.

The financial rights provided to the members of the Board of Directors and executives, were listed as follows in the 10<sup>th</sup> agenda item at the Ordinary General Assembly Meeting held on 23.03.2016, for the shareholders' information.

Company's remuneration policy is made available in the "Investor Relations" section of the website. Within the framework of the Company's remuneration policy that sets the remuneration principles in accordance with the Corporate Governance Principles for Members of the Board of Directors and executives; the amount of remuneration and benefits provided in 2016 was TL 10.952 thousand in total as specified in the financial reports for the activity period of 2016: TL 291 thousand for the Members of the Board of Directors, TL 3,218 thousand for the Top Management, TL 7,443 thousand for the Executives."

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 RELATED TO ACCEPTANCE OF THE FINANCIAL TABLES

**İstanbul, 27.01.2017**

**BORSA İSTANBUL A.Ş. DIRECTORATE**  
**İstinye / İSTANBUL**

**DECISION DATE : 27/01/2017**

**DECISION NUMBER : 2017 / 001**

**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) financial tables prepared as of 31.12.2016.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the financial tables 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) 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

**Hasan Hulki KARA**  
General Manager

**Ali COŞKUN**  
Member of Audit  
Committee

**Serhat YANIK**  
Member of Audit  
Committee



# **GARANTİ FAKTORİNG A.Ş.**

## **FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

*(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 2016, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### **Auditor's Responsibility**

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

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

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



## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Garanti Faktoring A.Ş. as at 31 December 2016, 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 27 January 2017.

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 2016 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

Müjde Şehsuvaroğlu  
Partner

İstanbul, 27 January 2017

# GARANTİ FAKTORİNG A.Ş.

## BALANCE SHEET

### AS OF 31 DECEMBER 2016

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

ASSETS	Notes	Audited 31 December 2016			Audited 31 December 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. CASH, CASH EQUIVALENTS AND CENTRAL BANK</b>		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>		<b>336</b>	<b>58</b>	<b>394</b>	<b>11.783</b>	<b>86</b>	<b>11.869</b>
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	336	58	394	11.783	86	11.869
<b>III. BANKS</b>	<b>4</b>	<b>595</b>	<b>9.008</b>	<b>9.603</b>	<b>31.695</b>	<b>8.724</b>	<b>40.419</b>
<b>IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>5</b>	-	<b>2</b>	<b>2</b>	-	<b>2</b>	<b>2</b>
<b>VI. FACTORING RECEIVABLES</b>	<b>6</b>	<b>1.895.694</b>	<b>939.095</b>	<b>2.834.789</b>	<b>1.927.127</b>	<b>923.076</b>	<b>2.850.203</b>
6.1 Discount Factoring Receivables		790.868	93.907	884.775	689.163	48.680	737.843
6.1.1 Domestic		820.405	18.455	838.860	704.478	15.183	719.661
6.1.2 Foreign		-	76.108	76.108	-	34.058	34.058
6.1.3 Unearned Income (-)		(29.537)	(656)	(30.193)	(15.315)	(561)	(15.876)
6.2 Other Factoring Receivables		1.104.826	845.188	1.950.014	1.237.964	874.396	2.112.360
6.2.1 Domestic		1.104.826	377.164	1.481.990	1.237.964	463.550	1.701.514
6.2.2 Foreign		-	468.024	468.024	-	410.846	410.846
<b>VII. FINANCIAL LOANS</b>		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Installment Commercial Loans		-	-	-	-	-	-
<b>VIII. LEASE RECEIVABLES</b>		-	-	-	-	-	-
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		-	-	-	-	-	-
<b>IX. OTHER RECEIVABLES</b>		-	-	-	-	-	-
<b>X. NON-PERFORMING RECEIVABLES</b>	<b>7</b>	<b>16.435</b>	-	<b>16.435</b>	<b>21.659</b>	<b>11.746</b>	<b>33.405</b>
10.1 Non-Performing Factoring Receivables		72.388	-	72.388	84.548	12.883	97.431
10.2 Non-Performing Financial Loans		-	-	-	-	-	-
10.3 Non-Performing Leasing Receivables		-	-	-	-	-	-
10.4 Specific Provisions (-)		(55.953)	-	(55.953)	(62.889)	(1.137)	(64.026)
<b>XI. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>		-	-	-	-	-	-
11.1 Fair Value Hedging		-	-	-	-	-	-
11.2 Cash Flow Hedging		-	-	-	-	-	-
11.3 Net Foreign Investment Hedging		-	-	-	-	-	-
<b>XII. INVESTMENTS HELD TO MATURITY (Net)</b>		-	-	-	-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV. ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XV. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI. TANGIBLE ASSETS (Net)</b>	<b>8</b>	<b>2.309</b>	-	<b>2.309</b>	<b>1.354</b>	-	<b>1.354</b>
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>9</b>	<b>5.219</b>	-	<b>5.219</b>	<b>3.751</b>	-	<b>3.751</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		5.219	-	5.219	3.751	-	3.751
<b>XVIII. PREPAID EXPENSES</b>	<b>11</b>	<b>3.242</b>	<b>68</b>	<b>3.310</b>	<b>3.210</b>	-	<b>3.210</b>
<b>IXX. TAX ASSETS</b>	<b>10</b>	-	-	-	<b>9.118</b>	-	<b>9.118</b>
<b>XX. DEFERRED TAX ASSETS</b>	<b>10</b>	<b>22.135</b>	-	<b>22.135</b>	<b>14.365</b>	-	<b>14.365</b>
<b>XXI. OTHER ASSETS</b>	<b>11</b>	<b>4.384</b>	<b>872</b>	<b>5.256</b>	<b>2.807</b>	<b>1</b>	<b>2.808</b>
<b>SUB TOTAL</b>		<b>1.950.349</b>	<b>949.103</b>	<b>2.899.452</b>	<b>2.026.869</b>	<b>943.635</b>	<b>2.970.504</b>
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	<b>17</b>	-	<b>17</b>
22.1 Held For Sale		-	-	-	17	-	17
22.2 Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>1.950.349</b>	<b>949.103</b>	<b>2.899.452</b>	<b>2.026.886</b>	<b>943.635</b>	<b>2.970.521</b>

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

# GARANTİ FAKTORİNG A.Ş.

## BALANCE SHEET

### AS OF 31 DECEMBER 2016

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

LIABILITIES	Notes	Audited 31 December 2016			Audited 31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>3.2</b>	<b>31.051</b>	<b>-</b>	<b>31.051</b>	<b>1.292</b>	<b>12</b>	<b>1.304</b>
<b>II. FUNDS BORROWED</b>	<b>12</b>	<b>1.639.361</b>	<b>510.086</b>	<b>2.149.447</b>	<b>1.395.798</b>	<b>691.304</b>	<b>2.087.102</b>
<b>III. FACTORING PAYABLES</b>	<b>6</b>	<b>860</b>	<b>7.905</b>	<b>8.765</b>	<b>767</b>	<b>2.532</b>	<b>3.299</b>
<b>IV. LEASING PAYABLES</b>		-	-	-	-	-	-
4.1 Financial lease payables		-	-	-	-	-	-
4.2 Operational lease payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Leasing Expenses		-	-	-	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	<b>13</b>	<b>503.619</b>	<b>-</b>	<b>503.619</b>	<b>702.552</b>	<b>-</b>	<b>702.552</b>
5.1 Bills		503.619	-	503.619	702.552	-	702.552
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. OTHER LIABILITIES</b>	<b>14</b>	<b>4.852</b>	<b>1.436</b>	<b>6.288</b>	<b>3.411</b>	<b>765</b>	<b>4.176</b>
<b>VII. OTHER FOREIGN LIABILITIES</b>	<b>14</b>	<b>-</b>	<b>130</b>	<b>130</b>	<b>-</b>	<b>34</b>	<b>34</b>
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>		-	-	-	-	-	-
8.1 Fair Value Hedging		-	-	-	-	-	-
8.2 Cash Flow Hedging		-	-	-	-	-	-
8.3 Net Foreign Investment Hedging		-	-	-	-	-	-
<b>IX. TAXES PAYABLE</b>	<b>15</b>	<b>2.576</b>	<b>-</b>	<b>2.576</b>	<b>2.384</b>	<b>-</b>	<b>2.384</b>
<b>X. PROVISIONS</b>	<b>16</b>	<b>4.764</b>	<b>412</b>	<b>5.176</b>	<b>3.573</b>	<b>335</b>	<b>3.908</b>
10.1 Reserves for Restructuring		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		4.188	-	4.188	3.154	-	3.154
10.3 Other Provisions		576	412	988	419	335	754
<b>XI. DEFERRED RECEIVABLES</b>		-	-	-	-	-	-
<b>XII. TAX LIABILITY</b>		<b>6.947</b>	<b>-</b>	<b>6.947</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. DEFERRED TAX LIABILITY</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. SUBORDINATED LOANS SUB TOTAL</b>		<b>2.194.030</b>	<b>519.969</b>	<b>2.713.999</b>	<b>2.109.777</b>	<b>694.982</b>	<b>2.804.759</b>
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1 Held for Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>17</b>	<b>185.453</b>	<b>-</b>	<b>185.453</b>	<b>165.762</b>	<b>-</b>	<b>165.762</b>
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		(522)	-	(522)	(497)	-	(497)
16.4 Other comprehensive income or expense that will be reclassified subsequently to profit or loss		-	-	-	-	-	-
16.5 Profit Reserves		86.759	-	86.759	61.329	-	61.329
16.5.1 Legal Reserves		6.896	-	6.896	5.639	-	5.639
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		79.863	-	79.863	55.690	-	55.690
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 TO OWNERS OF ORDINARY SHARES		19.716	-	19.716	25.430	-	25.430
16.6.1 Retained Earnings / (Accumulated Losses)		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		19.716	-	19.716	25.430	-	25.430
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2.379.483</b>	<b>519.969</b>	<b>2.899.452</b>	<b>2.275.539</b>	<b>694.982</b>	<b>2.970.521</b>

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 2016

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2016			Audited 31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>I. IRREVOCABLE FACTORING OPERATIONS</b>		<b>266.280</b>	<b>372.459</b>	<b>638.739</b>	<b>211.153</b>	<b>433.619</b>	<b>644.772</b>
<b>II. REVOCABLE FACTORING OPERATIONS</b>		<b>505.760</b>	<b>56.493</b>	<b>562.253</b>	<b>436.056</b>	<b>431.728</b>	<b>867.784</b>
<b>III. GUARANTEES TAKEN</b>	<b>26.1</b>	<b>129.335</b>	<b>20.376.262</b>	<b>20.505.597</b>	<b>49.289</b>	<b>18.148.957</b>	<b>18.198.246</b>
<b>IV. GUARANTEES GIVEN</b>	<b>26.2</b>	<b>1.097.330</b>	<b>401</b>	<b>1.097.731</b>	<b>447.468</b>	<b>235</b>	<b>447.703</b>
<b>V. COMMITMENTS</b>	<b>26.3</b>	<b>294</b>	<b>294</b>	<b>588</b>	<b>3.688</b>	<b>3.676</b>	<b>7.364</b>
5.1 Irrevocable Commitments		294	294	588	3.688	3.676	7.364
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>	<b>26.4</b>	<b>728.519</b>	<b>747.089</b>	<b>1.475.608</b>	<b>765.034</b>	<b>866.407</b>	<b>1.631.441</b>
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		728.519	747.089	1.475.608	765.034	866.407	1.631.441
6.2.1 Forward Buy/Sell Transactions		69	69	138	-	-	-
6.2.2 Swap Buy/Sell Transactions		728.450	747.020	1.475.470	765.034	866.407	1.631.441
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>	<b>26.5</b>	<b>657.167</b>	<b>127.908</b>	<b>785.075</b>	<b>556.017</b>	<b>126.852</b>	<b>682.869</b>
<b>TOTAL OFF BALANCE SHEET ITEMS</b>		<b>3.384.685</b>	<b>21.680.906</b>	<b>25.065.591</b>	<b>2.468.705</b>	<b>20.011.474</b>	<b>22.480.179</b>

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

# GARANTİ FAKTORİNG A.Ş.

## INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

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

### INCOME STATEMENT

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>I. OPERATING INCOME</b>	<b>18</b>	<b>244.268</b>	<b>237.682</b>
<b>    FACTORING INCOME</b>		<b>244.268</b>	<b>237.682</b>
1.1 Factoring Interest Income		222.624	217.548
1.1.1 Discount		77.864	71.583
1.1.2 Other		144.760	145.965
1.2 Factoring Commission Income		21.644	20.134
1.2.1 Discount		16.845	12.880
1.2.2 Other		4.799	7.254
<b>    RECEIVABLES FROM FINANCIAL LOANS</b>		-	-
1.3 Financial Loans Interest Income		-	-
1.4 Financial Loans Fees and Commissions Receivables		-	-
<b>    OPERATING RECEIVABLES</b>		-	-
1.5 Financial Leasing Receivables		-	-
1.6 Operational Leasing Receivables		-	-
1.7 Leasing Operations Fees and Commissions Receivables		-	-
<b>II. FINANCIAL EXPENSES (-)</b>	<b>19</b>	<b>(211.021)</b>	<b>(221.361)</b>
2.1 Interest Expense on Funds Borrowed		(143.286)	(153.471)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Finance Lease Expense		-	-
2.4 Interest Expense on Securities Issued		(56.478)	(63.805)
2.5 Other Interest Expenses		(17)	(12)
2.6 Other Fees and Commissions		(11.240)	(4.073)
<b>III. GROSS PROFIT/LOSS (I+II)</b>		<b>33.247</b>	<b>16.321</b>
<b>IV. OPERATING EXPENSES (-)</b>	<b>20</b>	<b>(78.945)</b>	<b>(40.035)</b>
4.1 Personnel Expenses		(23.752)	(22.459)
4.2 Retirement Pay Provision Expenses		(540)	(408)
4.3 Research and Development Expenses		-	-
4.4 General Administrative Expenses		(17.923)	(17.129)
4.5 Other		(36.730)	(39)
<b>V. OPERATING GROSS PROFIT/LOSS</b>		<b>(45.698)</b>	<b>(23.714)</b>
<b>VI. OTHER OPERATION INCOME</b>	<b>21</b>	<b>387.949</b>	<b>589.667</b>
6.1 Interest income from Deposits		2.331	2.057
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		52.564	82.963
6.5.1 Derivative Financial Transactions		52.564	82.963
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		294.795	501.892
6.7 Other		38.259	2.755

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

# GARANTİ FAKTORİNG A.Ş.

## INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

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

<b>VII. SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)</b>	<b>22</b>	<b>(30.106)</b>	<b>(20.288)</b>
<b>VIII. OTHER OPERATION EXPENSES</b>	<b>23</b>	<b>(288.337)</b>	<b>(513.841)</b>
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		(32.509)	(1.579)
8.4 Foreign Exchange Losses		(255.565)	(512.162)
8.5 Other		(263)	(100)
<b>IX. NET OPERATING INCOME (I+...+VI)</b>		<b>23.808</b>	<b>31.824</b>
<b>X. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XI. NET MONETARY GAIN/LOSS</b>		-	-
<b>XII. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (VII+VIII+IX)</b>		<b>23.808</b>	<b>31.824</b>
<b>XIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	<b>10</b>	<b>(4.092)</b>	<b>(6.394)</b>
13.1 Current Tax Charge		(11.856)	(7.110)
13.2 Deferred Tax Charge (-)		-	-
13.3 Deferred Tax Benefit (+)		7.764	716
<b>XIV. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS</b>		<b>19.716</b>	<b>25.430</b>
<b>XV. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
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		-	-
<b>XVI. EXPENSE ON DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XVII. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX</b>		-	-
<b>XVIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (+)		-	-
18.3 Deferred Tax Benefit (-)		-	-
<b>XIX. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS</b>		-	-
<b>XX. NET PERIOD PROFIT/LOSS</b>		<b>19.716</b>	<b>25.430</b>
Earnings/Loss Per Share (Kurus (0.01 TL) per thousand shares)	24	248,00	319,87

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

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

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>I. PERIOD INCOME/LOSS</b>		<b>19.716</b>	<b>25.430</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(25)</b>	<b>(51)</b>	
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	(25)	(51)	
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		(31)	(63)
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		6	12
2.1.5.1 Tax income/charge		-	-
2.1.5.2 Deferred tax income/charge		6	12
<b>2.2 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. TOTAL COMPREHENSIVE INCOME (I+II)</b>		<b>19.691</b>	<b>25.379</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 2016

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

	Notes	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Owners Of Ordinary Shares	To Accumulated revaluation profit/loss from defined benefit plans	Other comprehensive income and expenses not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss	Other comprehensive income or expenses that will not be reclassified to profit or loss	Foreign exchange conversion differences
<b>PRIOR PERIOD</b>											
<b>1 January - 31 December 2015</b>											
<b>Audited</b>											
I. Balances at the beginning of the period (Previously reported)	17	79.500	-	-	-	-	-	(446)	-	(446)	-
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-
III. Adjusted balances		79.500	-	-	-	-	-	(446)	-	(446)	-
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 loans		-	-	-	-	-	-	-	-	-	-
X. Increase/decrease due to other changes		-	-	-	-	-	-	-	-	-	-
XI. Current period net profit/loss		-	-	-	-	-	-	-	-	-	-
XII. Profit distribution		-	-	-	-	-	-	-	-	-	-
12.1 Dividends		-	-	-	-	-	-	-	-	-	-
12.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (30 September 2015) (III+IV+.....+XI+XII)		79.500	-	-	-	-	-	(497)	-	(497)	-
<b>CURRENT PERIOD</b>											
<b>1 January - 31 December 2016</b>											
<b>Audited</b>											
I. Balances at the beginning of the prior period (31 December 2015)	17	79.500	-	-	-	-	-	(497)	-	(497)	-
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-
III. Adjusted balances		79.500	-	-	-	-	-	(497)	-	(497)	-
IV. Total Comprehensive Income		-	-	-	-	-	-	(25)	-	(25)	-
V. Capital increase		-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal resources		-	-	-	-	-	-	-	-	-	-
VII. Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds		-	-	-	-	-	-	-	-	-	-
IX. Subordinated loans		-	-	-	-	-	-	-	-	-	-
X. Increase/decrease due to other changes		-	-	-	-	-	-	-	-	-	-
XI. Current period net profit/loss		-	-	-	-	-	-	-	-	-	-
XII. Profit distribution		-	-	-	-	-	-	-	-	-	-
12.1 Dividends		-	-	-	-	-	-	-	-	-	-
12.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (30 September 2016) (III+IV+.....+XI+XII)		79.500	-	-	-	-	-	(522)	-	(522)	-

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



	Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and	Revaluation and/or reclassification differences of available-for-sale financial assets	Other comprehensive income or expenses that will be reclassified to profit or loss	Profit Reserves	Legal Reserves	Statutory reserves	Extraordinary Reserves	Other Profit Reserves	Current Year Profit/(Loss)	Retained Earnings / (Accumulated Losses)	Current Year Net Profit/(Loss)	Non Controlling Interest	Total Shareholders' Equity
-	-	-	40.813	4.598	-	36.215	-	20.516	-	20.516	-	-	140.383
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	40.813	4.598	-	36.215	-	20.516	-	20.516	-	-	140.383
-	-	-	-	-	-	-	-	-	-	-	-	-	(51)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	25.430	-	25.430	-	25.430
-	-	-	20.516	1.041	-	19.475	-	(20.516)	-	(20.516)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	20.516	1.041	-	19.475	-	(20.516)	-	(20.516)	-	-	-
-	-	-	-	-	-	-	-	-	-	20.516	(20.516)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	61.329	5.639	-	55.690	-	25.430	-	25.430	-	-	165.762
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	61.329	5.639	-	55.690	-	25.430	-	25.430	-	-	165.762
-	-	-	-	-	-	-	-	-	-	-	-	-	(25)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	19.716	-	19.716	-	19.716
-	-	-	25.430	1.257	-	24.173	-	(25.430)	-	(25.430)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	25.430	1.257	-	24.173	-	(25.430)	-	(25.430)	-	-	25.430
-	-	-	-	-	-	-	-	-	-	25.430	(25.430)	-	(25.430)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	86.759	6.896	-	79.863	-	19.716	-	19.716	-	-	185.453

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF CASH FLOWS

### FOR THE PERIOD ENDED 31 DECEMBER 2016

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

#### STATEMENT OF CASH FLOWS

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1	Operating profit before changes in operating assets and liabilities	27.862	44.718
1.1.1	Interest/Leasing income received	236.762	211.986
1.1.2	Interest/Leasing expenses	(203.281)	(205.576)
1.1.3	Dividends received	-	-
1.1.4	Fees and commissions received	22.207	20.990
1.1.5	Other income	-	-
1.1.6	Collections from previously written off receivables	7	1.453
1.1.7	Payments to personnel and service suppliers	(39.973)	(39.619)
1.1.8	Taxes paid	(5.349)	(15.975)
1.1.9	Other	16.043	71.015
1.2	Changes in operating assets and liabilities	151.242	(89.135)
1.2.1	Net (increase) decrease in factoring receivables	61.878	60.864
1.2.2	Net (increase) decrease in other assets	15.699	(20.921)
1.2.3	Net increase (decrease) in factoring payables	5.466	1.149
1.2.4	Net increase (decrease) in funds borrowed	67.398	(139.548)
1.2.5	Net increase (decrease) in due payables	-	-
1.2.6	Net increase (decrease) in other liabilities	801	9.321
I.	Net cash provided from operating activities	179.104	(44.417)
<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	(1.530)
2.4	Fixed assets sales	8	9
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	(4.272)	(2.617)
II.	Net cash provided from investing activities	(5.793)	(3.660)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1	Cash obtained from funds borrowed and securities issued	959.829	382.788
3.2	Cash used for repayment of funds borrowed and securities issued	(1.165.277)	(300.400)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for finance leases	-	-
3.6	Other	-	-
III.	Net cash provided from financing activities	(205.448)	82.388
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	1.322	1.128
V.	<b>Net increase/decrease in cash and cash equivalents</b>	<b>(30.815)</b>	<b>35.439</b>
VI.	<b>Cash and cash equivalents at the beginning of the period</b>	<b>40.418</b>	<b>4.815</b>
VII.	<b>Cash and cash equivalents at the end of the period</b>	<b>2.5</b>	<b>9.603</b>
		<b>9.603</b>	<b>40.254</b>

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

# GARANTİ FAKTORİNG A.Ş.

## STATEMENT OF PROFIT DISTRIBUTION

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

	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT <sup>(1)</sup></b>		
1.1 CURRENT PERIOD PROFIT	23.808	31.824
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	4.092	6.394
1.2.1 Corporate tax (income tax)	11.856	7.110
1.2.2 Withholding tax	-	-
1.2.3 Other taxes and duties	(7.764)	(716)
<b>A. NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>19.716</b>	<b>25.430</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(1.257)
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>19.716</b>	<b>24.173</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	-	(24.173)
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. 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. 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. 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 2016 profit distribution will be resolved at the General Assembly meeting. The General Assembly meeting has not been held as of the date of this report.

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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. After joining "Garanti" group companies in 2002 the commercial title of Aktif Finans Faktoring Hizmetleri A.Ş. was changed to Garanti Faktoring Hizmetleri A.Ş. with the approval of the General Assembly Meeting relating to year 2001 held on 27 March 2002. At the General Assembly Meeting relating to year 2013 held on 17 April 2014 its commercial title 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 No: 28496 dated 13 December 2012 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 2016	Share holding (%)	31 December 2015	Share holding (%)
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 registered shareholding percentage of Türkiye Garanti Bankası A.Ş. as of 31 December 2016 is 55,40% and Türkiye Garanti Bankası A.Ş. has obtained the remaining 26,44% shares from public shares via BİAŞ. (31 December 2015: 55,40% and 26,44%)

The Company has 164 employees as of 31 December 2016 (31 December 2015: 175).

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

Maslak Mahallesi Eski Büyükdere Caddesi No: 23 Sarıyer / İstanbul

The Company provides factoring operations with 20 (twenty) 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 27 January 2017. The General Assembly has the authority to change the financial statements.

# **GARANTİ FAKTORİNG A.Ş.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **AS AT 31 DECEMBER 2016**

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

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

### **2.1 Basis of Presentation**

#### **2.1.1 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 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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 TAS effective from year 2016, applied with no material effect on the financial statements

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

<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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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 TAS effective from year 2016, applied with no material effect on the financial statements (Cont'd)

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

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

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

This amendment includes 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for as 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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

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

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

#### b) New and Revised TAS effective from year 2016, applied with no material effect on the financial statements (Cont'd)

##### 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.

##### 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.



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### AS AT 31 DECEMBER 2016

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

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

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

#### b) New and Revised TAS effective from year 2016, applied with no material effect on the financial statements (Cont'd)

##### *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.

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

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

TFRS 9	<i>Financial Instruments</i> <sup>1</sup>
TFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

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

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

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

##### *TFRS 9 Financial Instruments*

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of TFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

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

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

##### *TFRS 15 Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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

#### *(a) Revenue*

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

A proportion of factoring invoice total obtained constitutes commission income. Interest and commission income and other income and expenses are accounted on an 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*

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. Related financial assets are reported at fair value. Gain and losses that as a result of valuation are booked to statement of profit and loss.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)*

##### **Held to maturity investments**

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

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

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

##### **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.

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## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)*

For loans and receivables, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

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

##### **Cash and cash equivalents**

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

##### **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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)**

###### *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.

###### *(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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)**

###### ***(d) Intangible Assets (Cont'd)***

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.

###### ***(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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

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

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 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
USD	3,5192	2,9076
EURO	3,7099	3,1776
GBP	4,3189	4,3007

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.



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)

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

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

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

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

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

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

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

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

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

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

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

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

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

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

###### *(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.

Cash and Cash Equivalent:

	31 December 2016	31 December 2015
Banks	9.603	40.254
	<b>9.603</b>	<b>40.254</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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. Positive fair values are classified as derivative financial assets held for trading while negative fair values are 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 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Derivative Financial Assets Held for Trading	336	58	11.783	86
	<b>336</b>	<b>58</b>	<b>11.783</b>	<b>86</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 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading	31.051	-	1.292	12
	<b>31.051</b>	<b>-</b>	<b>1.292</b>	<b>12</b>

#### 4 BANKS

Details of banks as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Demand Deposits	595	9.008	1.672	5.293
Time Deposits	-	-	30.023	3.431
	<b>595</b>	<b>9.008</b>	<b>31.695</b>	<b>8.724</b>

The bank balances, excluding income accruals, with original maturities shorter than 3 months which form the basis of cash flows statement is TL 9.603 thousand as of 31 December 2016 (31 December 2015: TL 40.254 thousand).

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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 2016 and 31 December 2015.

	31 December 2016			31 December 2015		
	Carrying Value		Share	Carrying Value		Share
	TL	FC	Percentage % <sup>(1)</sup>	TL	FC	Percentage % <sup>(1)</sup>
<i>Investments in shares</i>						
Factors Chain International (FCI)	-	2	1,72	-	2	1,52
	-	2		-	2	

<sup>(1)</sup> Percentage of the shares change, according to the number of FCI shareholders.

#### 6 FACTORING RECEIVABLES AND PAYABLES

##### Factoring Receivables

Details of factoring receivables as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Domestic and import factoring receivables	1.925.231	395.619	1.942.442	478.733
Export factoring receivables	-	544.132	-	444.904
Unearned interest income	(29.537)	(656)	(15.315)	(561)
<b>Factoring receivables, net</b>	<b>1.895.694</b>	<b>939.095</b>	<b>1.927.127</b>	<b>923.076</b>

The amount of factoring receivables which are restructured is amounting TL 6.366 Thousand as of 31 December 2016 (31 December 2015: None)

The amount of past due not impaired receivables of the Company is TL 43.540 Thousand (31 December 2015: TL 37.009 Thousand) and their aging information are as follows:

	31 December 2016	31 December 2015
Overdue for 1 month	12.137	28.380
Overdue for 1-3 months <sup>(1)</sup>	15.998	8.629
Overdue for 3-6 months <sup>(1)</sup>	14.487	-
Overdue for 6-12 months	918	-
	<b>43.540</b>	<b>37.009</b>

<sup>(1)</sup> Includes the factoring receivables within the scope of the 2nd Provisional Article that is incorporated on 14 December 2016 into 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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 6 FACTORING RECEIVABLES AND PAYABLES (Cont'd)

##### Factoring Payables

Details of short term factoring payables as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Factoring payables	860	7.905	767	2.532
	<b>860</b>	<b>7.905</b>	<b>767</b>	<b>2.532</b>

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

#### 7 NON-PERFORMING RECEIVABLES

Details of the Company's non-performing factoring receivables and the provisions allocated for them as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Factoring receivables	72.388	-	84.548	12.883
Specific provisions	(55.953)	-	(62.889)	(1.137)
<b>Non-performing receivables, net</b>	<b>16.435</b>	<b>-</b>	<b>21.659</b>	<b>11.746</b>

Aging of non-performing factoring receivables and specific provision allocated for them as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	Total non-performing factoring receivables	Provision	Total non-performing factoring receivables	Provision
Overdue up to 90 days	1.232	246	2.571	514
Overdue for 91-180 days	2.282	456	31.319	4.156
Overdue for 181-365 days	17.643	6.028	8.638	4.513
Overdue for 1 year and over	51.231	49.223	54.903	54.843
<b>Total</b>	<b>72.388</b>	<b>55.953</b>	<b>97.431</b>	<b>64.026</b>

Amount of collaterals received for non-performing factoring receivables capped with the exposure is TL 2.678 thousand (31 December 2015: TL 10.752 thousand).

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 7 NON-PERFORMING RECEIVABLES (Cont'd)

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

	1 January- 31 December 2016	1 January- 31 December 2015
<b>Balance as at 1 January</b>	<b>64.026</b>	<b>45.635</b>
Provision provided for the period <sup>(*)</sup>	30.106	20.288
Transfer of non-performing receivables in the period <sup>(**)</sup>	(36.726)	-
Collections during the period <sup>(***)</sup>	(1.453)	(1.897)
<b>Balance at the end of the period</b>	<b>55.953</b>	<b>64.026</b>

<sup>(\*)</sup> The provisions provided during the period and the cancellation of the same provision due to collections during the period are presented as a net value.

<sup>(\*\*)</sup> A part of non-performing factoring receivables of the Company; amounting to TL 36.726.331,42; was transferred to Finansal Varlık Yönetim A.Ş. together with the related expenses, for a consideration of TL 50.000,00 in accordance with the Receivable Sales Contract dated 30 December 2016.

<sup>(\*\*\*)</sup> Refers to the cancelled amount of the special provision, provided in prior periods, due to collections made in the current period.

#### 8 TANGIBLE ASSETS

The movement of tangible assets for the period ended as at 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
<b>Acquisition Cost</b>				
Furniture and fixtures	3.416	1.410	(28)	4.798
Vehicles	19	-	-	19
Leasehold improvements	1.317	120	-	1.437
	<b>4.752</b>	<b>1.530</b>	<b>(28)</b>	<b>6.254</b>

	1 January 2016	Charge for the period	Disposals	31 December 2016
<b>Accumulated Depreciation</b>				
Furniture and fixture	2.303	520	(27)	2.796
Vehicles	19	-	-	19
Leasehold improvements	1.076	54	-	1.130
	<b>3.398</b>	<b>574</b>	<b>(27)</b>	<b>3.945</b>
<b>Net book value</b>	<b>1.354</b>			<b>2.309</b>

	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>

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

	1 January 2015	Charge for the period	Disposals	31 December 2015
<b>Accumulated Depreciation</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>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 8 TANGIBLE ASSETS (Cont'd)

As of 31 December 2016 the insurance coverage on tangible assets amounts to TL 1.439 thousand (31 December 2015: TL 1.439 thousand) and the insurance premium amounts to TL 3 thousand (31 December 2015: TL 3 thousand).

	<b>Useful Lives</b>
Vehicles	5 years
Furnitures and fixtures	3-15 years
Leasehold improvements	3-10 years

#### 9 INTANGIBLE ASSETS

The movement of intangible assets for the period ended as of 31 December 2016 is as follows:

	<b>1 January 2016</b>	<b>Additions</b>	<b>31 December 2016</b>
<b>Acquisition Cost</b>			
Rights	3.076	-	3.076
Other (Software)	9.681	4.272	13.953
	<b>12.757</b>	<b>4.272</b>	<b>17.029</b>
<b>Accumulated Amortization</b>	<b>1 January 2016</b>	<b>Charge for the period</b>	<b>31 December 2016</b>
Rights	3.076	-	3.076
Other ( Software)	5.930	2.804	8.734
	<b>9.006</b>	<b>2.804</b>	<b>11.810</b>
<b>Net book value</b>	<b>3.751</b>		<b>5.219</b>

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

	<b>1 January 2015</b>	<b>Additions</b>	<b>31 December 2015</b>
<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>Accumulated Amortization</b>	<b>1 January 2015</b>	<b>Charge 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>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 9 INTANGIBLE ASSETS (Cont'd)

As of 31 December 2016 and 31 December 2015, the Company does not have any internally generated intangible assets.

	<b>Useful Lives</b>
Rights	3-Years
Others	3-Years

#### 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 2016 is 20% (2015: 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 2016 (2015: 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 2016

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

#### 10 TAX ASSETS AND LIABILITIES (Cont'd)

Reconciliation of tax charge

	1 January – 31 December 2016	1 January – 31 December 2015
Reported profit before taxation	23.808	31.824
Calculated taxation on reported profit	(4.762)	(6.365)
Permanent differences:		
Non-deductible expenses	(749)	(87)
Non-taxable income	534	6
Reversal of prior year provision for corporate income tax	937	52
Other	(52)	-
<b>Tax Charge</b>	<b>(4.092)</b>	<b>(6.394)</b>

The corporate tax payable as at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Corporate tax provision	16.541	7.162
Prepaid taxes	(9.241)	(15.976)
Withholding income taxes	(353)	(304)
<b>Corporate Tax Payable</b>	<b>6.947</b>	<b>(9.118)</b>

The tax charge in the income statement for the period ended as at 31 December 2016 and 31 December 2015 are as summarized below:

	1 January- 31 December 2016	1 January- 31 December 2015
Current tax charge	(16.541)	(7.162)
Reversal of prior year tax provision	2.074	52
Prior year corporate tax return <sup>(*)</sup>	2.611	-
Deferred tax benefit/(charge)	7.764	716
	<b>(4.092)</b>	<b>(6.394)</b>

<sup>(\*)</sup>The case, that is brought to Büyük Mükellefler Vergi Dairesi on 28 May 2015 about the special provision related to the bad debt that is in the process of prosecution and execution should not be considered as a reduction on the basis of tax resulted in Company's favor on 16 May 2016. The amount that was over accrued by TL 2.611 thousand in the corporate tax return was returned to the Company as of 13 June 2016.

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 2016 (31 December 2015: 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 2016

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

#### 10 TAX ASSETS AND LIABILITIES (Cont'd)

##### Income Withholding Tax(Cont'd)

Breakdown of temporary differences and deferred tax assets and liabilities that are calculated by using current tax rates as at 31 December 2016, 31 December 2015 are as follows:

	31 December 2016	31 December 2015
<b>Temporary Differences</b>		
Unearned factoring interest income	30.193	15.876
Factoring receivable provisions	42.857	61.526
Deferred commissions	3.508	2.659
Retirement pay provision	1.792	1.442
Unused vacation accrual	876	818
Valuation differences of derivative financial assets	31.051	1.304
Premium pay provision	1.520	894
Valuation differences of factoring receivables	1.226	735
Other provisions	576	316
<b>Temporary differences related to deferred tax assets</b>	<b>113.599</b>	<b>85.570</b>
Temporary differences of derivative financial assets	394	11.869
Temporary differences on tangible and intangible assets	1.886	1.332
Valuation differences of funds borrowed	7	47
Valuation differences of bonds	90	170
Commission accruals	549	327
<b>Temporary differences related to deferred tax liabilities</b>	<b>2.926</b>	<b>13.745</b>
<b>Deferred tax assets / (liabilities)</b>		
Unearned factoring interest income	6.039	3.174
Factoring receivable provisions	8.571	12.305
Deferred commissions	702	532
Retirement pay provision	358	288
Unused vacation accrual	175	164
Valuation differences of derivative financial assets	6.211	261
Premium pay provision	304	179
Valuation differences of factoring receivables	245	147
Other provisions	115	63
<b>Deferred tax assets</b>	<b>22.720</b>	<b>17.113</b>
Temporary differences of derivative financial assets	(79)	(2.374)
Temporary differences on tangible and intangible assets	(377)	(266)
Valuation differences of funds borrowed	(1)	(9)
Valuation differences of bonds	(18)	(34)
Commission accruals	(110)	(65)
<b>Deferred tax liabilities</b>	<b>(585)</b>	<b>(2.748)</b>
<b>Deferred tax assets (net)</b>	<b>22.135</b>	<b>14.365</b>

Movement of deferred tax assets is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
1 January	14.365	13.637
Deferred tax income / (expense)	7.764	716
Deferred tax income/(expense) classified under other comprehensive income	6	12
<b>Balance at the end of the period</b>	<b>22.135</b>	<b>14.365</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 11 PREPAID EXPENSES AND OTHER ASSETS

Details of prepaid expenses as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Insurance premiums	554	-	362	-
Expense contribution share	-	-	449	-
Guarantee letter commissions	1.566	-	884	-
Bond issuance brokerage commissions	1.035	-	1.245	-
Other	87	68	270	-
	<b>3.242</b>	<b>68</b>	<b>3.210</b>	-

Details of other assets as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Receivables related with court expenses(net)	1.174	-	2.440	-
Receivables from BSMV accruals	3.142	92	325	-
Other	68	780	42	1
	<b>4.384</b>	<b>872</b>	<b>2.807</b>	<b>1</b>

#### 12 FUNDS BORROWED

Details of funds borrowed as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Funds Borrowed	1.639.361	510.085	1.395.798	691.304
	<b>1.639.361</b>	<b>510.085</b>	<b>1.395.798</b>	<b>691.304</b>

	31 December 2016				31 December 2015			
	TL Equivalent				TL Equivalent			
	Original Amount	Interest Rate(%)	Up to 1 Year	1 Year and over	Original Amount	Interest Rate(%)	Up to 1 Year	1 Year and over
TL	1.639.361	9,40-14,18	1.639.361	-	1.395.798	11,85-15,00	1.395.798	-
USD	751	1,15-2,04	2.643	-	49.646	0,90-2,50	144.350	-
EURO	132.942	0,25-2,42	395.885	97.317	142.006	0,25-2,65	451.237	95.347
GBP	3.297	0,77-2,15	14.241	-	86	1,88-1,88	370	-
<b>Total</b>			<b>2.052.130</b>	<b>97.317</b>			<b>1.991.755</b>	<b>95.347</b>

These rates represent the interest rate range of outstanding funds borrowed with fixed and floating rates as at 31 December 2016 and 31 December 2015.

TL 885.072 thousand of the funds borrowed as of 31 December 2016 is borrowed from the Takasbank Money Market (31 December 2015: TL 267.417 thousand). TL 1.089.000 thousand worth of letter of guarantee has been given for the funds borrowed from the Takasbank Money Market (31 December 2015: TL 440.000 thousand).

As of 31 December 2016 and 31 December 2015, no guarantee has been given for the remaining funds borrowed.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 13 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
<b>Bills</b>				
Nominal	520.791	-	726.240	-
Cost	496.200	-	688.263	-
<b>Carrying Value</b>	<b>503.619</b>	<b>-</b>	<b>702.552</b>	<b>-</b>

The Company issued discounted bills only for qualified investors as follows:

1 January - 31 December 2016			1 January - 31 December 2015		
Issue Date	Nominal Value	Maturity Date	Issue Date	Nominal Value	Maturity Date
28.07.2016	75.000	23.01.2017	31.07.2015	94.570	22.01.2016
16.11.2016	217.351	12.05.2017	04.09.2015	75.280	26.02.2016
30.11.2016	110.740	26.05.2017	05.10.2015	43.290	28.03.2016
14.12.2016	87.500	05.06.2017	16.10.2015	142.700	06.04.2016
21.12.2016	30.200	23.03.2017	20.11.2015	70.000	13.05.2016
			04.12.2015	174.780	25.05.2016
			14.12.2015	125.620	06.06.2016
<b>Total</b>	<b>520.791</b>				<b>726.240</b>

#### 14 SUNDRY CREDITORS AND OTHER LIABILITIES

Details of sundry creditors as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Deferred commissions	3.508	-	2.659	-
Sundry creditors	619	126	609	21
Transitory liability accounts	725	1.310	143	744
<b>Sundry creditors</b>	<b>4.852</b>	<b>1.436</b>	<b>3.411</b>	<b>765</b>
Guarantee payments to customers	-	130	-	34
<b>Other liabilities</b>	<b>-</b>	<b>130</b>	<b>-</b>	<b>34</b>

#### 15 TAX PAYABLES AND LIABILITIES

Details of taxes payables and liabilities as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Income tax payable	503	-	650	-
Social security premiums payable	717	-	334	-
Stamp tax payable	14	-	18	-
V.A.T payable	29	-	18	-
BSMV payable	1.313	-	1.364	-
	<b>2.576</b>	<b>-</b>	<b>2.384</b>	<b>-</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 16 PROVISIONS

Details of provisions as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Provision for employee benefits	4.188	-	3.154	-
Provision for lawsuits	316	-	316	-
Provision for brokerage commissions	-	412	-	335
Other provisions	260	-	103	-
	<b>4.764</b>	<b>412</b>	<b>3.573</b>	<b>335</b>

#### 16.1 Provision for Employee Benefits

Provision for employee benefits as of 31 December 2016, include retirement pay provision amounting to TL 1.792 thousand (31 December 2015: TL 1.442 thousand), unused vacation accrual amounting to TL 876 thousand (31 December 2015: TL 818 thousand) and personnel bonus accrual amounting to TL 1.520 thousand (31 December 2015: TL 894 thousand).

#### 16 PROVISIONS (Cont'd)

#### 16.1 Provision for Employee Benefits(Cont'd) Retirement Pay Provision

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month's salary and as of 31 December 2016, this amount is limited to a maximum of TL 4,297,21 (full TL basis) (31 December 2015: TL 3,828,37 (full TL basis)). 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 2016, 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 7,80% and a discount rate of 11,20%, resulting in a real discount rate of approximately 3,15%. (31 December 2015: inflation rate 7,10%, discount rate 10,30%, real discount rate of approximately 2,99%).

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

	1 January- 31 December 2016	1 January- 31 December 2015
Net liability / (asset) at the beginning of the period	1.442	1.153
Severance indemnity paid in the period	(221)	(182)
Retirement provision recognized under income statement	540	408
Accounted in other comprehensive income/(expense)	31	63
<b>Net liability / (asset) at the end of period</b>	<b>1.792</b>	<b>1.442</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### Personnel Bonus Accrual

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

	1 January- 31 December 2016	1 January- 31 December 2015
Balance at 1 January	894	1.050
Paid in the period	(1.835)	(2.272)
Reversal	(38)	(277)
Accrual for the period	2.499	2.393
<b>Balance at the end of the period</b>	<b>1.520</b>	<b>894</b>

#### Unused Vacation Accrual

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

	1 January- 31 December 2016	1 January- 31 December 2015
Balance at 1 January	818	761
Paid in the period	(38)	(68)
Reversal	(67)	(91)
Accrual for the period	163	216
<b>Balance at the end of the period</b>	<b>876</b>	<b>818</b>

## 16 PROVISIONS (Cont'd)

### 16.2 Other Provisions

As of 31 December 2016, other provisions amounting to TL 412 thousand has been provided for correspondent expenses, amounting to TL 316 thousand has been provided for ongoing negative declaratory lawsuits, amounting to TL 60 thousand has been provided for lawsuits and court expenses of doubtful receivables and amounting to 200 thousand TL has been provided for other expenses (31 December 2015: TL 335 thousand has been provided for correspondent expenses, TL 316 thousand has been provided for ongoing negative declaratory lawsuits and TL 103 thousand has been provided for operating expenses). The movement of other provisions during the period is as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Balance at 1 January	419	335	381	-
Paid in the period	(103)	(335)	(165)	-
Provision provided for the period	260	412	203	335
<b>Balance at the end of the period</b>	<b>576</b>	<b>412</b>	<b>419</b>	<b>335</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 17 SHAREHOLDERS' EQUITY

##### 17.1 Paid-in Capital

As of 31 December 2016, the Company's share capital amounts to TL 79.500 thousand (31 December 2015: TL 79.500 thousand). As at 31 December 2016 the Company has 7.950.000.000 (31 December 2015: 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 2015: Kr 1).

##### 17.2 Capital Reserves

None. (31 December 2015: None)

##### 17.3 Other Comprehensive Income or Expense

As of 31 December 2016, TL (522) 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 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.)

##### 17.4 Profit Reserves

As of 31 December 2016, the Company's profit reserves comprise of the legal reserves amounting to TL 6.896 thousand (31 December 2015: TL 5.639 thousand) and extraordinary reserves amounting to TL 79.863 thousand (31 December 2015: TL 55.690 thousand).

##### 17.5 Profit Distribution

#### 2015 PROFIT DISTRIBUTION TABLE

Net Profit for the year	25.430
Legal Reserves (-)	1.257
DISTRIBUTABLE NET PROFIT OF THE PERIOD	24.173
Donations (+)	50
Distributable net profit of the period (with Donations)	24.223
EXTRAORDINARY RESERVES	24.173

#### 18 OPERATING INCOME

The details of operating income for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Factoring interest income	222.624	217.548
Factoring commission income (net)	21.644	20.134
	<b>244.268</b>	<b>237.682</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 19 FINANCE EXPENSES

The details of finance expenses for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Interest expenses on funds borrowed	143.286	153.471
Interest expenses on marketable securities issued	56.478	63.805
Fees and commissions paid	11.240	4.073
Other interest expenses	17	12
	<b>211.021</b>	<b>221.361</b>

#### 20 OPERATING EXPENSES

The details of operating expenses for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Loss on sale of non-performing factoring receivables	36.676	-
Personnel expenses	23.752	22.459
Brokerage services fee	-	2.828
Depreciation and amortization charges	3.378	2.618
Vehicle expenses	2.062	2.023
Rent expenses	1.807	1.661
Taxes and duties	1.136	1.437
IT maintenance and contract expenses	1.724	1.229
Maintenance and repair expenses	1.078	911
Communication expenses	784	820
Representation expenses	619	820
Consultancy expenses	702	779
Subscription expenses	1.140	472
Provision for retirement pays	540	408
Legal expenses	754	214
Travel expenses	330	210
Other	2.463	1.146
	<b>78.945</b>	<b>40.035</b>



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 20 OPERATING EXPENSES (Cont'd)

The details of personnel expenses classified under operating expenses for the periods ended as at 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Salaries and wages	16.197	15.193
Bonuses	2.499	2.393
Social security premium employer's share	2.219	1.947
Personnel transportation expenses	564	687
Personnel food expenses	628	642
Insurance expenses	492	443
Per diem payments	281	284
Unemployment insurance employer's share	262	234
Training expenses	172	212
Other	438	424
	<b>23.752</b>	<b>22.459</b>

#### 21 OTHER OPERATING INCOME

The details of other operating income for the periods ended as at 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign exchange gains	294.795	501.892
Interest income on bank deposits	2.331	2.057
Income on derivative financial transactions	52.564	82.963
Reversal of provision for the non-performing factoring receivable(note 7)	36.726	-
Other	1.533	2.755
	<b>387.949</b>	<b>589.667</b>

Foreign exchange gains for the period ended 31 December 2016 includes TL 59.732 thousand foreign exchange differences on foreign currency indexed factoring receivables. (31 December 2015: TL 33.042 Thousand)

#### 22 SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

The details of provision for non-performing receivables for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Specific provision expenses(note 7)	30.106	20.288
	<b>30.106</b>	<b>20.288</b>

# GARANTİ FAKTORİNG A.Ş.

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### AS AT 31 DECEMBER 2016

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

#### 23 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign exchange losses	255.565	512.162
Losses on derivative financial transactions	32.509	1.579
Other	263	100
	<b>288.337</b>	<b>513.841</b>

Foreign exchange losses for the period ended 31 December 2016 includes TL 2.875 thousand foreign exchange differences on foreign currency indexed factoring receivables (31 December 2015: TL 2.383 thousand).

#### 24 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Net profit	19.716	25.430
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>248,00</b>	<b>319,87</b>

#### 25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
<b>Bank balances</b>				
Türkiye Garanti Bankası A.Ş.	560	8.465	1.613	6.870
Demand deposits	560	8.465	1.613	3.439
Time deposits	-	-	-	3.431
Garantibank International NV	-	522	5	1.847
Demand deposits	-	522	5	1.847
Time deposits	-	-	-	-
	<b>560</b>	<b>8.987</b>	<b>1.618</b>	<b>8.717</b>

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as of 31 December 2016 is TL 649.571 thousand (31 December 2015: TL 570.649 thousand).

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

#### 25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Factoring receivables				
Doğuş Yayın Grubu A.Ş.	-	-	13.162	-
Ayson Geoteknik ve Deniz İnşaat A.Ş.	4.486	-	-	-
Startv Medya Hizmetleri A.Ş.	-	-	8.314	-
	<b>4.486</b>	<b>-</b>	<b>21.476</b>	<b>-</b>

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Loans borrowed				
Türkiye Garanti Bankası A.Ş.	-	114.052	406.751	159.347
	<b>-</b>	<b>114.052</b>	<b>406.751</b>	<b>159.347</b>

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Sundry creditors				
Türkiye Garanti Bankası A.Ş.	42	2	27	-
Garanti Finansal Kiralama A.Ş.	21	-	-	-
Garanti Emeklilik ve Hayat A.Ş.	-	-	-	21
	<b>63</b>	<b>2</b>	<b>27</b>	<b>21</b>

The Company has made purchases for Software and IT products amounting to TL 3.229 thousand from Garanti Bilişim Teknolojisi ve Ticaret A.Ş in the period ended 31 December 2016 (31 December 2015: TL 2.429 thousand from Garanti Bilişim Teknolojisi ve Ticaret A.Ş).

The details of off-balance sheet transactions with the related parties as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
<b>Derivative Agreements</b>				
Türkiye Garanti Bankası A.Ş.	232.663	231.600	330.780	346.703
Currency swap purchase transactions	232.663	-	330.780	12.710
Currency swap sale transactions	-	231.600	-	333.993
Garantibank International NV	47.371	57.925	-	-
Currency swap purchase transactions	47.371	2.597	-	-
Currency swap sale transactions	-	55.328	-	-
	<b>280.034</b>	<b>289.525</b>	<b>330.780</b>	<b>346.703</b>

# GARANTİ FAKTORİNG A.Ş.

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### AS AT 31 DECEMBER 2016

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#### 25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

Income and expenses from related parties for the periods ended as of 31 December 2016 and 31 December 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
<b>Interest income from factoring receivables</b>		
Startv Medya Hizmetleri AŞ	2.244	13
Doğuş Yayın Grubu AŞ	913	1.786
Garanti Bank International NV	36	124
Ayson Geoteknik ve Deniz İnşaat AŞ	16	-
Doğuş Perakende Satış Giyim ve Aksesuar Ticaret AŞ	-	34
Bmk Turizm ve Otelcilik Hiz. AŞ	-	42
	<b>3.209</b>	<b>1.999</b>
<b>Interest income on bank deposits</b>		
Türkiye Garanti Bankası A.Ş.	32	28
Garanti Bank International NV	-	3
	<b>32</b>	<b>31</b>
<b>Interest expenses on funds borrowed</b>		
Türkiye Garanti Bankası A.Ş.	4.410	41.022
Garanti Bank International NV	1.149	3.128
	<b>5.559</b>	<b>44.150</b>
<b>Fees and commissions given</b>		
Garanti Yatırım Menkul Kıymetler A.Ş.	2.185	2.993
Türkiye Garanti Bankası A.Ş.	90	487
Garanti Bank International NV	84	84
	<b>2.359</b>	<b>3.564</b>
<b>General Administrative Expenses</b>		
Türkiye Garanti Bankası A.Ş. (Rent expense, IT maintenance and contract expenses, brokerage service expense)	1.726	4.523
Garanti Filo Yönetim Hizmetler A.Ş. (Car rental expenses)	1.299	1.312
Antur Turizm AŞ (Travelling expenses)	146	126
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. (Information technologies maintenance and contract costs)	5	5
Garanti Finansal Kiralama A.Ş. (Office rent expenses, contribution to building costs)	719	660
Garanti Emeklilik ve Hayat A.Ş.(Insurance expenses)	65	55
İstanbul Takas ve Saklama Bankası A.Ş. (Transaction commissions)	1.027	-
	<b>4.987</b>	<b>6.681</b>

# GARANTİ FAKTORİNG A.Ş.

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#### 25 EXPLANATIONS REGARDING RELATED PARTY TRANSACTIONS (Cont'd)

	1 January- 31 December 2016	1 January- 31 December 2015
<b>Profits from Financial Derivatives</b>		
Türkiye Garanti Bankası A.Ş.	28.444	30.453
Garanti Bank International NV	10.816	-
Banco Bilbao Vizcaya Argentaria	-	6.503
	<b>39.260</b>	<b>36.956</b>
<b>Losses from Financial Derivatives</b>		
Türkiye Garanti Bankası A.Ş.	4.107	113
Garanti Bank International NV	5.659	-
	<b>9.766</b>	<b>113</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 2016 is TL 10.952 thousand (31 December 2015: TL 10.503 thousand)

#### 26 CONTINGENT ASSETS AND LIABILITIES

##### 26.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Sureties received <sup>(1)</sup>	-	18.474.453	-	16.234.986
Finance notes	4.710	1.859.913	1.460	1.825.425
Mortgage	33.500	-	33.500	-
Chattel mortgage	281	20.404	440	17.477
Pledge	-	10.517	5.112	11.630
Customer cheques	14	4.329	42	7.153
Letters of guarantee	78.400	2.394	-	48.673
Transfer of claim arising from letter of guarantees	12.430	4.252	8.735	3.603
	<b>129.335</b>	<b>20.376.262</b>	<b>49.289</b>	<b>18.148.957</b>

<sup>(1)</sup> Sureties received consists of the sum of amounts signed by each guarantor for every contract within the context of the factoring contracts.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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#### 26 CONTINGENT ASSETS AND LIABILITIES (Cont'd)

##### 26.2 Guarantees Given

Guarantees given as at 31 December 2016 and 31 December 2015 consist of letter of guarantee given to the institutions below:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Takasbank	1.089.000	-	440.000	-
Courts	8.324	401	7.462	235
Other	6	-	6	-
	<b>1.097.330</b>	<b>401</b>	<b>447.468</b>	<b>235</b>

##### 26.3 Commitments

TL equivalent of nominal values of commitments as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Foreign exchange buy-sell commitments	294	294	3.688	3.676
	<b>294</b>	<b>294</b>	<b>3.688</b>	<b>3.676</b>

##### 26.4 Derivative Agreements

The details of derivative agreements as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Currency swap purchase transactions	728.450	2.597	765.034	66.145
Currency swap sell transactions	-	744.423	-	800.262
Futures purchase transactions	69	-	-	-
Futures sell transactions	-	69	-	-
	<b>728.519</b>	<b>747.089</b>	<b>765.034</b>	<b>866.407</b>

##### 26.5 Items Held in Custody

The details of cheques and notes in collection as at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Cheque in collection	651.696	102.628	551.011	119.434
Notes in collection	5.471	25.280	5.006	7.418
	<b>657.167</b>	<b>127.908</b>	<b>556.017</b>	<b>126.852</b>

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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## 27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

### 27.1 Financial Risk Management Purposes and Policies

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

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

#### 27.1.1 Credit Risk

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

Credit allocation stage;

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

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

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

# GARANTİ FAKTORİNG A.Ş.

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

Credit monitoring stage;

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

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

##### **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.



# GARANTİ FAKTORİNG A.Ş.

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

##### **27.1.3 Liquidity Risk**

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.

##### **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. The Company carry outs Disaster and Business Continuity processes in order to maintain the image of the Company, to fulfill its legal obligations and to meet the needs of the customers in adverse circumstances. 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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

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

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

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

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

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

##### **27.1.5 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.

# GARANTİ FAKTORING A.Ş. NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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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 2016	Factoring Receivables		Non-performing receivables		Other Assets		Financial Assets Held for Trading	Banks	Derivative Financial Assets Held for Trading	Financial Assets Available for Sale	
	Related Party	Others	Related Party	Others	Related Party	Others					
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	<b>4,486</b>	<b>2,830,303</b>	-	<b>16,435</b>	-	<b>5,302</b>	-	<b>9,577</b>	-	<b>394</b>	<b>2</b>
A. Carrying value of financial assets that are not past due nor impaired	4,486	2,780,398	-	-	-	5,302	-	9,577	-	394	2
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	6,366	-	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	43,539	-	-	-	-	-	-	-	-	-
- carrying value	-	43,539	-	-	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	16,435	-	-	-	-	-	-	-
- Past due (gross carrying value)	-	-	-	72,388	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	(55,953)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	2,678	-	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-	-

# GARANTİ FAKTORİNG A.Ş. NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)

#### 27.2.1 Credit Risk (Cont'd)

31 December 2015	Factoring Receivables		Non-performing receivables		Other Assets		Derivative Financial Assets Held for Trading	Financial Assets Available for Sale		
	Related Party	Others	Related Party	Others	Related Party	Others			Financial Assets Held for Trading	Banks
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	<b>21.476</b>	<b>2.828.727</b>	<b>-</b>	<b>33.405</b>	<b>-</b>	<b>2.808</b>	<b>-</b>	<b>40.419</b>	<b>11.869</b>	<b>2</b>
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	-	-	-	-	-	-	-	-	-	-

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

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

##### 27.2 Explanations on Risk Management (cont'd)

##### 27.2.2 Liquidity Risk

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

##### 31 December 2016

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows				
		Less than 3 Months	3-12 month	1-5 year	Over 5 year	
<b>Non-derivative financial liabilities</b>	<b>2.668.119</b>	<b>2.689.236</b>	<b>2.149.867</b>	<b>539.369</b>	-	-
Funds borrowed	2.149.447	2.153.392	2.134.814	18.578	-	-
Bonds issued	503.619	520.791	-	520.791	-	-
Factoring payables	8.765	8.765	8.765	-	-	-
Other payables	6.288	6.288	6.288	-	-	-

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows				
		Less than 3 Months	3-12 months	1-5 years	Over 5 year	
<b>Derivative financial liabilities and foreign exchange buy-sell commitments</b>	<b>(13.376)</b>	<b>(13.376)</b>	<b>(15.129)</b>	<b>1.753</b>	-	-
Derivative cash inflows	731.410	731.410	315.411	415.999	-	-
Derivative cash outflows	(744.786)	(744.786)	(330.540)	(414.246)	-	-

##### 31 December 2015

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows				
		Less than 3 Months	3-12 months	1-5 years	Over 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	-
Bond issued	702.552	726.240	213.140	513.100	-	-
Factoring payables	3.299	3.299	3.299	-	-	-
Other payables	4.176	4.176	4.176	-	-	-

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows				
		Less than 3 Months	3-12 months	1-5 years	Over 5 year	
<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>	-	-
Derivative cash inflows	834.857	834.857	378.293	456.564	-	-
Derivative cash outflows	(803.948)	(803.948)	(367.808)	(436.140)	-	-

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

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

##### 27.2 Explanations on Risk Management (cont'd)

###### 27.2.3 Market Risk

###### Foreign currency risk

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2016 and 31 December 2015.

Foreign currency assets and liabilities as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
	(TL equivalent in thousands)	(TL equivalent in thousands)
A. Foreign currency monetary assets	1.273.395	1.426.988
B. Foreign currency monetary liabilities	(519.969)	(694.970)
C. Derivative financial instruments <sup>(1)</sup>	(742.189)	(731.839)
<b>Net foreign currency position (A+B+C)</b>	<b>11.237</b>	<b>179</b>

<sup>(1)</sup> Derivative financial instruments include forward asset purchases and sales which are recorded under irrevocable commitments.

# GARANTİ FAKTORING A.Ş. NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

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

### 27.2 Explanations on Risk Management (cont'd)

#### 27.2.3 Market Risk (Cont'd)

##### Foreign Currency Risk (Cont'd)

The table below summarizes the Company's foreign currency position in detail as of 31 December 2016 and 31 December 2015. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2016	USD	EURO	GBP	Total
<b>Assets</b>				
Banks	3.530	2.888	2.590	9.008
Financial assets available for sale	-	2	-	2
Factoring receivables (*)	686.093	559.218	18.202	1.263.513
Other Assets	734	138	-	872
<b>Total Assets</b>	<b>690.357</b>	<b>562.246</b>	<b>20.792</b>	<b>1.273.395</b>
<b>Liabilities</b>				
Funds borrowed	2.643	493.202	14.241	510.086
Factoring payables	858	6.929	118	7.905
Sundry creditors and other liabilities	476	1.475	27	1.978
<b>Total liabilities</b>	<b>3.977</b>	<b>501.606</b>	<b>14.386</b>	<b>519.969</b>
<b>Net foreign currency position</b>	<b>686.380</b>	<b>60.640</b>	<b>6.406</b>	<b>753.426</b>
Derivative financial instruments (**)	(679.805)	(59.844)	(2.540)	(742.189)
<b>Net position</b>	<b>6.575</b>	<b>796</b>	<b>3.866</b>	<b>11.237</b>

(\*) Includes the foreign currency indexed factoring receivables amounting to TL 324.418 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.

# GARANTİ FAKTORİNG A.Ş. NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

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

### 27.2 Explanations on Risk Management (cont'd)

#### 27.2.3 Market Risk (Cont'd)

##### Foreign Currency Risk (Cont'd)

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 purchase and sale which are recorded under irrevocable commitments.



# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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 2016 results in an increase in profit before tax for the period amounting to TL 1.124 thousand (31 December 2015: TL 18 thousand increase). This analysis is made with the assumption that the other variables were held constant as of 31 December 2016 and 31 December 2015.

##### TL

31 December 2016	Profit/(Loss)
USD	657
EURO	80
GBP	387
<b>Total</b>	<b>1.124</b>

##### TL

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

##### Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016				31 December 2015			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
<b>Assets</b>								
<b>Banks</b>								
Time Deposits	-	-	-	-	0,25	-	-	13,70
Factoring receivables	4,62	1,86	2,82	14,21	4,21	2,72	5,55	15,69
<b>Liabilities</b>								
Marketable securities issued	-	-	-	10,55	-	-	-	11,57
Funds borrowed	1,68	0,88	0,77	11,42	1,92	1,59	1,88	13,70

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF 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)

##### Interest Rate Sensitivity Analysis

The Company's financial instruments that have interest rate sensitivity as at 31 December 2016 and 31 December 2015 are as follows:

	Carrying Value	
	31 December 2016	31 December 2015
<b>Fixed Rate</b>		
Factoring receivables	2.280.204	2.300.546
Time deposits	-	33.454
Funds borrowed	2.016.933	2.028.921
Marketable securities issued	503.619	702.552
<b>Floating Rate</b>		
Factoring receivables	554.585	549.657
Funds borrowed	132.514	58.181

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 2016, net income for the period would decrease/increase by TL 4.221 thousand (31 December 2015: TL 4.915 thousand) as a result of higher/lower interest expense from floating interest rate financial instruments.

##### Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the profit through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings disclosed in Note 17.

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.

# GARANTİ FAKTORİNG A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2016

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

## 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.

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).

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets held for trading	-	394	-	394
	-	<b>394</b>	-	<b>394</b>
Derivative financial liabilities held for trading	-	31.051	-	31.051
	-	<b>31.051</b>	-	<b>31.051</b>
<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets held for trading	-	11.869	-	11.869
	-	<b>11.869</b>	-	<b>11.869</b>
Derivative financial liabilities held for trading	-	1.304	-	1.304
	-	<b>1.304</b>	-	<b>1.304</b>

## 29 SUBSEQUENT EVENTS

After collecting the requests on 19-20 January 2017, the Company issued bonds to qualified investors without offering to the public, with a nominal value of TL 104.300 thousand, value date of 23 January 2017 and maturity date of 14 July 2017.

# GARANTİ FAKTORİNG A.Ş. CONTACT INFORMATION

Branch Name	Address	Telephone
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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 68
Ankara Branch	Kızılırmak Mah. 1437. Sok. Meva İş Merkezi No: 9/5-9/6 Çukurambar Çankaya/Ankara	(+90312) 287 12 89
Ankara OSTİM Branch	Ankara OSTİM Branch	(+90312) 592 71 29
Antalya Branch	Kızılırmak Mah. 2754 Sokak No:1 Oficity İş Merkezi Muratpaşa Antalya	(+90242) 310 94 83
Bursa Branch	Nilpark AVM Karaman Mah. İzmiryolu Cad. No:90 K:6 Nilüfer/Bursa	(+90224) 249 53 66
Denizli Branch	Saraylar Mah. Gazi Mustafa Kemal Bulv. No:2 Saraylar/ Denizli	(+90258) 295 46 44
Eskişehir Branch	75. Yıl Mah. Teksan Sanayi Sitesi 1. Cadde No: 64/D 26070 Eskişehir	(+90222) 211 31 89
Gaziantep Branch	Mücahitler Mah. Gazimuhtarpaşa Bulvarı No:48 K:4 Şehitkamil/Gaziantep	(+90342) 211 68 56
İstanbul Anadolu Branch	Koşuyolu Mah. Koşuyolu Cad. No: 59/61 Koşuyolu Kadıköy/İstanbul	(+90216) 340 03 20
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/İstanbul	(+90212) 657 96 21
İstanbul DES Branch	Dudullu OSB Mah. DES-121 Sok. DES Sitesi B Blok No:28/2 Ümraniye/İstanbul	(+90216) 528 32 78-79
İstanbul Karaköy Branch	Müeyyetzade Mah. Kemeraltı Cad. No:24/A Karaköy 34425 İstanbul	(+90212) 377 12 31
İzmir Karabağlar Branch	Aşık Veysel Mah. Yeşillik Cad. No:443 35380 Karabağlar/İzmir	(+90232) 455 06 79
İzmir Branch	Adalet Mah. Manas Bulvarı Folkart Tower No:39/1 B Kule Kat:19 No:1901 Bayraklı/İzmir	(+90232) 488 70 16
Kayseri Branch	Cumhuriyet Mahallesi Nazmi Toker Cad. No:15/A 38040 Melikgazi/Kayseri	(+90352) 207 23 47/48
Kocaeli İsmetpaşa Branch	İsmetpaşa Cad. No:20 Kat:3 Gebze/Kocaeli	(+90262) 678 69 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 48
Trabzon Branch	Sanayi Mah. Devlet Karayolu Cad. Dedehan İş hanı No:89 Kat:5 Trabzon	(+90462) 377 06 49



