



**Greater Speed
Greater Reach
Greater Efficiency**

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As Garanti BBVA Factoring, our experience and reputation draw a wide range of customers mainly consisting of SMEs, and import and export companies. We continue to provide quality and rapid services through our diversified products.

We aim to help each customer in each sector gain added value. We stand out with our inclusion rate, as well as our technology investments, digital services and mobile projects, and we turn time into money for more and more customers every day.



Greater Speed

We increase our inclusion rate not only through our technology-equipped field team but also through our mobile application. With our free application, we automate credit processes and share those scores in a short time. We can quickly provide prices and make offers to our customers, as well as facilitate their factoring procedures.





Greater Reach

We expand our customer bases to maintain growth and keep risks under control. Now, we focus on SMEs more than ever. Our transaction volumes are gradually increased through solutions specific to SMEs, the main agents of the economy in every aspect.





Greater Efficiency

With the synergy of Garanti and BBVA, we have become stronger and improved our quality of services as Garanti BBVA Factoring by taking over several projects, such as mobilizing sales forces with tablets. We are now much closer to our customers, thanks to our more agile structure and stronger technological infrastructure!





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

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

To the Board of Garanti Faktoring A.Ş.

Opinion

We have audited the complete set of financial statements of Garanti Faktoring Anonim Şirketi ("Company") for the period between 1 January 2019 and 31 December 2019, thus, the accompanying annual report.

In our opinion, the financial information in the annual report and the Board's analyses on Company situation conducted by using the information from the audited financial statements are, in all essential aspects, consistent with the audited complete set of financial statements and information obtained during the independent audit, and reflect the truth.

Basis for Opinion

We have conducted our independent audit in accordance with the independent auditing standards issued by the Capital Markets Board ("CMB") and with the Independent Auditing Standards ("BDSs") which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). Our responsibilities within the scope of the Independent Auditing Standards are further described in the Independent Auditor's Responsibilities for the Annual Report Independent Auditing section. We declare that we are independent of the Company in compliance with the Code of Ethics for Independent Auditors issued by POA ("Code of Ethics") and with the relevant ethical provisions of the independent auditing regulations. And we have fulfilled our further ethical responsibilities within the scope of the Code of Ethics and regulations. We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of Financial Statements

On January 29, 2019, we expressed a positive opinion regarding the complete set of financial statements of the Company for the period between 1 January 2019 and 31 December 2019.

Board of Directors' Responsibility for the Annual Report

Pursuant to the Articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and as per the provisions of the Capital Markets Board's "Communiqué on the Principles Regarding Financial Reporting in the Capital Markets" No. II-14.1, the Company's management is in charge of the following regarding the annual report:

- The Company management shall prepare the annual report within the timeframe stipulated in the Communiqué, and submit to the general assembly within the first three months following the end of the relevant account period.
- It shall prepare the annual report in an accurate, complete, direct, true and fair manner; the report shall, likewise, represent the flow of annual activities and financial position of the Company in every aspect. In this report, the financial position of the Company is assessed in accordance with the Company's financial statements. The report shall also clearly state the details about the Company's development and potential risks. The assessment of the board of directors on these matters is included in the report.
- The annual report shall also include the following matters:
 - The significant events in the Company upon the conclusion of the activity year,
 - The Company's research and development activities,
 - The payments for the board and senior management members, i.e. the financial benefits like wages, premiums, bonuses; allowances; travel, lodging and representation expenses; in cash and kind facilities, insurances and similar guarantees.

While preparing the annual report, the Board also considers the secondary regulations issued by the Ministry of Trade and relevant institutions.

Independent Auditor's Responsibility for the Independent Auditing of the Annual Report

Within the scope of the TCC provisions and the Communiqué, our objective is to express an opinion on whether the financial information in the annual report and the Board's analyses on Company situation conducted by using the information from the audited financial statements are consistent with the audited financial statements of the Company and with the information obtained during the audit; whether they reflect the truth or not. And afterward, we compile a report that will include the expressed opinion.

Our independent audit has been conducted in accordance with both the independent auditing standards by CMB and BDSs. As required by BDSs, the independent audit shall be planned and carried out in compliance with the ethical provisions to achieve a reasonable assurance whether the financial information in the annual report and the Board's analyses on Company situation conducted by using the information from the audited statements are consistent with the financial statements and the information obtained during the audit; and whether they reflect the truth or not.

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

Alper Özyeğin KPMG
Partner

28 February 2020

STATEMENT OF RESPONSIBILITY RELATED TO ACCEPTANCE OF THE ANNUAL REPORT

Istanbul, 28/02/2020

ATTN: BORSA İSTANBUL A.Ş. DIRECTORATE
İstinye/İSTANBUL

BOARD'S RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT
RESOLUTION DATE: 28.02.2020
RESOLUTION NUMBER: 2020/007

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

- a) We have reviewed the Garanti Faktoring A.Ş.'s (Company) annual report as of 31.12.2019.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the annual report does not include any misleading disclosure on material matters or deficiencies that might cause misconception about the disclosure as of the date it was made.
- c) Within the framework of the information we obtained during our tasks and responsibilities at the Company, we hereby declare that the financial statements prepared as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) and as per the Capital Markets Board decision No. 2/49 dated 10.01.2019 and the Corporate Governance Communiqué II-17.1, including the Corporate Governance Principles Compliance Report, fairly reflect the truth, the progress and performance of the business, the financial status of the Company, and the important risks and uncertainties.

Best Regards,

Annexes:

The Independently Audited Annual Report as of 1-31 December 2019

Mert ERCAN
Executive Vice
President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Member of Audit
Committee

Serkan ÇANKAYA
Member of Audit
Committee

ABOUT GARANTI BBVA FACTORING

WITH ITS CUSTOMER-ORIENTED SERVICES AND EXPERT TEAMS, GARANTI BBVA FACTORING AIMS TO CREATE ADDED VALUE FOR THE CUSTOMERS AND SECTOR. IT MAKES A DIFFERENCE THROUGH THE CUSTOMIZED CORPORATE SOLUTIONS WITH ITS HIGHLY COMPETENT WORKFORCE AND THE OPERATIONAL TRANSACTION SPEED.



11 BRANCHES IN 8 CITIES

Garanti BBVA Factoring provides services with its 11 branches in 8 cities across Turkey.

On September 4, 1990, Garanti BBVA Factoring was founded under the name of Aktif Finans Factoring Hizmetleri A.Ş. to provide factoring services to industrial and commercial companies. After joining Garanti BBVA group companies in 2002, its commercial title has been changed to Garanti Faktoring Hizmetleri A.Ş. as per the decision of the 2001 Ordinary General Assembly Meeting held on March 27, 2002. At the General Assembly Meeting relating to the year 2013 held on 17 April 2014 its commercial title was changed to Garanti Faktoring A.Ş. ("the Company").

With its customer-oriented services and expert teams, Garanti BBVA Factoring aims to create added value for both customers and the sector. The Company makes a difference through customized corporate solutions

with its highly competent workforce and via operational transaction speed. As the leading company in product consultancy and product development, Garanti BBVA Factoring is a strong factoring company concerning foreign factoring transactions, thanks to the wide correspondent network established by the membership of the Factors Chain International (FCI).

Providing services through 11 branches in 8 cities across Turkey, the Company develops innovative products and services in response to the customer needs via its continuous investment in technology infrastructure, customer-oriented services and a team of experts.

Garanti Factoring 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.

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

With the authorization of the Capital Markets Board (CMB) in 1993, the company has offered its shares to the public, thus, it has been listed on Borsa İstanbul (BİST). Its 81.84% shares belong to Garanti Bank and 9.78% belong to the Export Trade Bank of Turkey. And its 8.38% free-floating shares are traded on Borsa İstanbul.

Thanks to the synergy of BBVA, Garanti BBVA Factoring delivers the domestic and foreign factoring transactions via an extensive network with its focus on meeting the customer needs.

Garanti BBVA Factoring's ratings by Fitch Ratings have been updated on November 01, 2019, and become long-term TL at BB- and long-term foreign currency at B+. The long-term national rating is at AA.

81.84%

THE SHARES OF
GARANTİ BBVA

Garanti BBVA owns 81.84% of
the shares of Garanti BBVA Factoring.

In 2019, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. ("Kobirate") raised Garanti BBVA Factoring's Corporate Governance Principles Compliance Rating to 9.42. As per the announcement No. 2019/65 dated 02/10/2019 by Borsa İstanbul A.Ş., GARFA shares are regulated and included in National Market Group 1.

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

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

Company's website in Turkish and English:
www.garantibbvafactoring.com



GARANTİ BBVA FACTORING AT A GLANCE

PROVIDING SERVICES THROUGH 11 BRANCHES IN 8 CITIES ACROSS TURKEY, THE COMPANY DEVELOPS INNOVATIVE PRODUCTS AND SERVICES IN RESPONSE TO CUSTOMER NEEDS VIA ITS CONTINUOUS INVESTMENT IN TECHNOLOGY INFRASTRUCTURE, CUSTOMER-ORIENTED SERVICES AND A TEAM OF EXPERTS.

2.20

(TL BILLION)
Asset Size

2.09

(TL BILLION)
Factoring Receivables

164

(TL MILLION)
Shareholder's Equity

24.4

(TL MILLION)
Net Profit for the Period

11.2

(TL BILLION)
Transaction Volume

4,294

NUMBER OF CUSTOMERS
WITH RISKS

129

EMPLOYEES

11

BRANCHES



36,205

TOTAL FACTORING
TRANSACTIONS

STRONG SHAREHOLDING STRUCTURE

WITH THE CONVENIENTLY INTEGRATED CHANNELS, GARANTI OFFERS UNINTERRUPTED EXPERIENCE IN ALL CHANNELS THROUGH 5,260 ATMS WITH HIGH-END TECHNOLOGICAL INFRASTRUCTURE, AWARDED CALL CENTER AND THE INTERNET, MOBILE AND SOCIAL BANKING PLATFORMS.

18,784

NUMBER OF EMPLOYEES OF
GARANTI BBVA

Türkiye Garanti Bankası A.Ş.

Established in Ankara in 1946, Garanti Bank has become Turkey's second-largest private bank with its consolidated assets over TL 429 billion as of December 31, 2019.

Garanti is an integrated financial services group operating in every segment of the banking sector including the corporate, commercial, SME, retail, private and investment banking, and payment systems together with its financial subsidiaries in pension and life insurances, leasing, factoring, investment and portfolio management in addition to its international subsidiaries in the Netherlands and Romania.

As of 31 December 2019, Garanti provides a wide range of financial services to more than 17 million customers with 18,784 employees through a wide distribution network consisting of 904 domestic branches and eight foreign branches (seven in Cyprus, one in Malta), two international representative offices (one in Dusseldorf, one in Shanghai). Additionally, with its convenient integrated channels, the Company offers uninterrupted experience in all channels through 5,260 ATMs with high-end technological infrastructure, an award-winning Call Center, and internet, mobile and social banking platforms.

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, continuous investments in technology, innovative products and services offered with strict adherence to quality and customer satisfaction carry Garanti to a leading position in the Turkish banking sector.

The controlling shareholder of Garanti Bank is Banco Bilbao Vizcaya Argentaria S.A. (BBVA) with 49,85% share. BBVA supports the core values of the Bank and applies an advanced model of corporate governance. Having shares publicly traded in Turkey and depositary receipts in the UK and USA, Garanti has an actual free float rate of 50.07% in Borsa Istanbul as of December 31, 2019.

ESTABLISHED IN 1857, BBVA RANKS AMONG THE LARGEST BANKS IN SPAIN AND ALSO HAS PIONEER SUBSIDIARIES IN SOUTH AMERICA. MOREOVER, IT IS THE BIGGEST FINANCIAL INSTITUTION IN MEXICO AND ONE OF THE TOP 15 COMMERCIAL BANKS IN THE US.

The ever-growing business model of Garanti Bank is based on liable and sustainable development, customer experience, employee well-being, digitalization, optimum capital usage and productivity-focused strategic priorities. The Bank's customer-tailored solutions and a wide range of products play an essential role in attaining a loan portfolio of TL 322 billion in cash and non-cash loans. The disciplined and sustainable growth strategy of Garanti Bank ensures the steady improvement of the Bank by enhancing the capital base without compromising on asset quality. Garanti creates a sustainable value for all stakeholders thanks to the efficient risk management of the financial and non-financial risks through integrated management in global standards and the organizational agility in grasping new opportunities.

Additionally, the Bank creates shared values and supports positive change through its strategic partnerships, the social programs on prioritized issues both for Garanti and its subsidiaries, and the loan extension focused on the impact investments.

Banco Bilbao Vizcaya Argentaria S.A

After acquiring the shares held by GE Capital Corporation and Doğu Holding A.Ş. in 2011, Banco Bilbao Vizcaya Argentaria S.A ("BBVA") currently owns 49.85% of Garanti Bank shares. Garanti Bank is controlled jointly by Doğu Holding and Banco Bilbao Vizcaya Argentaria S.A. under an equal strategic partnership arrangement.

Established in 1857, BBVA ranks among the largest banks in Spain. Apart from having pioneer subsidiaries in South America, BBVA is the biggest financial institution in Mexico and one of the top commercial banks in the US.

As of December 31, 2019, BBVA's assets amount to EUR 699 billion, shareholders' equity is EUR 54.9 billion, and the net profit of the period is EUR 3.5 billion. BBVA shares are traded on stock exchanges in Spain, New York, London, Mexico and Peru. As of December 31, 2019, the Group's shares have equal voting rights, and it has about 874,000 shareholders across the globe.

STRONG SHAREHOLDING STRUCTURE

MAINTAINING ITS OPERATIONS FOR MORE THAN 150 YEARS, BBVA PROVIDES SERVICES TO 78.1 MILLION CUSTOMERS WITH 126,000 EMPLOYEES THROUGH 7,744 BRANCHES IN MORE THAN 30 COUNTRIES.

Maintaining its operations for more than 150 years, BBVA provides services to 78.1 million customers with its 126,000 employees through 7,744 branches in more than 30 countries. In this new competitive environment, BBVA has the mission of “facilitating the opportunities of the age for everyone” through the customer-centric vision in its activities.

Türkiye İhracat Kredi Bankası A.Ş.

Türkiye İhracat Kredi Bankası A.Ş. (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 the export goods and services, introducing new markets for export goods, helping exporters increase their share in international commerce and providing them with the necessary support for their operations. Besides, Türk Eximbank ensures that exporters and contractors operating abroad remain competitive and secure, supports and promotes both the 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.

As of the end of 2019, Türk Eximbank has extended USD 26.7 billion cash loans and USD 17.4 billion insurance/guarantees; in total, the support to exports amounted to USD 44.1 billion. As a result, the Bank has given cash and non-cash finance support to 25.7% of all exports made in Turkey. As of year-end of 2019, the Bank's assets amount to TL 162.88 billion, and paid capital is TL 7.16 billion.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. (TÜRK EXİMBANK) 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 EXİMBANK IS TO BOOST EXPORTS BY PROVIDING LOANS.

Türk Eximbank provides services through 20 branches and 12 liaison offices. Headquartered in Istanbul, the Bank operates regional offices in the Central Anatolia, Marmara and Aegean regions, as well as branches on the European side of Istanbul, in Gaziantep, Denizli, Bursa, Kayseri, Konya, Antalya, Adana, Gebze, Çorlu, Maltepe, Manisa, Mersin, Eskişehir, Trabzon and Iskenderun. Liaison offices are located in Samsun, Aegean Regional Chamber of Industry, Aegean Exporters' Association, İzmir Kemalpaşa, Aydın, Erzurum, Kahramanmaraş, Hatay, Çerkezköy, Sakarya, İstanbul Anatolian Side Organized Industrial Zone and İnegöl.



USD 26.7 BILLION
Cash Loans by Türk Eximbank

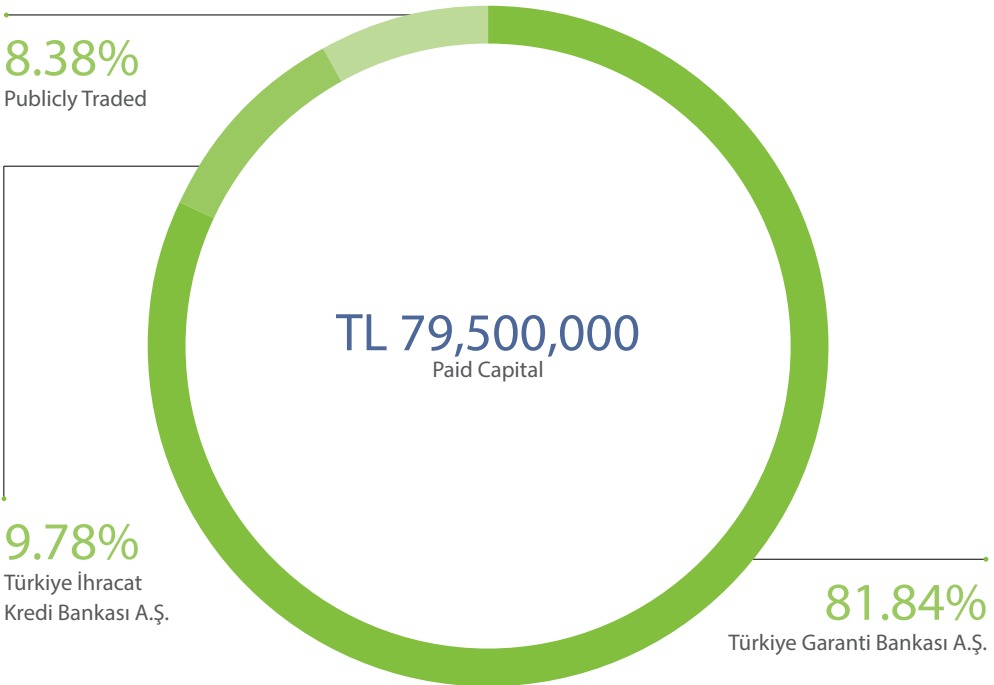


COMPANY CAPITAL AND SHAREHOLDING STRUCTURE

AS OF DECEMBER 31, 2019, GARANTI BBVA FACTORING'S PAID CAPITAL IS TL 79,500,000.

As of December 31, 2019, Garanti BBVA Factoring's paid capital is TL 79,500,000.

Türkiye Garanti Bankası A.Ş. owns 55.4% of the registered shares of Garanti Factoring. The Bank has acquired the remaining 26.4% of the Company's shares, which trade on BIST. 8.4% of Garanti BBVA Factoring's shares are traded on National Market Group 1.



COMPETITIVE ADVANTAGES OF GARANTI BBVA FACTORING

STRONG BRAND
AND CORPORATE
REPUTATION

PIONEER IN
ADVANCED
TECHNOLOGY

WELL-QUALIFIED
AND EXPERIENCED
WORKFORCE

CUSTOMER-ORIENTED
INNOVATIVE PRODUCTS
AND SERVICES

CORPORATE
GOVERNANCE CULTURE

SUPERIOR DATA
WAREHOUSE AND
REPORTING SYSTEMS

FAST OPERATIONAL
PROCESSES

INTEGRATED
FINANCIAL SERVICE
DELIVERY

SOLUTIONS FOR THE
BEST CUSTOMER
RELATIONS
MANAGEMENT

OUR MISSION TO FACILITATE THE OPPORTUNITIES OF THE AGE FOR EVERYONE

OUR VALUES

OUR CUSTOMERS ARE OUR PRIORITIES

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

WE THINK BIG

- We inspire
- We innovate
- We exceed expectations

WE ARE ONE

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

OUR STRATEGIC PRIORITIES

The Company's strategic priorities are Optimum Usage of Capital, Productivity, Responsible and Sustainable Development, Customer Experience, Digitalization, and Employee Well-Being. Garanti BBVA Factoring aims to conduct its business in adherence to these priorities and to create value for all stakeholders.

OPTIMUM USAGE OF CAPITAL

While focusing on disciplined and sustainable development, we aim to maximize value creation and to maintain our dedication to solid asset quality through the efficient usage of capital.

PRODUCTIVITY

We not only pay attention to cost and income synergies but also continuously develop our business model and processes in line with operational and environmental productivity.

LIABLE AND SUSTAINABLE DEVELOPMENT

We consistently implement a corporate governance model that fosters our core values. At the same time, we are committed to the principles of trust, authenticity, accountability and transparency for all our stakeholders across all operations. One of our main priorities is to manage financial and non-financial risks following these standards and to ensure efficient risk management.



CUSTOMER EXPERIENCE

With a customer-focused approach at the heart of all our activities, we ensure that our customers experience continuous and valuable support.

Therefore, we design our processes to be fast, clear, simple and responsive to the needs of our customers.

Aiming to go beyond our customers' expectations, to raise their level of satisfaction, and to establish long-lasting relations based on trust, we always are open, transparent and accountable to our customers.

We strive to offer rapid solutions and suggestions targeted to our customers' needs, to ensure that our customers expand their businesses sustainably and gain value.

DIGITALIZATION

In line with technological and digital advances, we aim to have a business model focused on efficiency and productivity in all channels via an up-to-date information infrastructure.

We aim to expand our customer base both by investing in digital platforms and strengthening the impact of digital channels on our sales.

EMPLOYEE WELL-BEING

With the development, satisfaction and well-being of our employees embedded in our primary strategic objectives, we prioritize investment in our teams.

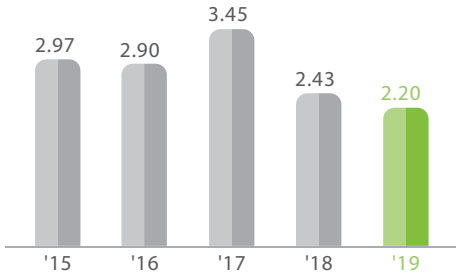
Following our values, we strive to create a result-oriented workforce that possesses common sense, team spirit and a strong sense of social responsibility, as well as the ability to "think big."

Therefore, we adhere to a fair and transparent management policy based on performance, equal opportunity, diversity and internal promotion.

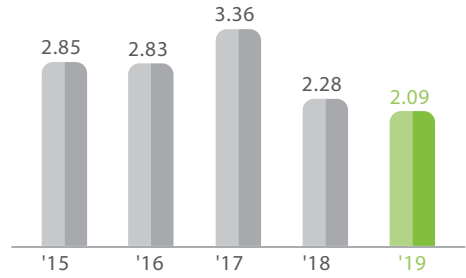


MAIN FINANCIAL INDICATORS AND RATIOS

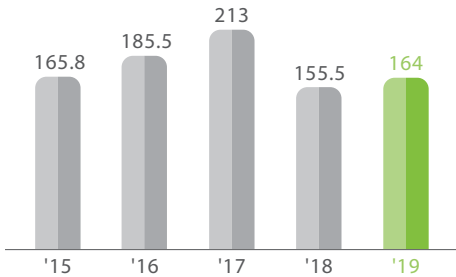
Total Assets (TL Billion)



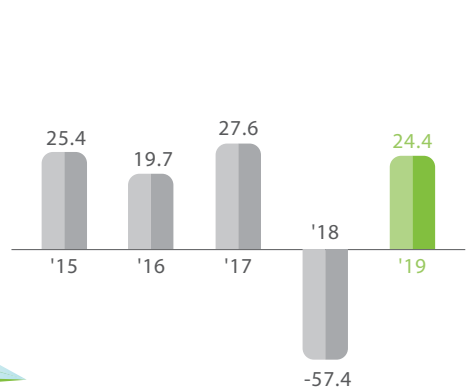
Factoring Receivables (TL Billion)



Shareholders' Equity (TL Million)



Net Profit/Loss for the Period (TL Million)



	2015	2016	2017	2018	2019
Return on Assets (%)	0.86%	0.73%	0.96%	-1.99%	1.16%
Return on Shareholders' Equity (%)	16.65%	11.16%	13.84%	-28.25%	14.95%
Non-Performing Loan Ratio (%)	3.31%	2.49%	2.76%	11.87%	13.98%

Garanti BBVA Factoring Major Income Statement Items

(TL Thousand)	2015	2016	2017	2018	2019
Factoring Income	237,682	244,268	286,315	477,508	375,828
Factoring Interest Income	217,548	222,624	263,228	466,627	368,204
Factoring Fees and Commissions Income	20,134	21,644	23,087	10,881	7,624
Financing Expenses	(221,361)	(211,021)	(252,215)	(363,463)	(263,863)
Interests on Loans Borrowed	(153,471)	(143,286)	(178,093)	(247,253)	(176,025)
Interests on Securities Issued	(63,805)	(56,478)	(59,685)	(99,052)	(80,449)
Other Fees and Commissions	(4,073)	(11,240)	(14,436)	(17,138)	(6,825)
Other	(12)	(17)	(1)	(20)	(564)
Operating Expenses	(40,035)	(78,945)	(43,196)	(52,056)	(50,828)
Expenses on Personnel and Severance Pay Provisions	(22,867)	(24,292)	(25,669)	(32,235)	(30,039)
General Administrative Expenses	(17,129)	(17,923)	(17,488)	(18,661)	(20,671)
Other	(39)	(36,730)	(39)	(1,160)	(118)
Other Operating Income/Expenses	75,826	99,612	64,753	45,511	35,595
Interest Income from Deposits	2,057	2,331	1,953	160	1,945
Derivative Financial Transactions Gains/Losses (Net)	81,384	20,055	104,124	24,441	2,705
Foreign Exchange Gains/Losses (Net)	(10,270)	39,230	(42,926)	19,564	21,423
Other	2,655	37,996	1,602	1,346	9,522
Provision Expenses	(20,288)	(30,106)	(20,801)	(176,568)	(65,701)
Gross Profit/Loss	31,824	23,808	34,856	(69,068)	31,031
Tax Provision For Continuing Operations	(6,394)	(4,092)	(7,253)	11,692	(6,593)
Net Profit for the Period	25,430	19,716	27,603	(57,376)	24,438

FINANCIAL SITUATION AND PERFORMANCE ASSESSMENT IN 2019

Factoring Receivables

In 2019, Garanti BBVA Factoring has a market of 6.14% with factoring receivables of TL 2.09 billion.

Asset Size

In 2019, Garanti BBVA Factoring has a market share of 5.95% with a total asset size of TL 2.20 billion.

Transaction Volume

In 2019, Garanti BBVA Factoring has a market share of 8.58% in the sector with a total transaction volume of TL 11.2 billion (USD 2 billion).

For the year, the company has recorded a domestic transaction volume of TL 7.3 billion (USD 1.3 billion); an export transaction volume of TL 3.7 billion (USD 687 million); and import transaction volume of TL 186 million (USD 40 million).

GARANTİ BBVA FACTORING'S TRANSACTION VOLUME AND FACTORING RECEIVABLES ON SECTOR BASIS AS OF THE YEAR-END 2019

Sector Distribution of Transaction Volume

	TL Thousand
AGRICULTURAL SECTOR	337,311
Agriculture, Livestock, Forestry	290,925
Fishery	46,386
MANUFACTURING SECTOR	5,841,036
Nuclear Fuels, Petroleum and Coal Products	1,405,110
Textile and Textile Products	1,096,032
Extraction of Non-Energy Minerals	1,093,483
Transportation Vehicles	541,543
Extraction of Energy Minerals	425,888
Paper Raw Material and Paper Products Printing	289,720
Manufacturing of Not Elsewhere Classified	210,406
Machinery and Equipment	161,748
Electrical and Optical Devices	159,278
Chemistry and Chemical Products and Artificial Fiber	145,704

Food, Beverage and Tobacco	94,753
Leather and Leather Products	74,594
Rubber and Plastic Products	49,531
Wood and Wood Products	45,851
Other Mines Excluding Metals	40,356
Electrical Gas and Water Resources	7,039
SERVICES SECTOR	2,048,732
Wholesale and Retail Trade Motorized Vehicle Services	1,299,214
Construction	661,079
Financial Institutions	55,366
Healthcare and Social Services	19,156
Transportation, Warehousing, and Communication	7,737
Hotels and Restaurants (Tourism)	5,177
Education	914
Real Estate Agency, Leasing and Business Administration Activities	89
OTHER	2,924,021
GRAND TOTAL	11,151,100

Sector Distribution of Factoring Receivables

	Amount (TL Thousand)*	(%)*
AGRICULTURAL SECTOR	165,402	7.85%
Agriculture, Livestock, Forestry	165,402	7.85%
MANUFACTURING SECTOR	1,033,626	49.10%
Nuclear Fuels, Petroleum and Coal Products	307,242	14.61%
Textile and Textile Products	189,461	8.99%
Extraction of Non-Energy Minerals	139,208	6.61%
Transportation Vehicles	128,470	6.09%
Paper Raw Materials and Paper Products Printing	83,255	3.95%
Chemistry and Chemical Products and Artificial Fiber	69,309	3.28%
Machinery and Equipment	46,711	2.24%
Electrical and Optical Devices	34,867	1.67%
Manufacturing of Not Elsewhere Classified	25,098	1.19%
Wood and Wood Products	3,508	0.19%
Other Mines Excluding Metals	3,456	0.14%
Extraction of Energy Minerals	1,530	0.10%
Main Metal Industry and Processed Material Manufacturing	1,454	0.05%
Electrical Gas and Water Resources	57	0.00%
SERVICES SECTOR	501,006	23.79%
Wholesale and Retail Trade Motorized Vehicle Services	418,717	19.93%
Construction	56,976	2.71%
Hotels and Restaurants (Tourism)	11,436	0.52%
Transportation, Warehousing, and Communication	8,452	0.38%
Other Public, Social and Private Services	3,914	0.19%
Healthcare and Social Services	1,446	0.05%
Real Estate Agency, Leasing and Business Administration Activities	49	0.00%
Education	14	0.00%
Financial Institutions	2	0.00%
OTHER	404,722	19.27%
GRAND TOTAL	2,104,756	100.00%

*Including the net non-performing loans.

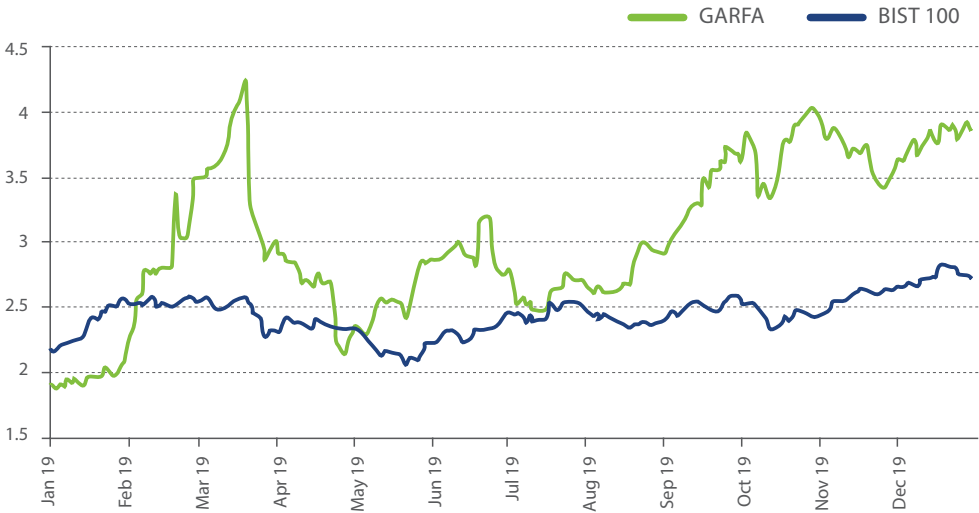
INFORMATION ON GARFA SHARES

Garanti BBVA Factoring shares have been listed on Borsa Istanbul (BIST) since 1993, under the ticker symbol “GARFA.” As per the announcement No. 2019/65 dated 02/10/2019 by Borsa İstanbul A.Ş., the Company’s shares traded on the BIST Stars and BIST Main Market have been re-classified according to size, depth and liquidity criteria. The shares under the same criteria will be traded together. Following these regulations, GARFA shares are categorized under Main Market Group 1.

In the January-December 2019 period, GARFA stock reached 4.28 – the highest closing price – while the transaction volume totaled TL 517 million during the same period.

Share Performance

BIST100 closing prices are indexed to GARFA price.



CREDIT RATINGS

Global credit rating agency Fitch Ratings has affirmed the outlook and notes for the Company as follows:

Foreign Currency

Long Term	B+
Short Term	B
Outlook	Stable

Turkish Lira

Long Term	BB-
Short Term	B
Outlook	Negative

National

Long Term	AA(tur)
Support Rating	4
Outlook	Stable

The credit rating report can be accessed on the Garanti BBVA Factoring website (www.garantibbvafactoring.com) in the section "Credit Ratings" under "Investor Relations."

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE RATING

Garanti BBVA Factoring places great importance on internalizing and implementing the Corporate Governance Principles throughout the organization. It is among a small number of companies that undergo Corporate Governance Principles compliance rating evaluations in the factoring sector. The company's eighth "Corporate Governance Principles Compliance Rating" study was completed on August 16, 2019.

The report has been prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) and shows that Garanti BBVA Factoring's Corporate Management Rating rose from 9.39 to 9.42 for the period August 16, 2019 - August 16, 2020.

Companies rated in the range of "9-10" are defined as: "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; fairly protect shareholder rights; embrace a transparent approach to public disclosures; equitably safeguard the rights of stakeholders; 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.garantibbvafactoring.com) in the section "Corporate Management Principles Compliance Rating Reports" under "Investor Relations."

BOARD OF DIRECTORS

Recep Baştuğ

Chairman of the Board of Directors

Recep Baştuğ graduated from Çukurova University Faculty of Economics and started his career at the Garanti BBVA Internal Audit Department in 1989. Mr. Baştuğ worked as Corporate Branch Manager from 1995 to 1999, as Commercial Regional Manager from 1999 to 2004, and as Commercial Banking Marketing Coordinator from 2004 to 2012. From 2013 to 2018, he served as an EVP of Commercial Banking and Consumer Finance. He served as Vice Chairman at a private company for a brief period. On September 1, 2019, Mr. Baştuğ was appointed as Board Member, President & CEO at Garanti BBVA.

Ali Temel

Executive Vice President/Member of Credit Committee

Ali Temel graduated from Boğaziçi University Department of Electric-Electronic Engineering and started his career in banking in 1990 at a private bank. Mr. Temel joined Garanti BBVA in 1997 and, after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as Executive Vice President in charge of Commercial Banking between 1999-2001 and as Executive Vice President in charge of Loans between 2001-2012. On December 10, 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. Mr. Temel's areas of responsibility at Garanti Bank are Corporate and Commercial Credits Risk Management; Retail and SME Credits Risk Management, Risk Planning, Monitoring and Reporting; Risk Analytics, Technology and Innovation; and Regional Loans Coordination. Mr. Temel also serves as a Board Member at Garanti Leasing.

Cemal Onaran

Board Member

Cemal Onaran graduated from Middle East Technical University Department of Public Administration and started his career as an assistant auditor in Garanti Bank at the Audit Committee in the same year. Between the years 2000-2007, he worked as the Regional Manager in various regions of Garanti Bank in Istanbul. After the establishment of Garanti Mortgage in October 2007, he was appointed General Manager of Garanti Mortgage. After having served as the General Manager of Garanti Pension & Life since August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti Bank in charge of SME Banking on January 1, 2017. With 28 years of experience in banking and business administration, Mr. Onaran is the Board Member of Garanti Leasing and Garanti Pension and Life, Chairman of Garanti Fleet, Member of Audit Committee and Member of TRNC Board of Managers.

Osman Bahri Turgut

Member of the Board of Directors/Corporate Governance Committee Member

Osman Bahri Turgut graduated from Marmara University Department of Economics in 1990. That same year, he started his professional career at T. Garanti Bankası A.Ş. as Assistant Inspector, and served as Branch Manager, Vice Chairman of the Audit Board, Commercial Loans Unit Manager, Internal Control Center Manager and the Head of Internal Audit and Control. He continues to serve as Chairman of the Garanti Bank Audit Board and is also a member of the Board and Audit Committee of Garanti Leasing, Garanti Fleet; a Board Member of the Garanti Pension and Provident Fund Foundation and Garanti Culture; and a Member of the Audit Committee of Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Payment Systems.

Selahattin Güldü

Board Member

With an undergraduate degree from Middle East Technical University in Public Administration in 1990, Selahattin Güldü started his career as Assistant Auditor in Garanti Bank Internal Audit Department the same year. He worked as a Branch Manager during 1997-1999. He served as Regional Manager in several regional offices of Garanti Bank in Istanbul for 19 years between 1999 and 2018. With 28 years of experience in banking and business administration, Mr. Güldü has been serving as Executive Vice President in charge of Commercial Banking and Consumer Financing as of April 1, 2018. He is also a Board Member of Garanti Leasing and Garanti Fleet.

Kaya Yıldırım

General Manager/Member of the Board of Directors

Kaya Yıldırım graduated from the Istanbul University Department of Economics in 1987 and joined Garanti Bank in 1989. After being appointed to several units and branches of Garanti Bank, he served in regional manager positions after 2005. Since August 1, 2018, Mr. Yıldırım has served as a Board Member and General Manager of Garanti Factoring. He has also served as a Board Member of the Association of Financial Institutions since September 20, 2018.

Nihat Karadağ

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

Nihat Karadağ graduated from Ankara University Faculty of Political Sciences Department of Economics – Finance and obtained his Master's degree from Istanbul University Faculty of Economics, Department of Money and Banking. He served in various positions, including Executive Vice President at Ziraat Bank, Koç Consumer Financing and Card Services, Oyakbank, Ing Bank and OYAK. During 2009-2016, he served as a board member and chairman at various companies and institutions such as Akdeniz Kimya, Erdemir, İsdemir, Hektaş, Oyak Yatırım, Tukaş, Halk Leasing, Atterbury SA (Luxembourg), Chemson Polymer Additives AG (Austria), Almatıs B.V. (Netherlands) and Orfin Financing.

Serkan Çankaya

Lawsuits Filed Against Garanti Faktoring A.Ş. Independent Member of Board/Audit Committee Member/Early Detection of Risk Committee Member

Serkan Çankaya graduated from the Istanbul University Department of Business Administration and holds a postgraduate degree in Business Administration Informatics from the same university. He completed his Master's degree at the University of West Georgia, USA, and holds a Ph.D. in Finance and Banking from Kadir Has University. Mr. Çankaya serves as the Manager of the Finance Institute at Istanbul Commerce University and as a Board Member of the Economy and Finance Practices and Research Center. In addition to his main area of expertise, Behavioral Finance, Mr. Çankaya also lectures in investment analysis, portfolio management and financial mathematics, and conducts research activities in the area of corporate social responsibility.

COMMITTEES AND ATTENDANCE AT COMMITTEE MEETINGS

Audit Committee

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

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

The tasks of the Committee are as follows:

Internal Control System:

- To evaluate whether the Company management shares the importance of the internal control with the Company employees or not and whether the Company adopts a suitable "control culture" or not,
- To get information about the periodical and process-oriented audit results performed by the Internal Control Unit regarding implementation faults and deficiencies,
- Similarly, receiving regular information on Company activities from units specialized in Compliance and Risk Management,
- . To monitor deficiencies detected in the audit activities performed by the T. Garanti Bankası A.Ş. Audit Board and other institutions, and inform the Company's Board of Directors about non-recovered findings,
- To oversee whether or not the Internal Control Unit fulfills its obligations stipulated in the Internal Regulations,
- To review the annual control plan prepared by the Internal Control Unit and the revisions made in these plans before the Board's approval,

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

Financial Reporting and Independent External Audit

- To oversee whether the content of the Company's financial reports is correct and contains the required details, whether they are prepared in compliance with the law and other relevant legislation, and to ensure that the detected faults and/or fraud are corrected,
- To select the independent audit firm, to initiate the independent audit process by preparing the audit agreements and to monitor the auditing activities of the independent audit firm at all stages.

Compliance with the Law, Regulation and Code of Ethics

- To oversee the function of the internal systems, accounting and reporting systems within the framework of the law and relevant regulations, and to retain 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 are complied with, and to advise the Board on the necessary measures.

The Audit Committee convened eight times in 2019. In these meetings, the Committee discussed the results of the periodic control activities conducted by the Internal Control Unit, and the Compliance Officer provided the information on compliance activities across the Company. Moreover, the Officer also provided information about the deficiencies detected during the audit activities by the T. Garanti Bankası A.Ş. Audit Board and other institutions.

The members of the Audit Committee were informed about the results of the audit activities performed by the independent auditor (KPMG) over the Company's financial data dated 31.12.2019, 31.03.2019, 30.06.2019, 30.09.2019. The Committee members were also provided with information about the prepared management recommendation letter.

Corporate Governance Committee

The Corporate Governance Committee was established to determine: 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 conflicts of interest in the Company.

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

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

The tasks of the Committee are as follows:

- Monitoring the Company's compliance with the Corporate Governance Principles,
- Conducting the improvement activities accordingly and advising to the Board,
- Detecting the 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, and setting policy in this regard,
- Evaluating the efficiency of the Board's structure,
- Determining and overseeing the approaches, principles and practices on the issue of performance evaluation and career planning of the Members of the Board and the senior executives,
- Submitting the suggestions to the Board about the possible changes in terms of Board structure and efficiency.

Acting as the Compensation Committee:

- Preparing proposals about the compensation principles of the Members of the Board and the Executive Directors,
- Determining the criteria for the performance of the Company and the members,
- Submitting proposals to the Board about the compensation of the Members of the Board and the Executive Directors.

In 2019, the Corporate Governance Committee convened 4 (four) times.

COMMITTEES AND ATTENDANCE AT COMMITTEE MEETINGS

Early Detection of Risk Committee

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

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

The tasks of the Committee are as follows:

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

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

Early Detection of Risk Committee convened six times in 2019. In these meetings, the Committee shared the reports – with the Members of the Board of Directors and the auditor– that it prepared regarding the issues such as; compliance with standard ratio and the 376th Article of TTK (Turkish Commercial Code), the status of the Company's foreign exchange position, the status of the problematic factoring receivables, cost-yield and maturity composition of the balance sheet, assets & liabilities composition and status of operational expenses (OPEX).

The areas of responsibility of the Committee and their working principles are published on the Company website in the Corporate Governance tab under the Investor Relations section.

Assets Liabilities Committee

Assets Liabilities Committee consists of Senior Management, unit and regional managers.

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

In 2019, the Committee convened 51 times by the General Manager to discuss and assess the specified issues weekly.

Credit Committee

The Credit Committee is composed of Ali Temel (Credit Committee Member) and Kaya Yıldırım (Member of the Board and the General Manager). Although Zeki Pekmezci (Executive Vice President) and Barış Uzmay (Executive Vice President) are not members of the Credit Committee, they are allowed to attend the meetings to present their opinions on loan proposals.

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

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

Credit Processes Committee

Credit Processes Committee members are as follows: Kaya Yıldırım (General Manager), Zeki Pekmezci (Executive Vice President), Mert Ercan (Executive Vice President), Barış Uzmay (Executive Vice President), Hasan Okay Tuncay (Credits and Intelligence Unit Manager), Nazan Aktaş (Organization and Process Development Unit Manager), Emre Özmen (Credit Monitoring Unit Manager), Nilgün Yılmaz (Operation and Legislation Unit Manager), Eda Kayhan (Legal Affairs Unit Manager) and Gamze Mert (Corporate and Commercial Marketing Unit Manager). Regional Sales Managers may attend the meetings if required, even though they are not members of the committee.

The Committee aims 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.

IT Committee

IT Committee members are Kaya Yıldırım (Board Member and General Manager), Barış Uzmay (Executive Vice President), Zeki Pekmezci (Executive Vice President), Mert Ercan (Executive Vice President) and Nazan Aktaş (Unit Manager).

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

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 one time in 2019.

In the meeting held in 2019, the Committee evaluated the ongoing projects and the projects with deadlines. Open projects with no planning are discussed to determine their priorities.

SENIOR MANAGEMENT



Kaya Yıldırım
General Manager and Member of the Board of Directors

The resume is enclosed on page 29.



Mert Ercan
Executive Vice President

He graduated from the Business Administration Department at Dokuz Eylül University. In 1999, he started to work in T. Garanti Bankası A.Ş. as the Vice Chairman of the Audit Board. And since March 15, 2011, he has been serving as the Executive Vice President of Garanti BBVA Factoring.



Memet Zeki Pekmezci
Executive Vice President

He graduated from Çukurova University Business Administration Department. In 1982, he started to work in T. Garanti Bankası A.Ş. as the Credits Regional Manager for Istanbul Europe 5. And since October 1, 2018, he has been working as Executive Vice President of Garanti BBVA Factoring.



Barış Uzmay
Executive Vice President

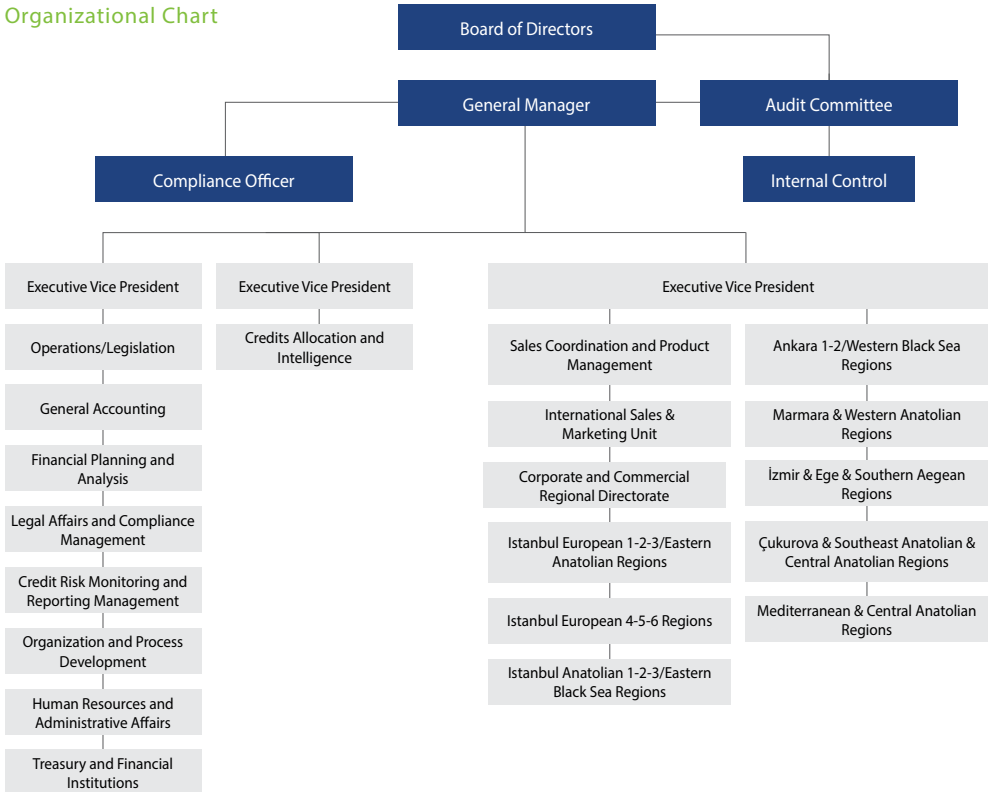
Graduated from Koç University Physics Department, he holds his master's degree from Istanbul Bilgi University Business Administration Department. He worked as the Branch Manager of Altunizade Commercial Branch within T. Garanti Bankası. Since October 01, 2018, he has been working as Executive Vice President of Garanti BBVA Factoring.

ORGANIZATIONAL STRUCTURE AND ORGANIZATIONAL STRUCTURE CHANGES

Changes to the Organizational Structure

As of June 17, 2019, the Structured Products Unit merged with the Sales Marketing and Coordination Unit and has become the Sales Coordination and Product Management Unit.

Organizational Chart



GARANTI BBVA FACTORING MAINTAINED ITS SUPPORT TO CUSTOMERS IN 2019 AS WELL. THANKS TO ITS STRONG BALANCE SHEET AND FUNDING STRUCTURE, THE COMPANY HAS FULFILLED THE RESOURCE NEEDS OF ITS CUSTOMERS AND PRESERVED ITS ACCOUNTABILITY AS A BUSINESS PARTNER.

2.2

(TL BILLION)
TOTAL ASSET SIZE

5.95%

MARKET SHARE

RECEP BAŞTUĞ
Chairman of the Board of Directors



CHAIRMAN'S ASSESSMENT

GARANTI BBVA FACTORING MAINTAINED ITS SUPPORT TO CUSTOMERS IN 2019 AS WELL. THANKS TO ITS STRONG BALANCE SHEET AND FUNDING STRUCTURE, THE COMPANY HAS FULFILLED THE RESOURCE NEEDS OF ITS CUSTOMERS AND PRESERVED ITS ACCOUNTABILITY AS A BUSINESS PARTNER.

As you know, 2018 was marked by trade wars and protective policies; this trend continued at full speed in 2019 and led to a decline in the growth rate of both the global economy and trade volume.

As of 2020, central banks worldwide have started to support growth through interest policies, which eventually brought some relief to the financial markets.

In the first half of 2019, the Turkish economy seemed to maintain the conditions of the previous year – there was some shrinkage in the economy and problems in economic growth. However, in the second half of the year, the process of rebalancing began with interest reduction, the fight against inflation, and an increase in loan demand. In 2020, we anticipate an outstanding performance compared to the last two years, alongside the projected continuity of growth and economic recovery.

In 2019, the factoring sector was on a parallel trend with the Turkish economy. There was shrinkage in the turnover and factoring receivables in the first half of the year. Starting in the third quarter, mobility began to accelerate, continuing through the fourth quarter and driving optimism in the markets.

With interest reductions and abundant liquidity in international markets, demand in the sector increased in the last quarter of the year. Within this period, factoring companies reached an asset size of TL 37 billion, TL 8.1 billion in shareholders' equity, and TL 1.4 billion in net profit by the end of 2019.

Garanti BBVA Factoring maintained its support to its customers during these fluctuations in the markets. Thanks to its strong balance sheet and funding structure, the Company has been able to fulfill the resource needs of customers and has preserved its accountability as a business partner.

The Company was able to preserve its asset quality in 2019. It had a successful year in balance sheet management, through comprehensive risk perception, particularly concerning domestic factoring transactions, and in compliance with the needs of the real sector.

To provide cost-effective collection, guarantee and financing services to its exporting customers for their international receivables, Garanti BBVA Factoring developed and maintained relations with a wide correspondent network – resulting in met needs for customers across a wide area.

In 2019, the Company added the BBVA brand to its title, like other BBVA Group companies, and began to use the name Garanti BBVA Factoring.



Our emphasis on the corporate management mentality is a powerful foundation of the sustainable development that has endured for years. Once again, we take pride in raising our Corporate Governance compliance rating pursuant to this principle that we apply without compromises. In the assessment conducted by Kobirate International Credit Rating and Corporate Governance Services Inc., our rating rose from 9.39 to 9.42, which is an indication of an equal, transparent, liable and accountable management perspective.

Distinguished by its qualified workforce, fast processes and service quality, Garanti BBVA Factoring continuously increases its productivity by investing in technological infrastructure. Integrating high productivity into its aim “to facilitate the opportunities of the age for everyone”, Garanti BBVA Factoring continued to deliver services with a constant focus on improvements in the Company’s internal processes in accordance with these goals, in 2019 as well.

As per its corporate responsibility approach, our Company is dedicated to contributing to society as well as the economy. The Company maintains its support to individuals, non-governmental organizations, associations, foundations, state institutions and organizations within the framework of activities focused on education, culture, art and the environment.

We closed 2019 with a more positive outlook, despite the challenges present at the beginning of the year. We believe that promising times, both for our country and Garanti BBVA Factoring, await us in the coming period.

As Garanti BBVA Factoring, we will continue to undertake our duties for the sustainable growth of the economy and development of our country. With our focus on growth, our Company manages risks efficiently. Meanwhile, we will keep supporting our customers and will pursue increasing our investments, to fulfill the needs of customers without any delay.

We have every confidence that 2020 will be a positive year for both our country and our Company. Our objective for the coming period is to grow rapidly in every aspect, mainly in SME and export factoring, and we consistently work to realize this objective.

We would like to thank our primary resources for this success, namely our employees and stakeholders.

Best regards,

Recep Baştuğ
Chairman of the Board of Directors



GARANTI BBVA FACTORING ENHANCES ITS
TECHNOLOGICAL INFRASTRUCTURE DAY BY DAY
IN ORDER TO STRENGTHEN ITS CORPORATE
STRUCTURE AND TO PROVIDE ITS CUSTOMERS
WITH NEW PRODUCTS AND SERVICES.

164

(TL MILLION)
SHAREHOLDERS' EQUITY

5.95%

MARKET SHARE OF THE TOTAL ASSETS

KAYA YILDIRIM
General Manager

GENERAL MANAGER'S ASSESSMENT

THE SMES FACE CHALLENGES IN CREATING COLLATERAL AND GAINING ACCESS TO FINANCING. THUS, GARANTI BBVA FACTORING STRIVES TO PROVIDE SOLUTIONS TO SMES VIA FAST, AFFORDABLE AND CONSISTENT ACCESS TO FINANCING. INCREASING THE SHARE OF SMES IN ITS BALANCE SHEET IS A STRATEGIC GOAL OF THE HIGHEST PRIORITY FOR THE COMPANY.



Esteemed Stakeholders,

Factoring is a modern financing method that has been adopted by many companies across the world. It has become a globally significant sector with a turnover of USD 3 trillion. In Turkey, the sector developed rapidly, particularly in the 2000s, and Turkish factoring companies became distinguished, ranking among the bests in export factoring worldwide.

While 2019 began on a negative note in terms of the factoring sector, it concluded with greater optimism. The speed of economic growth in the first half of the year decreased due to ongoing impacts from 2018, such as

exchange rate shocks and high inflation. In parallel with these conditions, the factoring sector also contracted. As of the third quarter of the year, the transaction volume dropped by 20%; this volume was on the rise again in the following periods, thanks to the positive indicators in the economy.

According to data from BRSA, the total factoring receivables of the sector were TL 34 billion by the end of 2019. The sector had TL 37 billion in assets, TL 8.1 billion in shareholders' equity, and TL 1.4 billion in net profit for the period.

The factoring sector in Turkey still has high growth potential. While the share of factoring in developed countries is 10-12% within GDP, this share is around 4.5% in Turkey – an indication of its considerable potential. With regard to the share of non-bank financial institutions in the total finance sector, Turkey ranks last, with a 13% share, among the OECD countries. That the country closest to Turkey in this ranking, namely Spain, has a 31% share reveals the difference.

Therefore, it is essential to expand and diversify the number of customers, which is currently around 100,000. The Supply Chain Financing System, created under the leadership of the Association of Financial Institutions, will have a significant contribution to reaching this objective. Transferring the process onto a digital platform will help us increase the number

of transactions and customers. The buyer, the seller and the factoring company will be able to follow up on the tradeable invoice, the buyer's confirmation on the invoiced receivable, and other relevant documentation through the platform.

Additionally, when the regulations that separate the financial sectors are on par, the sector's growth rate will accelerate. For instance, when the provisions made for non-performing loans have been deducted from the tax base as of 2019, all sectors affiliated with the Association of Financial Institutions benefited from this implementation. Moreover, activities to eliminate competitive inequalities are also in progress. A few examples of the existing inequities are as follows: i) The credit used in the same transaction is subject to double taxation with respect to the Banking and Insurance Transactions Tax (BITT); ii) The credits with a term of less than three years obtained by the members of our Association from abroad are covered by the Resource Utilization Support Fund (RUSF); iii) There is no access to the address-sharing system.

Garanti BBVA Factoring, the leader and pioneer of the sector, consistently contributes to the sector and the Turkish economy. Our Company successfully preserved asset quality in a quite compelling 2019. Apart from the exchange rate increases in the non-performing loans portfolio, the Company closed the year without any new influxes thanks to its solid corporate management approach and smart risk management policies.

Despite unfavorable market conditions, Garanti BBVA Factoring was steadfast in supporting its customers, proudly and successfully fulfilling customers' resource needs. The Company substantially achieved its objective to grow in export factoring and SME segment factoring receivables, increasing factoring receivables in the SME segment by 41%.

37

(TL BILLION)

Total Assets of the Factoring Sector

Via 11 branches and 129 employees, Garanti BBVA Factoring reached TL 11.2 billion in transaction volume and closed the year with an asset size of TL 2.20 billion. Our Company processed a total of 36,205 factoring transactions, which increased factoring receivables to TL 2.09 billion and net profit to TL 24.4 million. As of year-end 2019, our Company reached TL 7.3 billion in domestic transaction volume and TL 3.9 billion in international transaction volume.

The Collection Guarantee drew considerable interest in the sector in 2019, as it had in previous years. In 2019, the Company focused on improving the Collection Guarantee product while adding new export products to its portfolio.

In 2019, SMEs emerged as an important center of our policies. The SMEs – the main agents of the economy in every aspect – face challenges in creating collateral and gaining access to financing. Thus, Garanti BBVA factoring strives to provide solutions to SMEs via fast, affordable and consistent access to financing. After all, increasing the share of SMEs in its balance sheet is a strategic goal of the highest priority for the Company.

GENERAL MANAGER'S ASSESSMENT

COMPARED TO PREVIOUS YEARS, GARANTI BBVA FACTORING HAS INCREASED THE NUMBER OF CUSTOMERS SERVED IN EXPORT FACTORING TRANSACTIONS. ACCORDING TO FCI DATA, THE MARKET SHARE OF THE CORRESPONDENT EXPORT FACTORING TURNOVER WAS MAINTAINED AS 22.44% IN 2019.

16

HOURS
TRAINING PERIOD PER EMPLOYEE
ON AN ANNUAL BASIS

As such, supplier financing solutions are among the most commonly used tools, and we are conducting activities regarding various products in the Supplier Financing and Commercial Collection Management area. The technology investments into Supplier Financing and related systemic developments will continue in 2020 as well.

With its primary focus on the needs of its customers, Garanti BBVA delivers services with the BBVA synergy through an extensive network. Compared to the previous years, the Company has relatively expanded its customer base for export factoring transactions. According to FCI data, the market share of the correspondent export factoring turnover has been maintained at 22.44%.

Another important development in 2019 was the comprehensive review of the existing credit processes. To this end, the Credits Allocation and Intelligence teams were united: thus, an organization with the required competency was established to assess both the seller and buyer aspects of the factoring transactions and to uphold a holistic approach to trading. Furthermore, a new rating model was designed to assess the receivable quality on a scoring basis, and this has been utilized during the operational processes.

A principle feature behind the Company's pioneering role in the sector is its digital infrastructure. Garanti BBVA Factoring consistently develops innovative products and services in response to client needs with its customer-oriented service approach and specialized workforce.

The Company's mobile application, with testing completed in the first half of 2019, is expected to increase the number and volume of transactions, particularly in the SME segment, in 2020.

Garanti BBVA Factoring has begun developing a web page where buyers and suppliers can perform supplier financing transactions on a digital platform. This is expected to be implemented in 2020.

In addition to its customer-focused approach, the Company operates with a constant awareness of the importance of a distinctive, qualified and dynamic workforce for sustainable development, and always promotes investing in its employees.

Garanti BBVA Factoring provides its employees with training programs to help them enhance their technical, professional and personal competencies. In 2019, the Company organized more than 280 in-class and on-the-job training courses on 51 different topics. A total of 2,107 hours of in-class and on-the-job trainings took place, with an annual average training period per employee of 16 hours.

I would like to extend my sincere gratitude to our employees and our stakeholders, who support us every day in attaining our objectives and becoming a global brand.

Best regards,

Kaya Yıldırım
General Manager



TL 2.09 BILLION

In 2019, Garanti BBVA Factoring had
TL 2.09 billion factoring receivables.

OVERVIEW OF THE TURKISH AND GLOBAL ECONOMY

ACCORDING TO THE TURKISH ECONOMY ON SECTORAL BASIS IN 2019, THE EMPLOYMENT IN THE SUB-SECTORS EXCLUDING THE AGRICULTURE HAS STARTED TO INCREASE.

5%

ANNUAL CREDIT GROWTH

The modest recovery of economic activities in Turkey was reflected in unemployment rates towards the end of 2019. In September, the unemployment rate dropped from 14.1% to 13.9%, with the non-agricultural unemployment rate around 16.3%. The unemployment rate among the young population which was 27.1% in August, declined to 26.1%. According to the adjusted August data, the total number of unemployed people, which stood at 4.626 million, had dropped by 73 thousand to 4.553 million in total by September.

Employment in sub-sectors, excluding agriculture, is observed to have risen on a sectoral basis. While the annual employment increase in the service sector is 68 thousand, waning employment in construction and industry showed some recovery in September.

On the other hand, the total financing from international markets reached USD 11.2 billion, including the USD 2.5 billion Eurobond issue in November. As a result, external borrowing exceeded the projected external financing rates for 2019, which were USD 8 billion. Projected rates in 2020 for external financing are USD 9 billion.

As of December 20, inflow to government domestic debt securities (GDDS) was USD 313.9 million while inflow to shares amounted to USD 88.8 million. However, in November, USD 312.1 million in an outflow from GDDS took place, while inflow to shares reached USD 241.8 million.

Annual credit growth with the adjusted exchange rate was 5% as of December 2019. The public banks saw a 12.8% annual credit growth while private banks had a -0.5% rate.

A substantial rise in tourism income and the limited foreign trade deficit in 2019 resulted in the balance of payments reaching a current surplus of USD 1.5 billion in October and

USD 4.4 billion on an annual basis. With regard to the financing items of the current account balance, the portfolio transfers had USD 2.3 billion outflows on an annual basis, while there was a USD 17.8 billion net credit payment in the last 12-month period. Inflows based on direct investment reached USD 6.9 billion on an annual basis, while foreign exchange reserves increased by USD 10.9 billion. The contribution of the net error and omission item on the current account balance was USD 4.6 billion.

The budget surplus of TL 7.8 billion was generated as a result of the increase in tax revenues. In November, there was an 8% increase in tax revenues, a 2.6% increase in budget revenues and a 1.6% increase in budget expenses on an annual basis. The budget deficit for the January-November period was TL 92.9 billion.

The primary balance in November had a surplus of TL 15.2 billion. The primary expenditures, which had risen by 17-20% in recent years, are expected to show an increase of 7.6% in 2020, indicating strict fiscal discipline. Additionally, the nominal increase of 17.5% and the real increase of 8.5% in tax revenues are a signal challenging expectation.

The growth expectation of the Turkish economy in 2019 was 0.3% and the year-end inflation stood at 11.84%.

11.84%

INFLATION RATE IN 2019

FACTORING SECTOR OVERVIEW

THE FACTORING SECTOR IS A FINANCIAL INSTRUMENT IN WHICH THE COMPANIES WITH FORWARD SALES TRANSFER THEIR CURRENT OR FUTURE CLAIMS RESULTING FROM THE SALES OF GOODS AND SERVICES TO THE FINANCIAL COMPANIES TO ENSURE CASH FLOW AND SECURE THEIR RECEIVABLES.

56

THE NUMBER OF FACTORING
COMPANIES IN TURKEY

Factoring in Turkey

Factoring activities 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 the 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 on April 24, 2013. As of year-end 2019, there are 56 factoring companies in the sector.

Defined primarily as the financing, guarantee and collection services, the factoring sector is a financial instrument in which the companies with forward sales transfer their current or future claims resulting from the sales of goods and services to the financial companies to ensure cash flow and secure their receivables.

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 needs for cash and payment guarantee.

In Turkey, the factoring sector has developed quickly in terms of transaction volume and customer numbers especially since the second half of the 2000s. When the factoring sector became subject to supervision and inspection of BRSA 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 common channels to reach customers.

In 2016, the factoring industry strengthened its collaboration with Türk Eximbank. After obtaining access to Eximbank's export rediscount credits, which were extended to exporters, the factoring industry signed 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, the Association of Financial Institutions is currently developing the system infrastructure and the legal framework for the Supplier Finance product, which is planned to be launched next year.

Factoring Worldwide

Since the 1950s, several factoring companies providing advanced services have been established in many countries. Failing to develop any further until the 1970s, factoring became a reliable financing method after the oil crisis in 1973 for many enterprises who were seeking to expand their operations internationally under more challenging global trade conditions.

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

Today, we have a well-established factoring industry in more than 50 countries, particularly in Europe and the USA. The factoring transactions in Europe compose the majority with a 68% rate, followed by 20% in Asia and 9% in the USA.

The global factoring industry has expanded at an average annual rate of 10% over the last 25 years.

SALES COORDINATION AND PRODUCT MANAGEMENT

IN 2019, GARANTI BBVA FACTORING PROVIDED SERVICES TO A TOTAL OF 6,498 CUSTOMERS THROUGH 11 BRANCHES ACROSS TURKEY. BY THE END OF 2019, THE COMPANY RECORDED A VOLUME OF TL 7.3 BILLION IN DOMESTIC TRANSACTIONS AND TL 3.9 BILLION IN INTERNATIONAL TRANSACTIONS.

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

Garanti BBVA Factoring 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 BBVA Factoring delivers its products and services across the country.

In 2019, Garanti BBVA Factoring has provided services to a total of 6,498 customers through 11 branches across Turkey. By the end of 2019, the company recorded a volume of TL 7.3 billion in domestic transactions and TL 3.9 billion in international transactions.

The Sales Coordination and Product Management Unit at Garanti BBVA Factoring aims to deliver the right products to the right customers through the right channels at the right time in line with the customer segmentation and profitability models.

The Sales Coordination and Product Management Unit is in charge of formulating and implementing the marketing strategies and appropriate tactical marketing plans according to the target customer segments. The Unit revises these plans whenever necessary, shares them with regional offices, monitors the implementation, and resolves any potential issues.

New System Designs (Scoring)

In 2020, Garanti BBVA Factoring will continue designing and developing new scoring systems to boost the number and volume of transactions, particularly in the SME segment. As for the international transactions, the Company aims to play a more active role in the presentation and sales of the Correspondent Guaranteed Factoring and Supplier financing products; maintaining the leading position in the market share is another goal of the Company.

Digitalization and Mobile

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

Based on this approach, the Sales Coordination and Product Management Unit further expanded the popularity and scope of innovative products in both domestic and international transactions in 2019.

The Company's mobile application, with testing completed in the first half of 2019, is expected to increase the number and volume of transactions, particularly in the SME segment, in 2020.

THE COMPANY'S MOBILE APPLICATION, WITH TESTING, COMPLETED IN THE FIRST HALF OF 2019, IS EXPECTED TO INCREASE THE NUMBER AND VOLUME OF TRANSACTIONS, PARTICULARLY IN THE SME SEGMENT, IN 2020.

Moreover, in 2020, the Company aims to digitalize across its current operational activities to increase the number and volume of transactions, mainly for SME companies, and to provide faster and more efficient solutions to customer requests.

Garanti BBVA Factoring also plans to continue making capital investments in systems infrastructure and human resources in 2020. The Company targets improving operational efficiency while striving to realize its set performance objectives.

Scope of the Collection Guarantee

The Collection Guarantee service, which was added into the product range of Garanti BBVA Factoring in 2013, continued to generate huge demand in 2019 as in previous years. In 2019, the Company focused on improving the Collection Guarantee product while adding new export products into its portfolio.

The Company also continued to make progress and focus on new products in the areas of Supplier Financing and Commercial Collection Management in 2019.

The technology investments in Supplier Financing and the related system developments in 2019 will proceed in 2020 as well.

With respect to the Commercial Collection Management, on the other hand, the Company will keep working on the Net Recommendation Score and Customer Satisfaction measurements in 2020, which were started in 2018 and continued last year.

Product Management and Business Development Unit

The 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 this regard, the Company further improved and expanded the scope of its existing product portfolio in 2019 and launched new products.

In a project launched jointly by the Association of Financial Institutions ("FKB") and Türk Eximbank in 2015, the factoring companies began to offer exporters affordable financing facilities by Eximbank. This collaboration was further expanded in 2016 to include the financing for receivables secured by the Eximbank's credit insurance.

Applications Through the New Website

In 2019, the Company stepped up its social media activities to support customer communications. To this end, the Company's website has been redesigned to serve as an application channel and has enabled to display the customer products on the internet branch.

Garanti BBVA Factoring aims to focus on digitalization in 2020, too.

INTERNATIONAL SALES AND MARKETING

WITH THE MOST EXTENSIVE BRANCH NETWORK AMONG THE BANK SUBSIDIARY COMPANIES IN THE SECTOR, GARANTI BBVA FACTORING SIGNIFICANTLY EXPANDED ITS CUSTOMER BASE FOR EXPORT FACTORING IN 2019 COMPARED TO THE PREVIOUS YEARS.

Thanks to its strong relations management skills, the International Sales and Marketing Unit serves a wide range of products to the correspondent factoring companies. The innovative and customer-oriented approach helps the Unit provide the customers with the highest quality services in their international operations. With its team of experts and knowledge in the international factoring sector, the Unit makes a great difference and offers tailored solutions to the customers.



With the extensive branch network, Garanti BBVA Factoring significantly expanded its customer base for export factoring in 2019 compared to previous years. According to the FCI data, the Company maintained its market share of correspondent-guaranteed export factoring turnover as 22.44%

Garanti BBVA Factoring accelerated efforts to ensure continued success and made capital investments in systems infrastructure throughout 2019. Aware of the importance of the expertise in the export and import factoring, the Company sent the employees to overseas training programs and encouraged them to participate in international certification exams.

In 2019, Garanti BBVA Factoring plans to maintain the growth momentum in the correspondent guaranteed export and import factoring. The company also aims to increase the number of customers across the country, particularly in the export segment, to conduct more customer and branch visits to stay in close contact with customers, and to visit correspondent banks to further improve correspondent relations.

22.44%

THE MARKET SHARE OF THE
CORRESPONDENT EXPORT
FACTORING TURNOVER

CREDITS ALLOCATION AND INTELLIGENCE

IN 2019, GARANTI BBVA FACTORING SWITCHED TO BUYER CREDIT EVALUATION MODELS BASED ON SCORING. THUS, THE COMPANY AIMS TO HAVE A QUICKER DECISION-MAKING PROCESS DURING THE CREDIT EVALUATION PROCESSES IN 2020.

The main duties of the Credits Allocation and Intelligence Unit is to conduct the credit evaluations of sellers and buyers within the scope of the defined Company Credit Policies. During the evaluation processes, the customer information, as well as other data like economic developments, sector and market conditions, are taken into consideration. All necessary credit analyses are performed within the credit process standards to determine the credibility of sellers and buyers and to make decisions accordingly. Following the allocation of credit, the Unit also provides credit management services.

In 2019, there have been some productivity-directed improvements in the evaluation processes, and the Credit Processes Committee convened six times in this regard.

In 2019, Garanti BBVA Factoring switched to buyer credit evaluation models based on scoring. Thus, the Company aims for a faster decision-making process during credit evaluation processes in 2020, with the help of scoring-based evaluation models and digitalization.

TREASURY AND FINANCIAL INSTITUTIONS

GLOBALLY DISTINGUISHED BY ITS STRONG RELATIONS MANAGEMENT SKILLS, GARANTI BBVA FACTORING FOCUSES ON OPPORTUNITIES FOR DOMESTIC AND FOREIGN TRADE FINANCING BASED ON CUSTOMERS' NEEDS.



TL 1,026 MILLION
Discount Bond Issue Amount

The Treasury and Financial Institutions Unit meets the funding needs of Garanti BBVA Factoring and manages its cash flow. Besides, the Unit manages the liquidity risk and maturity risk by setting the Company's interest rates to maximize balance sheet net margins and minimize fluctuations. Therefore, it closely monitors the market conditions and makes the required analyses to carry out the essential transactions in the spot or derivatives markets. It successfully manages the relations with the local banks in Turkey as well as those in Europe, North America and Central Asia.

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

Garanti BBVA Factoring, internationally well-known for its strong relations management skills, provided cost-effective funding in the volatile environment in 2019 and diversified the funding sources according to the market conditions.

In 2019, Garanti Factoring 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.

In 2019, Garanti BBVA Factoring strengthened the relations with its collaborating banks and ensured the most cost-effective funding possible for its balance sheet. To that end, the Company collaborated with foreign banks particularly in the area of international trade funding, further deepening and strengthening its relationships with the 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.

The main objective of the Treasury and Financial Institutions Unit is to increase the Company's profitability by closely monitoring the financial markets. The funds from Takasbank Money Market and the Turkish Lira bond issue have significantly contributed to Garanti BBVA Factoring's asset-liability management practices in 2019.

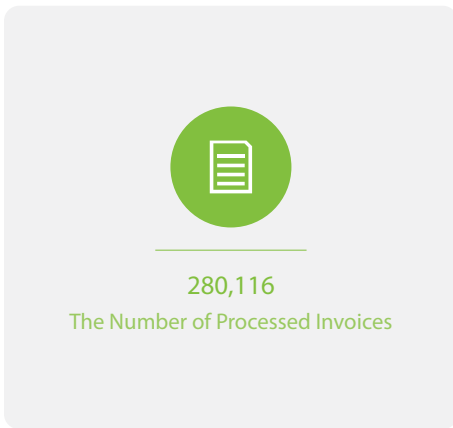
In 2019, Garanti BBVA Factoring issued discount bonds with a three to six-month maturity and total nominal value of TL 1,026 million offered exclusively to qualified investors via private placement. The Company also amortized bonds with a total nominal value of TL 1,532 million.

Despite a volatile interest and exchange rate environment, Garanti BBVA Factoring plans to pursue its current business strategy and prioritize bond issues in 2020 as well.



OPERATIONS AND LEGISLATION

IN 2019, GARANTI BBVA FACTORING CONDUCTED 36,205 CREDIT ALLOCATIONS AND PROCESSED A TOTAL OF 280,116 INVOICES.



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 BBVA Factoring's policies and procedures. Besides, 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 relevant authorities while taking a primary role in the sector for uncertainties in 2019.

36,205 Credit Allocations

In 2019, the Operations Unit conducted 36,205 credit allocations and processed a total of 280,116 invoices.

The Operations and Legislation Unit introduced structural changes in 2019 and increased operational productivity. Thanks to ongoing improvements and training support across the organization, the Unit gained more experience. It also ensured the completion of transactions within the standard periods and quality levels with minimal operational risks, especially in a high-risk period.

Internal Training Programs

The Operations and Legislation Unit voluntarily contributes to internal training and industry-based training programs. In addition to technology-related capital investments, Garanti BBVA Factoring will continue investing in human capital in 2020 with the training programs for all units within the Company.

HUMAN RESOURCES AND TRAINING

WITH THE DISTINCTIVE, QUALIFIED AND DYNAMIC WORKFORCE, GARANTI BBVA FACTORING HAD 129 EMPLOYEES AS OF DECEMBER 31, 2019.



2,107 HOURS

In-Class and on the-Job Training Periods

Garanti BBVA Factoring considers its workforce as its most valuable asset. Accordingly, the Company's human resources vision is to become a success- and productivity-oriented corporation open to continuous development, where everyone is the leader of their business, success is rewarded according to measurable performance criteria, employee loyalty increases day after day, and employees feel satisfied.

Always aiming to be the industry leader, Garanti BBVA Factoring understands that the main factor for stable growth is a distinctive, highly-qualified, dynamic workforce. To this end, the Company continues to invest in its employees and improves the human resources practices day by day.

With the distinctive, qualified and dynamic workforce, Garanti BBVA Factoring had 129 employees as of December 31, 2019.

2,107 Hours of Training

Garanti BBVA Factoring provides its employees with the training programs to help them improve their technical, professional and personal competencies. In 2019, the Company organized more than 280 in-class and on-the-job training courses on 51 different topics. Total 2,107 hours in-class and on-the-job trainings were delivered; the annual average training period per employee was 16 hours.

Aiming to meet the training needs of employees in a fast and convenient way, Garanti BBVA Factoring also provided 35 different e-learning courses in 2019. The employees participated in various events like conferences, seminars and congresses that were relevant to their respective areas of expertise.

Some of the trainings in 2019 were as follows:

Technical and Professional Trainings

Financial Analysis
Advanced Excel
Current Economic Developments
Balance Sheet Reading Techniques
Non-Performing Loans
Personal Data Protection Law ("KVKK")

Personal Development Trainings

Stress Management
Team Relationship Management
Persuasion and Conflict Management
Improving Managerial Skills
Advanced Presentation Skills
Personal Leadership Skills
Creative Drama in Communication
Proper and Effective Speaking
Self-Motivation
Analytical Thinking and Decision Making

HUMAN RESOURCES AND TRAINING

IN 2019, ALL THE MANAGERIAL LEVEL PROMOTIONS IN GARANTI BBVA FACTORING WERE FROM THE INTERNALLY TRAINED STAFF.

Additionally, in 2019, employees were provided with 120 hours of in-class English trainings according to their levels.

Occupational Health and Safety Trainings

Under the Company's occupational health and safety training programs, 26 employees received in-class training courses on "Basic Occupational Health and Safety & Emergency and Ergonomics Training" in 2019. In addition to the basic training programs, four employees completed "First-Aid Certification Training."

All the employees were provided with access to e-learning courses on Ethics and Integrity Principles & Personal Data Protection Law. In addition to these trainings, all the new employees were also provided with some other e-learning courses, such as Information Security, Data Sharing Process, Anti-Money Laundering and Combatting the Financing of Terrorism, and as well as Volcker Rule training for the relevant departments.

As in previous years, the FCI training programs were included in Garanti BBVA Factoring's training catalog in 2019. The Company also keeps rewarding the employees who completed these certification programs. The Company participated in the aforementioned training seminars, as well as training programs by the Banks' Association of Turkey and the Association of Financial Institutions during the year.

Career Maps

In line with the human resources policy, Garanti BBVA Factoring trains future managers by prioritizing internal promotion. In 2019, all the managerial level promotions within the Company were from the internal staff.

Within the scope of this policy, the Company created "Career Maps" based on objective and transparent criteria to determine the appropriate career paths for employees that match their skills, experiences, expectations and goals. Since then, these maps have guided employees on their career paths.

Through the e-performance system, the Company conducts the employee performance assessment online once a year.

Rewarding 5 Employees

The purpose of the recognition program is to reward employees who "make a difference" in line with the Company's goals and strategies, in the predetermined reward categories, and to create awareness of excellence across the organization. In this regard, five employees received awards in various categories in 2019.

With the Foreign Language Proficiency Bonus, Garanti BBVA Factoring aims to motivate its employees 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.

Distribution of Employees by Gender (%)

Male	43
Female	57

Average Age of Employees

Male	38
Female	36

Education Level (%)

Primary School	1
High School	5
Associate Degree	7
Undergraduate	68
Postgraduate	19

In-Class and On-the-Job Training Provided to Employees (Hour)

Per person	16
Total	2,107

57%

FEMALE EMPLOYEE RATE

RESEARCH AND DEVELOPMENT

WITH THE IMPLEMENTATION OF VARIOUS PROJECTS IN 2019, GARANTI BBVA FACTORING AIMS TO IMPROVE THE INTERNAL PROCESSES AND TO COMPLY WITH THE FUNCTIONING OF THE SECTOR AND WITH THE GARANTI-BBVA CONSOLIDATION PROCEDURES. THE COMPANY HAS INTEGRATED PRODUCTIVITY INTO ITS VISION, WHICH IS TO BE ONE OF THE PIONEERS IN THE SECTOR.

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

With the implementation of various projects in 2019, Garanti BBVA Factoring aims to improve the internal processes and to comply with the functioning of the sector and with the Garanti-BBVA consolidation procedures. The company has integrated productivity into its vision, which is to be one of the pioneers in the sector.

By analyzing current and past data, Garanti BBVA Factoring has created a scoring model that reinforces efficiency in risk assessment processes. In 2020, the Company will continue to improve and enhance the model to increase operational productivity.

Garanti BBVA Factoring has begun developing a web page where buyers and suppliers can perform supplier financing transactions on a digital platform. This is expected to be implemented in 2020.

INVESTMENTS

In the 2019 fiscal period, Garanti BBVA Factoring purchased tangible assets worth TL 22,000 and intangible assets (software) worth TL 6,938 thousand.



RISK MANAGEMENT POLICIES

THE COMPANY REGULARLY REVIEWS THE ORGANIZATION AND EXISTING MODELS FOR RISK MANAGEMENT WITHIN THE SCOPE OF RISK MANAGEMENT ACTIVITIES.

Financial Risk Management Objectives and Policies

The purpose of the Garanti BBVA Factoring's risk management strategy is to ensure both the optimal allocation of capital and the growth by measuring the risks and considering the risk-return balance within the activities under the Risk Management Committee.

Within this scope, the main principles are; (i) Detecting and analyzing the risks according to the volume, characteristics and complexity of Garanti BBVA Factoring's activities; (ii) Complying with the international and local legal regulations; (iii) Maintaining the financial strength by monitoring and controlling risks in order to limit the impacts of potential adverse market conditions on the capital and revenues; (iv) Creating a risk culture within Garanti BBVA Factoring by creating risk transparency and awareness; (v) Ensuring the Company to assess the potential risks caused by newly developed products or services.

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

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

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

RISK MANAGEMENT POLICIES

DURING THE CREDIT ALLOCATION PROCESS, GARANTI BBVA FACTORING CREDIT COMMITTEE GATHERS WEEKLY, EVALUATES THE REQUESTS AND MAKES DECISIONS IN ACCORDANCE WITH THE ASSET ALLOCATION LIMITS.

Credit Risk

Garanti BBVA Factoring faces credit risks as per its subject of activity. In credit risk management, there are methods mainly focused on the pre-allocation and monitoring processes. The Company has an existing credit policy. Companies that lack credit allocation criteria cannot start a credit relationship with Garanti Factoring. The Credit Committee regularly meets and all credit requests are considered on their merit. Early warning systems are also introduced for the supervision of the allocated credits. Necessary studies and customer credibility measurements are performed as of periods. The Company has subcommittees in charge of credit processes and NPL management to ensure effective monitoring of credit risk.

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

During the credit allocation process, the Garanti BBVA Factoring Credit Committee gathers weekly, evaluates requests and makes decisions in accordance with the asset allocation limits. Additionally, other authorities with the delegation of allocation can perform credit allocations within the scope of their authority. The rating of receivables and the credibility of the seller, as well as the content of the trade, are prioritized during the analysis. There is a "limit expiry date" in the allocation of the current credit limits. The allocated limit is valid for a

maximum of one (1) year. The decision-making authority reserves the right to amend the expiry date to a period of less than one (1) year for control purposes. During credit allocation analyses, there are two methods of credit risk determination and management:

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 limit

During the credit monitoring stage, early warning systems are introduced for the monitoring of allocated credits. Additionally, necessary studies and customer credibility measurements are performed at regular periods. To this end, bad checks, overdue factoring receivables and invoices are monitored daily. If deemed necessary, customers undergo additional screening and intelligence processes.

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

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

Market and Structural Interest Rate Risk

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

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

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

Liquidity Risk

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

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

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

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

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

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

RISK MANAGEMENT POLICIES

IN ORDER TO CREATE AN EFFICIENT "INTERNAL CONTROL SYSTEM", GARANTI BBVA FACTORING CONDUCTS THE REQUIRED ORGANIZATIONAL ARRANGEMENTS, IMPLEMENTS THE VIABLE COMMUNICATION AND INFORMATION SYSTEM AND ESTABLISHES THE SUPERVISION FUNCTION.

The essential metrics are as follows:

- i. Liquidity and Funding Risk Limit: This metric aims to reduce the dependence on short-term funding and markets with a more sensitive risk perception through a proper diversification in the wholesale funding structure. This aim is set by defining the maximum level for net short-term funding.
- ii. Prospective Metrics: These metrics are established to detect potential threats in advance, and to take preventive management actions to control these threats when applicable. Prospective metrics are as follows:
 - Stress Test: It is crucial to project the metrics in different scenarios to assess the solidity of the liquidity profile. Predictions for liquidity and funding structures help the Bank identify the potential deviations from the strategic plans and limits. Stress test analyses are utilized for the development of the Liquidity Urgent Action Plan, as well as the identification of measures to reduce the risk.
 - Early Warning Signals: These key indicators ensure the detection and prevention of potential liquidity stress conditions.

Operational Risk

All the operational risks within the Company are managed under the supervision of the Board, Audit Committee, Risk Management Committee and Early Detection of Risk Committee. The aim is to define, assess, monitor and control/reduce the risk elements. Each Unit is accountable for the monitoring and control of operational risks within that Unit and is responsible for reducing the risks by taking necessary actions. The ultimate responsibility lies with the relevant Senior Management. No loss is incurred within the period.

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

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

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

The Garanti BBVA Directorate of the Audit Board and Internal Control Department conducts monitoring regularly. The aim is to assess whether the internal control system is functioning smoothly and that the operational risks are effectively taken under control. The internal control system includes the following: systemic controls; the controls made by employees during the ordinary course of business; organizational structure; and delegation of authorities and responsibilities, as well as the control environment related to the risk notion in general terms.

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

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

Systemic or procedural limits are applied to enhance the control environment in various fields of activity. These limits are set to restrict operational risks by considering certain matters, such as the importance of the work for the Company, the risk involved and the size of the loss it may cause, and the qualifications of the employee in charge of the transaction. These limits are evaluated periodically and updated in accordance with needs. The operational risk-related limits are managed by identifying and approving the non-conformities of the following authorities with the credit allocation process and competences: the signatory list authorities, the payment and transfer authorities, the accounting transaction authorities, and the purchase, sales and expense

related authorities. Additionally, the Operational Risk Losses/Gross Income indicator, which is one of the risk management metrics, helps to monitor the actual losses. The Risk Management Committee reports potential exceeding to the Board.

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

Reputational Risk

All employees of the Company and, ultimately, the Board, are responsible for the protection of the Company's reputation. The Human Resources Department, the Compliance Officer and the Internal Control Department define the ethical principles that regulate the behaviors and business relations of employees and monitors the compliance thereof.

The Company avoids any transaction and activity that may pose a reputation risk in the eyes of the authorities, customers and other market players and, thus, 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, and Corporate Governance Principles, as well as social, ethical and environmental values and principles.

The documents, "Ethics and Integrity Principles" and "Prevention of the Abuse and Unethical Behaviors Policy", are shaped by input from the Human Resources Department and the Garanti Bank Compliance Department. These documents aim to regulate the behaviors and business relations of the Company's employees. Dedicated to its Corporate Management Principles, the Company pays strict attention to the implementation of those Principles. It also keeps the Annual Report and website updated per the Corporate Management Principles.

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

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

Therefore, the Internal Control Unit has done the following:

- The Unit has conducted the control activities to ensure that company activities are carried out in a regular, efficient and effective manner in compliance with the legal regulations and the strategies and policies set by the Board.
- Within the scope of the control plan in 2019, the Unit has performed the control actions to measure the efficiency of the internal control systems and regularly reported the results to the Company Senior Management and Audit Committee.

In 2019, the Audit Committee and the Board supervised the sufficiency and efficiency of internal control and risk management systems. These systems including the accounting and reporting systems have been also monitored within the framework of the applicable regulations. In 2020, the Audit Committee and the Board will continue to supervise the sufficiency and efficiency of risk management and internal control systems in line with the Company strategies and activities.

Nihat Karadağ

Board Member

Member of Audit Committee

Serkan Çankaya

Board Member

Member of Audit Committee

INFORMATION ON DIRECT AND INDIRECT SUBSIDIARIES AND RESPECTIVE SHARE RATIOS

Garanti Faktoring A.Ş. has neither direct or indirect subsidiaries nor any respective share ratios as of December 31, 2019.

INFORMATION ON ACQUIRED SHARES

As of December 31, 2019, Garanti Faktoring A.Ş. has not acquired any of its shares.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT

The Company did not undergo any private audit in 2019.

LAWSUITS FILED AGAINST GARANTİ FAKTORİNG A.Ş.

During the 2019 fiscal period, there were no lawsuits brought against Garanti Faktoring A.Ş. that might affect the financial position and operations of Garanti BBVA Factoring.

INFORMATION ON ADMINISTRATIVE OR LEGAL SANCTIONS IMPOSED ON GARANTI FAKTORİNG A.Ş. AND/OR BOARD MEMBERS

During the 2019 fiscal period, there were no lawsuits brought against Garanti Faktoring A.Ş. that might affect the financial position and operations of Garanti BBVA Factoring.

PREVIOUS PERIOD BUDGET AND PERFORMANCE ASSESSMENT

In 2019, the factoring receivables of the sector increased by 8.3% and amounted to TL 34.02 billion, whereas the transaction volume decreased by 11.8% compared to the previous year and amounted to TL 11.2 billion. The total assets of the sector declined by 7% and closed the year with TL 37 billion.

As of 2019 year-end, Garanti BBVA Factoring had factoring receivable size worth TL 2.09 billion, and balance sheet size worth TL 2.20 billion. The transaction volume, on the other hand, amounted to TL 11.2 billion, including TL 3.9 billion from international transactions and TL 7.3 billion from the domestic transactions.

Apart from the exchange rate increases in the non-performing loans portfolio, there has been no essential impact of new influxes in 2019. The non-performing loans ratio has been around 14%. The ratio of the provisions made for the non-performing loans, which was 81.8% at the end of 2018, increased to 95.8%.

Despite the fluctuating market conditions that occurred in the first half of the year and partially lasted in the second half, Garanti BBVA Factoring was influenced by these fluctuations on a minimum level and was able to raise its net interest margin to 5.45% thanks to its inclusive customer portfolio and the widespread organization across the country.



Assets (TL million)	2018	2019
Cash Assets and Banks	20	12
Factoring Receivables	2,280	2,090
Other	4,834	3,899
Total Assets	2,434	2,202

Liabilities (TL million)	2018	2019
Funds Borrowed	1,760	2,005
Bond Issue	485	-
Other	2,600	7,112
Shareholder's Equity	155	164
Total Liabilities	2,434	2,202

Net Profit (TL thousand)	2018	2019
Net Interest Income	120,463	111,722
Other Income	(125,781)	(37,845)
Operating Expenses	(52,056)	(51,384)
Net Profit	(57,376)	24,438

Growth Rate (%)	Garanti	Factoring Sector
Average Assets	-27.2%	-17%
Average Factoring Receivables	-24.8%	-18.2%
Average Equity	-19.5%	24%
NPL Ratio	14	6.17
Number of Total Factoring Employees	-5.8%	-3.08%

Profitability Ratios (%)	2018	2019
Average Return on Assets	(1.99)	1.16
Average Return on Equity	(28.25)	14.95
Operating Income/Average Assets	9.9	17.9
Operating Expenses/Average Assets	1.8	2.42
Net Interest Margin	4.95	5.45
Coverage Ratio	81.8	95.8

DONATIONS AND AIDS IN 2019 – SOCIAL RESPONSIBILITY PROJECTS

IN 2019, GARANTİ FAKTORİNG A.Ş. DONATED TL 43,000 TO THE COMMUNITY VOLUNTEERS FOUNDATION, TL 35,000 TO THE CANCER HOPE FOR CHILDREN FOUNDATION, AND TL 700 TO THE TURKISH EDUCATION FOUNDATION, FOR A TOTAL OF TL 79,000.

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

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

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

In 2019, Garanti Faktoring A.Ş. donated TL 43,000 to the Community Volunteers Foundation, TL 35,000 to the Cancer Hope For Children Foundation, TL 700 to the Turkish Education Foundation, and TL 800 to the Tema Foundation, for a total of TL 79,000.

Moreover, in 2019, the Company provided scholarships to 12 students via the Garanti BBVA Factoring Scholarship Fund, formed within the Community Volunteers Foundation.

CO-OP Project

Under the tenth edition of Bahçeşehir University's CO-OP Project, "Garanti Faktoring: The World of Receivable Finance" classes continued during the spring semester in 2019. The Garanti BBVA Factoring managers delivered 30 hours of in-class trainings on the sector to the students of Bahçeşehir University for a total of nine weeks during the spring term. Besides, the students were able to actively participate in customer visits for three weeks. As in previous years, students showed great interest in the program in 2019.

Community Volunteers Foundation Charity Run

The corporate volunteers of Garanti BBVA Factoring ran for TOG Foundation in Istanbul Marathon this year and raised TL 4,601. This money was spent to help 23 young people implement their social responsibility projects.

Environmental Practices

Within the environmental practices, Garanti BBVA Factoring promotes recycling by collecting the paper, plastic bottle caps, battery and cargo bags within the Company.



INFORMATION ON GROUP COMPANIES

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

Transactions conducted with the holding company and its affiliates within the Group of Companies are ordinary commercial activities; there is no transaction, or any measure taken or avoided in favor of the holding company or its affiliated company with or without the guidance of the holding company.

The commercial activities by the holding company and affiliated companies are detailed hereinafter page 168 with footnote No. 24 "Garanti Faktoring A.Ş. Financial Statements as of December 31, 2019."

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

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

There is no Articles of Association Change within 2019.

REGULATIONS ON FACTORING LEGISLATION

The regulations on the factoring legislation within 2019 are as follows:

- Within the scope of the Law on Making Amendments to The Income Tax Law No. 7186 and Some Laws enacted after being published in the Official Gazette dated July 19, 2019, and No. 30386 (repeating), the Financial Leasing, Factoring and Financing Companies Law No.6361 has been amended as follows:
- The Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies are provided below.
- With Article 26 of Law No. 7186 dated 19.07.2019, the phrase "Financial leasing and financing companies" within the paragraph has been changed as "Company."

Provisions

ARTICLE 16

(2) (ANX: 28/11/2017-7061/106 Art.) All special provisions made by the Company pursuant to this article are accepted as expenditure during the corporate tax base determination in the relevant year. (2)

(3) (ANX: 17/7/2019-7186/26 Art.) After the special provisions are made pursuant to this article, uncollectible receivables written off shall be deemed bad debt within the scope of the provisions of Article 322 of the Law No. 213.

- The Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies, published in the Official Gazette No. 30961 and dated November 27, 2019, is provided below.

Write off

ARTICLE 4/A – (ANX: RG-27/11/2019-30961)⁽⁴⁾

(1) Pursuant to article 6 of this Regulation, the receivables that have been booked to "Uncollectible Receivables" account, and because the debtor has defaulted, for which lifetime expected credit loss provision or special provision was allocated; the part of these receivables for which there are no reasonable expectations to make a collection, can be written-off under TFRS 9, as of the first reporting period (interim or end-of-year reporting period) after these receivables are booked to "Uncollectible Receivables" account.

(2) Writing-off the uncollectible receivables under the first paragraph of this article is an accounting practice, and shall not mean that the receivable is waived.

(3) Write-off policy amounts written-off under TFRS 9, and the impact of these on the non-performing loans ratio should be explained in the footnotes to financial statements. Write-off policy should include; indicators specified by the company to decide that there were no reasonable expectations to make a collection, and the procedures on how to track these receivables, although they are written-off.

IMPORTANT EVENTS THAT OCCURRED AFTER THE END OF THE OPERATING YEAR

No development of special importance took place after the operating year ended.

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

Compensation and similar benefits granted to the board members and executives with managerial responsibilities amounted to TL 14,471 in total for the period ending on December 31, 2019.

GARANTI FAKTORING 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 provisions of the Articles of Association 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 for 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 Director's decision and reasons regarding this amendment are publicly announced within the framework of the regulations of the Capital Markets Board Communiqué on "Disclosure of Material Matters" on the Company's website.

At the Ordinary General Assembly Meeting for the year 2018 held on March 26, 2019, taking into consideration the Company's financial statements for the period January 1 - December 31, 2018, 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 KPMG Turkey, because a loss has been detected in the period, the General Assembly unanimously decided that the profit distribution is not an option and the current loss shall be kept within the Company.

TRANSACTIONS WITH RELATED PARTIES

Garanti BBVA Factoring's related party transactions are specified in footnote n.24 of the financial statements of Garanti Faktoring A.Ş. as of the 31 December 2019 as from page 168.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

A. OVERVIEW OF THE CORPORATE GOVERNANCE

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 an impact on our Company's competitive power, trade secrets and on the information that will create opportunity inequalities between the shareholders and stakeholders.

The annual agreement with KOBİRATE A.Ş. (Kobirate International Credit Rating and Corporate Governance Services Inc.) was signed on June 21, 2019, to register our Company's practices regarding compliance with the Corporate Governance Principles. As a result of the rating assessment made for the eighth time this year by KOBİRATE A.Ş., our Company's CMB Corporate Governance Principles Compliance Rating was increased from 9.39 to 9.42.

This result indicates that:

Garanti BBVA Factoring complies with the CMB's Corporate Governance Principles to a great extent; The potential risks within the Company have been detected and are actively controlled. The rights of the shareholders are protected reasonably. Public disclosures and transparency are superior. The rights of the stakeholders are safeguarded in an equitable manner. The Board's structure and business conditions comply with the corporate governance principles. However, some minor improvements with no major risks are required within the corporate governance principles.

The details of the Corporate Governance Principles ratings in major topics are given below in comparison to the previous periods;

		1 st Period	2 nd Period	3 rd Period	4 th Period	5 th Period	6 th Period	7 th Period	8 th Period	Increase Against the First Year
CMB Corporate Governance Principles Compliance Rating	Weight	83.60	87.00	89.00	91.50	92.60	93.21	93.85	94.15	10,55
Shareholders	25%	81.94	86.54	87.70	92.02	92.02	92.70	92.70	92.70	10.76
Public Disclosure and Transparency	25%	86.67	89.19	93.51	96.51	97.67	97.67	99.00	99.00	12.33
Stakeholders	15%	84.62	88.42	88.90	90.90	9.90	92.93	94.95	96.98	12.36
Board of Directors	35%	80.33	85.12	86.86	87.74	90.01	90.52	90.52	90.52	10.19

The following decisions have been unanimously made: The Corporate Governance Compliance Report dated 31.12.2018 and the Corporate Governance Information Form, both of which were prepared as per the Board's Decision No. 2019/007 taken on 28.02.2019 and as per the Corporate Governance Communiqué II-17.1 enacted by the Capital Markets Board's Decision No.2/49 taken on 10.01.2019 shall be acknowledged; and the Company's annual report dated December 31, 2018 shall be submitted to the information of CMB and Istanbul Stock Exchange.

On the Noncompliant Principles;

Despite the intent for full compliance to the Corporate Governance Principles, no conformity has been achieved due to the differences between the following principles and the sector and the organizational structure of the Company. No conflicts of interest have been caused between the Company and stakeholders because of the noncompliant corporate governance principles. There is no compliance with the principle n. 1.3.11.

Shareholders or their attorneys are allowed to attend the General Assembly Meetings. Shareholders are allowed to attend the Ordinary General Assembly Meeting in-

person physically or electronically as well as through their attorneys. The shareholders who cannot attend the meetings either physically or electronically shall compose the letter of attorney to depute, someone, in accordance with the sample letter obtained from our headquarters or website www.garantibbvafactoring.com, and shall submit the signed and notarized copy as per the CMB's "Communiqué on Voting By Proxy and Proxy Solicitation" n. II-30.1.

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

There is no compliance with the principle n. 4.3.9. As for the determination of the members for the Company's board of directors; the members of the Board consist of the related Executive Vice Presidents and General Manager of the principal shareholder, namely, T. Garanti Bankası A.Ş. Therefore, the senior managers of T. Garanti Bankası A.Ş., who are in charge of the selections and changes of the Company's board members, are also designated as the member of the Company's board. In the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy as well.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

partial compliance with the principle 3.1.3. Some parts of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/Corporate Governance section.

3.2.2. Our Company organizes vision meetings including the General Manager presentation with the participation of all employees every year. With periodical regional budget and performance meetings and weekly assets/liabilities committee meetings, information on the Company's progress is provided, suggestions are communicated and developments are followed.

There is no compliance with the principle n. 4.6.5. The annual wages paid to the independent members of the board are detailed in the annual report. The Members of the Board of Directors are not given any honorarium. The wages paid to the senior management and the executives with managerial responsibilities are shared in sum in the general assembly meetings and annual reports.

B. SHAREHOLDER RELATIONS

COMPANY CAPITAL AND SHAREHOLDING STRUCTURE

As of December 31, 2019, the capital of Garanti BBVA Factoring amounted to TL 79,500,000 and has been fully paid. The shareholding structure of our Company is shared below:

NAME OF THE SHAREHOLDER	SHARE RATIO (%)	CAPITAL STOCK (TL)	UNIT SHARE AMOUNT (Item)
TÜRKİYE GARANTİ BANKASI A.Ş.	81.84	65,065,635.07	6,506,563,506.71
Preferred	42.81	34,036,063.87	3.403.606.387,22
Deferred	12.59	10,010,607.01	1.001.060.701,14
Free Float Share	26.44	21,018,964.18	2.101.896.418,34
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	9.78	7,772,941.90	777.294.190,43
Preferred	7.56	6,006,364.21	600.636.420,76
Deferred	2.22	1,766,577.70	176.657.769,67
OTHER PUBLICLY TRADED	8.38	6,661,423.03	666.142.302,86
TOTAL	100	7,950,000,000.00	7,950,000,000.00
GROUP A		40,042,428.08	4,004,242,807.98
GROUP B		39,457,571.92	3,945,757,192.02

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

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

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

General Assembly Meetings

General Assembly Meetings are held in conformity with the regulations specified in the Company's Articles of Association and "Garanti Faktoring A.Ş. Internal Directive on General Assembly's Working Principles and Procedures" that entered into effect upon the approval of the Ordinary General Assembly Meeting held on 29.03.2013.

Garanti Faktoring held its 2018 Ordinary General Assembly Meeting on 26.03.2019 at the Company headquarters.

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

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

Right to Dividend

There are no privileges in profit sharing. Profit distribution methods and processes are stipulated in the Turkish Commercial Code, 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). 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).

Lawsuits Filed Against Garanti Faktoring A.Ş. Profit Distribution Policy that was approved at the 2013 Ordinary General Assembly Meeting held on April 17, 2014, is publicly announced to the shareholders via disclosure of material matters (www.kap.gov.tr), and under the Corporate Governance subsection of the "Investor Relations" section on the website www.garantibbvafactoring.com. The Profit Distribution Policy is also included in the annual and interim reports.

Lawsuits Filed Against Garanti Faktoring A.Ş. Profit Distribution Policy;

Lawsuits Filed Against Garanti Faktoring A.Ş. Profit Distribution Policy has been determined within the framework of the Turkish Commercial Code, Capital Market Law and legislation, regulations and decisions of the Capital Markets Board 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 provisions of the Articles of Association 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 for 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 of any amendment to the profit distribution policy, the policy will be submitted to the approval of the shareholders at the General Assembly Meeting. The Board's decision and reason regarding the amendment are announced to the public within the framework of the regulations of the Capital Markets Board Communiqué on Material Matters (II-15.1) and are published on the Company's website www.garantifactoring.com.

Profit Share Distribution Chart

In the 2018 Ordinary General Assembly Meeting held on 26.03.2019, the General Assembly discussed and approved the Board decision regarding the issue of reserving the tax provisions from the profit of 2018, and transferring the remaining profit to the legal and extraordinary reserve funds to be kept within the company.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Investor Relations Department

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

Authorized persons are listed in the table below:

Full Name	Title	License Number/Type	Telephone	E-Mail
Mert ERCAN	Executive Vice President	-	+90 (212) 365 52 13	MErcan@garantibbvafactoring.com
	Unit Manager	701222/Corporate Governance Rating License	+90 (212) 365 52 18	SCakir@garantibbvafactoring.com
Serap Çakır		208344/Capital Markets Activities Level 3 License		
		305653/Derivative Financial Instruments License		
		602587/Credit Rating License		
Ümit Yıldız	Supervisor	-	+90 (212) 365 52 15	UYildiz@garantibbvafactoring.com
Müge B. Güngörmez	Officer	525739/Capital Markets Activities Level 1 License	+90 (212) 365 52 21	MGungormez@garantibbvafactoring.com

Main responsibilities of the department:

- Answering the written and verbal information requests of shareholders and investors,
- Carrying out relations with shareholders and investors, keeping records of the written and verbal information requests and documents up-to-date and secure,
- As per the Capital Markets Board Communiqué on Material Matters, fulfilling the obligation making public disclosure by announcing the information (that must be publicly disclosed) via Public Disclosure Platform (www.kap.gov.tr) and on www.garantibbvafactoring.com in the "Investors Relations" 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 June 2013), and announcing them via Public Disclosure Platform (www.kap.gov.tr) and on Company website www.garantibbvafactoring.com,
- To prepare annual and interim activity reports in accordance with the principles set out in the communiqués and regulations issued by the Capital Markets Board and the Ministry of Customs and Trade, to disclose these reports on the Public Disclosure Platform (www.kap.gov.tr) and to publish them on the corporate website at www.garantibbvafactoring.com.
- Publishing the information on the website at www.garantibbvafactoring.com under the "Investors Relations" section within the scope of Capital Markets Board Communiqué on Corporate Governance, and also publishing in the "Information Society Service" section within the scope of the Ministry of Customs and Trade's "Regulation on the Websites of the Capital Companies" and keeping it up to date,

- 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,
- To coordinate rating activities and relations with rating companies,
- Performing Company's capital increase transactions and enabling shareholders & investors to exercise capitalization and scrip issue rights arising from a capital increase,
- Making changes to the Company Articles of Association in conformity with the relevant legislation,
- Performing profit distribution transactions in accordance with the 26th 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 to increase the Company's compliance with the corporate governance principles.
- Keeping track of and reporting stock price and volume movements, and presenting reports to the top management,
- Presenting reports to the Corporate Governance Committee and the Board of Directors.

2.2 Investor Relations Activities

In 2019, one shareholder's information request was fulfilled via a phone call. Information presentations were prepared for the Qualified Investors in Istanbul Stock Exchange as part of bond issue transactions. 57 special circumstances were disclosed. These disclosures were published on the Company's website at www.garantibbvafactoring.com under the "Investor Relations" section. "Corporate Governance Principles Compliance Rating" activities were carried out 8th time this year between our Company and Kobirate A.Ş.

C. BOARD OF DIRECTORS

5.1. Board's Structure and Formation

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

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

In case a member position in the Board of Directors becomes vacant, the Board of Directors elects a legally qualified temporary member – to be submitted to the approval of the first General Assembly that will be held – from among the same group of shareholders. Members elected in this manner will serve until the General Assembly Meeting and complete the term of office of their predecessors in case the General Assembly approves the election. In case an independent member position becomes vacant in the Board, the regulations regarding the 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 Recep Baştuğ. General Manager is Kaya Yıldırım. Board of Directors' executive members are Recep Baştuğ, Ali Temel, Kaya Yıldırım; Non-executive members are Osman Bahri Turgut, Cemal Onaran, Selahattin Güldü; Independent members of the Board of Directors are Nihat Karadağ and Serkan Çankaya.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Duties & Tasks Assumed by the Members of the Board of Directors and their Term of Office; At the 2018 Ordinary General Assembly Meeting held on March 26, 2019, regarding the term of office and election of the real person members of the Board of Directors with an expired term of office, the decision was taken unanimously 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, Ali Temel, Cemal Onaran, Selahattin Güldü, Osman Bahri Turgut and Kaya Yıldırım as Real Person Members of the Board of Directors with term of office for 3 years, elect Nihat Karadağ and Serkan Çankaya – 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 (26.03.2019- 26.03.2022).

As of October 15, 2019, Ali Fuat Erbil resigned, and Recep Baştuğ was elected as the Chairman of the Board of Directors, subject to the approval of the first General Assembly meeting and the completion of the remaining term.

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

- Chairman of the Board of Directors is Recep Baştuğ, and the Vice Chairman of the Board of Directors is Ali Temel.
- Independent Members of Board of Directors Nihat Karadağ and Assistant Prof. Serhat Yanık are members of the Audit Committee.
- Within the scope of Capital Markets Board Communiqué on Corporate Governance Principles, a Corporate Governance Committee has been established under the Board. Our Board of Directors did not establish a Nomination Committee or a Compensation Committee, and thus the tasks

of these committees are carried out by the Corporate Governance Committee.

- As per the Capital Markets Board's Communiqué on Corporate Governance Principles, and the Turkish Commercial Code No.6102, the Early Detection of Risk Committee was established within the structure of the Board of Directors. Committee Members are Nihat Karadağ and Assistant Prof. Serkan Çankaya, who are the Independent Board Members. Mr. Nihat Karadağ is the Chairman of the Committee.

Résumés of the Members of the Board of Directors and Tasks Assumed Outside the Company;

Recep Baştuğ

Chairman of the Board of Directors
Recep Baştuğ graduated from Çukurova University Faculty of Economics and started his career at the Garanti BBVA Internal Audit Department in 1989. Mr. Baştuğ worked as Corporate Branch Manager from 1995 to 1999, as Commercial Regional Manager from 1999 to 2004, and as Commercial Banking Marketing Coordinator from 2004 to 2012. From 2013 to 2018, he served as an EVP of Commercial Banking and Consumer Finance. He served as Vice Chairman at a private company for a brief period. On September 1, 2019, Mr. Baştuğ was appointed as Board Member, President & CEO at Garanti BBVA.

Ali Temel

Executive Vice President/Member of Credit Committee
Ali Temel graduated from Boğaziçi University Department of Electric-Electronic Engineering and started his career in banking in 1990 at a private bank. Mr. Temel joined Garanti BBVA in 1997 and, after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as Executive Vice President in charge of Commercial Banking between 1999-2001

and as Executive Vice President in charge of Loans between 2001-2012. On December 10, 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. Mr. Temel's areas of responsibility at Garanti Bank are Corporate and Commercial Credits Risk Management; Retail and SME Credits Risk Management, Risk Planning, Monitoring and Reporting; Risk Analytics, Technology and Innovation; and Regional Loans Coordination. Mr. Temel also serves as a Board Member at Garanti Leasing.

Cemal Onaran

Board Member

Cemal Onaran graduated from Middle East Technical University Department of Public Administration and started his career as an assistant auditor in Garanti Bank at the Audit Committee in the same year. Between the years 2000-2007, he worked as the Regional Manager in various regions of Garanti Bank in Istanbul. After the establishment of Garanti Mortgage in October 2007, he was appointed General Manager of Garanti Mortgage. After having served as the General Manager of Garanti Pension & Life since August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti Bank in charge of SME Banking on January 1, 2017. With 28 years of experience in banking and business administration, Mr. Onaran is the Board Member of Garanti Leasing and Garanti Pension and Life, Chairman of Garanti Fleet, Member of Audit Committee and Member of TRNC Board of Managers.

Osman Bahri 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. The same year, Osman Bahri Turgut started his professional career at T. Garanti Bankası A.Ş.

as Assistant Inspector, and served as Branch Manager, Vice Chairman of the Inspection Board, Commercial Loans Unit Manager, Internal Control Center Manager and the Head of Internal Audit and Control. He still serves as Chairman of the Garanti Bank Inspection Board. At the same time, he is a member of the Board and Audit Committee of Garanti Leasing, Garanti Fleet; Board Member of Garanti Pension and Provident Fund Foundation and Garanti Culture; Member of Audit Committee of Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Payment Systems.

Selahattin Güldü

Board Member

Selahattin Güldü graduated from Middle East Technical University, Department of Public Administration, in 1990. He joined the Bank as Assistant Inspector at Garanti Bank Inspection Board in the same year and served as Branch manager between 1997-1999. From 1999 to 2018, Mr. Güldü served as Regional Manager at T. Garanti Bank in various regions of Istanbul. Mr. Güldü has served as Executive Vice President in charge of Commercial Banking and Consumer Financing since April 1, 2018. He is also a Board Member of Garanti Leasing and Garanti Fleet.

Kaya Yıldırım

General Manager and Member of the Board of Directors

Kaya Yıldırım graduated from the Istanbul University Department of Economics in 1987 and joined Garanti Bank in 1989. After being appointed to several units and branches of Garanti Bank, he served in regional manager positions after 2005. Since August 1, 2018, Mr. Yıldırım has served as a Board Member and General Manager of Garanti Factoring. He has also served as a Board Member of the Association of Financial Institutions since September 20, 2018.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Nihat Karadağ

Independent Member/Audit Committee Member/Early Detection of Risk Committee Member/President of Corporate Governance Committee
Nihat Karadağ graduated from Ankara University Faculty of Political Sciences Department of Economics – Finance and obtained his Master's degree from Istanbul University Faculty of Economics, Department of Money and Banking. He served in various positions, including Executive Vice President at Ziraat Bank, Koç Consumer Financing and Card Services, Oyakbank, Ing Bank and OYAK. During 2009-2016, he served as a board member and chairman at various companies and institutions such as Akdeniz Kimya, Erdemir, Isdemir, Hektaş, Oyak Yatırım, Tukaş, Halk Leasing, Atterbury SA (Luxembourg), Chemson Polymer Additives AG (Austria), Almatis B.V. (Netherlands) and Orfin Financing.

Serkan Çankaya

Lawsuits Filed Against Garanti Faktoring A.Ş. Independent Member of Board/Audit Committee Member/Early Detection of Risk Committee Member
Serkan Çankaya graduated from the Istanbul University Department of Business Administration and holds a postgraduate degree in Business Administration Informatics from the same university. He completed his Master's degree at the University of West Georgia, USA, and holds a Ph.D. in Finance and Banking from Kadir Has University. Mr. Çankaya serves as the Manager of the Finance Institute at Istanbul Commerce University and as a Board Member of the Economy and Finance Practices and Research Center. In addition to his main area of expertise, Behavioral Finance, Mr. Çankaya also lectures in investment analysis, portfolio management and financial mathematics, and conducts research activities in the area of corporate social responsibility.

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

26/03/2019

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

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies in which the corporation holds control of management or significant effect and shareholders who hold control of the management of the corporation or have a significant effect on the corporation and legal entities in which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to a second degree,

b) I have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of the board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the period when the corporation purchases or sells services or goods,

c) I have professional education, knowledge and experience to duly fulfill the duties assigned for being an independent board member,

d) I am not serving as a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that it complies with the relevant legislation,

e) I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31/12/1960 and numbered 193,

f) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interest between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g) I can allocate time for the corporation's business to follow up on the activities of the corporation and duly fulfill the allocated duties,

h) I have not conducted membership of the board of directors more than a term of six years in the last ten years,

i) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are traded on the stock exchange,

j) I have not been registered and announced as a board member representing a legal entity,

In case, any developments occur to eliminate my independence, I will disclose the development to the public and immediately share it with the board of directors. And as a first thing, I will resign from my membership and duties within the board of directors due to my lack of independence,

I hereby declare the above-mentioned matters.

26/03/2019

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

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies in which the corporation holds control of management or significant effect and shareholders who hold control of the management of the corporation or have a significant effect on the corporation and legal entities in which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to a second degree,

b) I have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of the board of directors within the last five years in companies that the corporation purchases or sells goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the period when the corporation purchases or sells services or goods,

c) I have professional education, knowledge and experience to duly fulfill the duties assigned for being an independent board member,

d) I am not serving as a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that it complies with the relevant legislation,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

e) I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31/12/1960 and numbered 193,

f) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interest between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g) I can allocate time for the corporation's business to follow up on the activities of the corporation and duly fulfill the allocated duties,

h) I have not conducted membership of the board of directors more than a term of six years in the last ten years,

i) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are traded on the stock exchange,

j) I have not been registered and announced as a board member representing a legal entity. In case, any developments occur to eliminate my independence, I will disclose the development to the public and immediately share it with the board of directors. And as a first thing, I will resign from my membership and duties within the board of directors due to my lack of independence,

I hereby declare the above-mentioned matters.

Serkan Çankaya

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

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

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

D. RESPONSIBILITIES AND ACTIVITIES OF THE BOARD OF DIRECTORS

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

Board is convened with the majority of the total number of members and takes decisions with the majority of the members attending the meeting. Members of the Board of Directors do not have a weighted right to vote and/or negative veto rights. Members may vote "accept" or "decline" in the Board of Directors.

They cannot vote "abstain." Members who vote "decline" shall write their reason under the ballot and sign it. Board of Directors' decisions taken as a result of the discussions made at the Board of Directors Meetings are recorded in the Board of Director's decision book.

As per the relevant Article of the New Turkish Commercial Code, Board of Directors' decision book openings and closings shall be notarized and completed within the specified timeframes.

In 2019, 26 (twenty-six) Board of Directors Meetings were held with the attendance of the majority of the total number of members. As a result of the Board of Directors Meetings, 40 (forty) pages of meeting minutes were issued. The Board of Directors took 38 (thirty-eight) 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 a weighted right to vote and/or negative veto rights.

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

In accordance with the Capital Markets Board 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 framework of relevant legislation provisions, the Board of Directors may establish other necessary or required committees. Committees' working principles are determined by the Board of Directors, and committee members are elected by the Board of Directors. Tasks and duties, working principles and names of the members of the committees are publicly announced via Public Disclosure Platform (www.kap.gov.tr) and on the 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 of Independent Members of the Board of

Directors is 2 (two). Since 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.

E. CORPORATE GOVERNANCE COMMITTEE (NOMINATION AND COMPENSATION COMMITTEE)

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.

Corporate Governance Committee Members are Nihat Karadağ, Osman Bahri Turgut and Serap Çakır. In 2019, the Committee convened 4 (four) times.

At the Corporate Governance Committee meeting held on the 4th of March 2019; The Corporate Governance Committee, in its capacity as Nomination Committee, did not have any objections to the appointment of Ali Fuat ERBİL, Ali TEMEL, Cemal ONARAN, Selahattin GÜLDÜ, Osman Bahri TURGUT and Kaya YILDIRIM – whose detailed résumés are attached– to the membership of the board of directors, whose term of office was expired; and any objections to the appointment of Nihat KARADAĞ and Serkan ÇANKAYA to the independent memberships of the board of directors, who were re-nominated for independent members of the board pursuant to the Corporate Governance Principles. Corporate Governance Committee determined that the above-mentioned persons could spare sufficient time for the activities of the Company to an extent that will help them pursue the activities of the Company and fulfill the requirements of their tasks and duties.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

At the Corporate Governance Committee meeting held on 04.03.2019;
The Corporate Governance Committee (acting as the Remuneration Committee) decided to propose to the Board of Directors that within the scope of Garanti Factoring A.Ş.'s remuneration policy, the gross amount of TL 162,000 annually and TL 13,500 monthly are paid individually in 2019 as an honorarium to each Independent Member of the Board of Directors to be elected at the 2018 Ordinary General Assembly meeting of Garanti Faktoring A.Ş. to be held on 26.03.2019.

At the Corporate Governance Committee meeting held on 20.06.2019;
A decision was taken; I) to extend for one year the Rating and Corporate Governance Service Agreement with the expiry date of 22.06.2019, which has been signed with Kobirate International Credit Rating and Corporate Governance Services Inc., and II) to authorize Kobirate to perform rating with a fee of TL 23,500 + VAT and to keep the other conditions same as in the previous agreement.

At the Corporate Governance Committee meeting held on 14.10.2019;
The Corporate Governance Committee, in its capacity as Nomination Committee, did not have any objections to the appointment of Recep Baştuğ to the membership of the board of directors within the corporate governance principles. Corporate Governance Committee determined that the above-mentioned person could spare the sufficient time for the activities of the Company to an extent that will help him pursue the activities of the Company and fulfill the requirements of his tasks and duties.

Corporate Governance Committee decided to submit to the Company's Board of Directors that electing the candidate as Member of the Company's Board of Directors is considered appropriate by the Committee.

F. RISK MANAGEMENT AND INTERNAL CONTROL

For the Company, building an effective risk management system and creating a strong internal control environment is the most important factor behind sustainable growth and development. Our Company continuously monitors 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.

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

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

G. AUDIT COMMITTEE

Audit Committee members are Nihat Karadağ and Serkan Çankaya.

The Committee convened 8 (eight) times in 2019. In these meetings, Moreover, the Officer also provided information about the deficiencies detected during the audit activities by the T. Garanti Bankası A.Ş. Audit Board and other institutions. The Audit Committee members were given information by KPMG about the results of the audit performed by the independent audit firm (KPMG) on the Company's financial data on 31.12.2018, 31.03.2019, 30.06.2019 and 30.09.2019, and about the management recommendation letter. In addition, the Committee was informed about the activities of the Compliance Officer.

Early Detection of Risk Committee members are Nihat Karadağ and Serkan Çankaya.

The Committee convened 6 (six) times in 2019. At these meetings, the Committee presented the Board of Directors Members and the auditor its reports regarding; compliance with the standard ratio, compliance with the 376th Article of the Turkish Commercial Code, 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.

5.5. Company's Strategic Targets

In order to "facilitate the opportunities of the age for everyone", Garanti BBVA Factoring continues to conduct its business in compliance with the strategic priorities, namely, Customer Experience, Digitalization, Employee Well-Being, Optimum Capital Usage, Productivity, Accountability and Sustainable Development; and to create value for all stakeholders. The Company keeps reviewing its customer-focused and innovative business model, increasing efficiency and productivity in business

activity channels, renewing business processes and improving automation. The Company maintains its healthy financial structure through the strong capital structure, focus on productivity and proactive balance management. It continues to invest in one of the fundamental elements of its strategy, namely the employees, and to take steps towards increasing their development and well-being. As a result of these comprehensive activities, the Company keeps creating value for all stakeholders.

The strategic priorities of Garanti BBVA Factoring are defined as follows:

To reach more customers through innovative products and solutions and improving customer experience,

To attain operational excellence through quick, digital and efficient procedures as well as preventive risk management practices,

To have the best and most dedicated team,

To use advanced technologies and data analytics efficiently.

Within the framework of these strategies, annual and periodical budgets are structured and submitted to the approval of the Board of Directors. Target realization and development is continuously monitored at the Assets/Liabilities Committee meetings organized by the company management in weekly periods and at the regional budget meetings chaired by the General Manager every two months. 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
1.1. FACILITATION OF EXERCISING SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	Yes					
1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	Yes					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	Yes					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	Yes					
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	Yes					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and aids.	Yes					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			No			

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
1.4. VOTING RIGHT						
1.4.1 - There is no restriction or practice preventing shareholders from exercising their voting rights.	Yes					
1.4.2 - The company does not have shares that carry privileged voting rights.	Yes					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					Not applicable	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercising of minority rights.	Yes					
1.5.2 - The Articles of Association extend the exercising of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.		Partial				There is the following provision in Article 17 of the Articles of Association: "The minority rights shall be exercised by the shareholders holding at least one twentieth of the capital. The shareholders holding at least one twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude." All shareholders are equally informed without any discrimination; and investor relations practices are equally conducted.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
1.6. DIVIDEND RIGHTS						
1.6.1 - The Dividend Distribution Policy approved by the General Assembly is posted on the company website.	Yes					
1.6.2 - The Dividend Distribution Policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	Yes					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	Yes					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	Yes					
1.7. TRANSFER OF SHARES						
1.7.1-There are no restrictions preventing shares from being transferred.	Yes					
2.1. CORPORATE WEBSITE						
2.1.1.-The Company website includes all elements listed in Corporate Governance Principle 2.1.1.	Yes					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares of real person shareholders owning more than 5% of the issued share capital) is updated on the corporate website at least every 6 months.	Yes					
2.1.4-The Company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	Yes					
2.2. ANNUAL REPORT						
2.2.1-The Board of Directors ensures that the annual report represents a true and complete view of the company's activities.	Yes					
2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	Yes					

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fide principles.	Yes					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.		Partial				A certain part of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/ Corporate Governance section.
3.1.4 - A whistleblowing programme is in place for reporting illegal and unethical issues.	Yes					
3.1.5-The Company addresses conflicts of interest among stakeholders in a balanced manner.	Yes					
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in the management.			No			Company affairs and management is carried out by the Board of Directors elected by the General Assembly. There are no efforts concerning the participation of stakeholders in the management.
3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		Partial				Garanti BBVA Factoring organizes vision meetings including the General Manager's presentation with the participation of all employees every year. With periodical regional budget and performance meetings and weekly assets/ liabilities committee meetings, information on Company's progress is provided, suggestions are communicated and developments are followed.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
3.3. HUMAN RESOURCES POLICY						
3.3.1-The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	Yes					
3.3.2-Recruitment criteria are documented.	Yes					
3.3.3-The Company has a policy on human resources development, and organizes trainings for employees.	Yes					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	Yes					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	Yes					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees in detail, announced to them and taken into account to determine employee remuneration.	Yes					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment at the company.	Yes					
3.3.8-The Company ensures freedom of association and supports the right for collective bargaining.					Not applicable	
3.3.9 - A safe working environment for employees is maintained.	Yes					

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The Company measured customer satisfaction, and operated to ensure unconditional customer satisfaction.	Yes					
3.4.2-Customers are notified of any delays in handling their requests.	Yes					
3.4.3-The Company complies with the quality standards with respect to its products and services.	Yes					
3.4.4-The Company has adequate controls in place to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	Yes					
3.5. CODE OF ETHICS AND SOCIAL RESPONSIBILITY						
3.5.1-The Board of the company has adopted a code of ethics and disclosed on the corporate website.	Yes					
3.5.2 - The Company is considerate of its social responsibilities. Measures have been taken to prevent corruption and bribery.	Yes					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors has ensured that strategy and risks do not threaten the long-term interests of the company, and an effective risk management is in place.	Yes					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategic targets, ensured resources were adequately allocated, and monitored management's performance.	Yes					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board of directors annually evaluates its composition and nominates directors so as to be compliant with the policy.			No			As for the determination of the members for the Company's board of directors; the members of the Board consist of the related executive vice presidents and General Manager of the main shareholder, namely, T. Garanti Bankası A.Ş.. Therefore, the senior managers of T. Garanti Bankası A.Ş., who are in charge of the selections and changes of the Company's board members, Are also designated as the member of the Garanti Bankası A.Ş. Board. This is the Company policy as for the determination of the Board Members. In the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy as well.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	Yes					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS						
4.4.1-Each board member attended the majority of the board meetings in person.	Yes					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	Yes					
4.4.3-The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	Yes					
4.4.4-Each member of the board has one vote.	Yes					
4.4.5-The board has a charter/ written internal rules defining the meeting procedures of the board.	Yes					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	Yes					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of the duties board members have assumed outside the company at the general assembly meeting.	Yes					
4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS						
4.5.5-Board members serve in only one of the Board's committees.			No			Each member of the Board is assigned to more than one committee due to the number of the Board members.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	Yes					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	Yes					
4.5.8-Minutes of all committee meetings are kept and reported to the board members.	Yes					

Headlines	Yes	Partial	No	Exempt	Not applicable	Description
4.6. FINANCIAL RIGHTS OF THE BOARD MEMBERS AND EXECUTIVE DIRECTORS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			No			The presentations related to the activities of the committees in which the Board members participated are discussed and evaluated in the Board meetings. The matters, such as the actions to be taken, areas to be improved, etc., are determined in the Board meetings and are followed up. No further performance assessment is carried out in addition to the specified matters.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title via third parties or provided guarantees such as surety in favour of them.	Yes					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.		Partial				The annual wages paid to the independent members of the board are detailed in the annual report. The other Board Members are not paid any honorarium. The wages paid to the senior management and the executives with managerial responsibilities are shared as a cumulative sum in the general assembly meetings and annual reports.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS		Explanations
1.1. Facilitation of Exercising of Shareholder Rights		
The number of investor meetings (conference, seminar/etc.) organised by the company during the year		-
1.2. Right to Obtain and Examine Information		
The number of special auditor requests		-
The number of special auditor requests that were accepted at the general assembly meeting		-
1.3. GENERAL ASSEMBLY		
The link of the announcement made on the Public Disclosure Platform (KAP) that includes the information requested under the principle 1.3.1 (a-d)	https://www.kap.org.tr/tr/Bildirim/668675	
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously		No
The links of the announcements made on KAP associated with the transactions that are not approved by the majority of independent members or by unanimous votes of present board members within the context of Principle 1.3.9.		-
The links of the announcements made on KAP related to the transactions carried out with related parties, under the Communiqué on Corporate Governance (II-17.1), article 9	https://www.kap.org.tr/tr/Bildirim/715403	
The links of the announcements made on the Public Disclosure Platform (KAP) related to the transactions that are of a frequent and continuous nature, under the Communiqué on Corporate Governance (II-17.1), article 10	https://www.kap.org.tr/tr/Bildirim/715403	
The heading of the section on the corporate website that contains the policy regarding donations and aids	Investor Relations / Donations and Aids Policy	
The link of the announcement made on KAP including the minutes of the General Assembly Meeting where the donations and aids policy has been approved	https://www.kap.org.tr/tr/Bildirim/677729	
The number of the article in the Articles of Association governing stakeholders' attendance at the general assembly		Article 17
Information regarding the stakeholders who attend general assemblies		-
1.4. Voting Rights		
Whether there are any privileged voting rights		N/A
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.	. Garanti Bankası A.Ş. 42,81%	
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.	. Türkiye İhracat Kredi Bankası A.Ş. 7,56%	
Shareholding rate of the majority shareholder		81.84%

1.5. Minority Rights	
Whether the scope of minority rights is expanded (in terms of content or percentage) in the articles of association	The minority rights shall be exercised by the shareholders holding at least one twentieth of the capital. The shareholders holding at least one twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per the Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude.
If yes, specify the relevant article number of the articles of association.	Article 17
1.6. Dividend Right	
The heading of the section on the corporate website that includes the policy on profit distribution	Investor Relations/ Corporate Governance/Profit Distribution Policy
In case the Board proposes not to distribute the profit at the general assembly meeting, the basis for such proposal and the minutes of the related general assembly agenda item which includes the reason not to distribute profit, and the utilization method of the undistributed profit	Taking into consideration the Company's financial statements for the period January 1 - December 31, 2018, 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 KPMG Turkey, because a loss has been detected in the period, with positive votes corresponding to TL 72,838,576.97 (seventy two million eight hundred thirty eight thousand five hundred seventy six Turkish Liras, ninety seven Kuruş) in nominal value it was unanimously decided that the profit distribution is not an option and the current loss shall be kept within the Company and that this decision be submitted to the approval of the General Assembly.
The link of the announcement made on KAP including the relevant general assembly meeting minutes in case the Board proposed to the general assembly not to distribute profit	https://www.garantibbvafactoring.com/files/GenelKurulToplantilari/2018_Tutanak.pdf
General Assembly Meetings	
General Assembly Date	26/03/2019
The number of requests for additional disclosure regarding the agenda of the general assembly	-
Percentage of shareholders' attendance at the general assembly	91,62%
Percentage of shares directly represented at the meeting	-
Percentage of shares represented by proxy	91.62
The heading of the section on the corporate website that includes the general assembly meeting minutes, and also indicates the dissentive and affirmative votes for each resolution	https://www.garantibbvafactoring.com/files/GenelKurulToplantilari/2018_Tutanak.pdf
The heading of the section on the corporate website that contains all questions asked and all responses provided at the general assembly meeting	Investor Relations/General Assembly Meetings
The number of the article or paragraph of the minutes of the general assembly meeting regarding related parties	2
The number of people who have the privilege to access shareholding information upon notification of the Board (the Insider List)	87
The KAP link of the general assembly notification	https://www.kap.org.tr/Bildirim/749862

CORPORATE GOVERNANCE INFORMATION FORM

2 . PUBLIC DISCLOSURE AND TRANSPARENCY

2 . PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
The headings of the sections on the corporate website that include information required by the corporate governance principle numbered 2.1.1	Investor Relations
The headings of the sections on the corporate website that include information required by the corporate governance principle numbered 2.1.1	https://www.garantifactoring.com/kurumsal-yonetim.aspx
The heading of the section of the corporate website of the Company that includes the list of real person shareholders who own more than 5% of the Company's shares, directly or indirectly	Investor Relations/Shareholding Structure
The heading of the section of the corporate website of the Company that includes the list of real person shareholders who own more than 5% of the Company's shares, directly or indirectly	https://www.garantifactoring.com/kurumsal-yonetim.aspx
Languages in which the corporate website is presented	Turkish, English
2.2. Annual Report	
The page numbers and/or heading of the sections in the Annual Report that include the information required by corporate governance principle 2.2.2.	
a) Page number or heading of the section in the annual report that presents board members' and executives' external commitments, and board members' independence statements	Board of Directors
b) Page number or heading of the section in the annual report that provides information on the committees established under the Board of Directors	Committees and Attendance at Committee Meetings
c) Page number or heading of the section in the annual report that includes the number of board meetings held throughout the year, and the members' attendance status	Board of Directors
d) Page number or heading of the section in the annual report that provides information on regulatory changes that can have a material impact on the Company's activities	Significant Improvements with respect to Company Operations
d)The page number or heading of the section that includes information regarding important lawsuits filed against the company and possible consequences thereof	Significant Improvements with respect to Company Operations
f) Page number or heading of the section in the annual report that provides information on the conflicts of interest between the Company and entities providing investment advisory and rating services to the Company, and the precautions taken to prevent these	N/A
g) Page number or heading of the section in the annual report which includes information on cross holding cases where direct shareholding exceeds 5%	N/A
h) Page number or heading of the section that provides information on employees' benefits and professional training, as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts	Goals, Values and Strategic Priorities

3. STAKEHOLDERS	
3.1. Company Policy Concerning the Stakeholders	
The heading of the section on the corporate website that includes the policy on compensation	Investor Relations/Severance and Notice Pay Policy
The number of final court verdicts against the Company that result from the violation of employee rights	
The title of the individual in charge of the whistleblowing programme	Human Resources Department Manager
Contact information of the Company's mechanism to report violations	When acts are witnessed contrary to the applicable law and ethical principles, employees can report the situation to the Ethics Notification Hotline via the e-mail address etikbildirim@garantibbvafactoring.com or the phone number + (90) 212 286 77 03, both of which are under the responsibility of the Compliance Department.
3.2. Encouraging Stakeholder Participation in the Management of the Company	
The heading of the section on the corporate website that includes internal regulations on employees' participation in the managerial bodies of the Company	N/A
Managerial bodies in which employees are represented	N/A
3.3. Human Resources Policy of the Company	
The role of the Board in the development of a succession plan for key management positions	N/A
The heading of the section on the corporate website that includes the human resources policy on equal opportunities and recruitment criteria, or a summary of the related articles of the policy	<p>"Garanti Faktoring A.Ş. determines annual manpower needs in the budget period, taking into account the possible vacancies due to strategic planning and mobility, and draws up budget and activity plans accordingly. In case of need for recruitment to a position for which a budget is not allocated, the approval of Human Resources Department and the General Manager is required for the recruitment process to begin. Garanti Faktoring A.Ş. vacancies are announced on various recruitment portals and, if necessary, on the company's website by Human Resources Department. Candidates who are deemed suitable among the submitted applications undergo job recruitment tests and interview stages. If deemed necessary, previous employer's reference may be requested by notifying the candidate. Persons who fail to successfully complete the necessary exams and interviews are not given any privileges in recruitment. A job offer prepared on the basis of the company's hierarchy and salary system is made to the candidate, who is deemed suitable for recruitment, under the agreed terms. The employees of Garanti BBVA Factoring are the leaders of their careers. At the end of the competence and performance evaluations, our employees define, plan and manage their career goals together with their managers. Having adopted this process, Garanti BBVA Factoring attaches importance to promoting managers from within the company.</p> <p>Acting in accordance with the principle of equal opportunity, the company does not discriminate among its employees. The main criterion for recruiting or promoting a person or changing his/her position is whether he/she is the most suitable person for the job.</p>
Whether there is a plan to grant shares to employees	N/A

CORPORATE GOVERNANCE INFORMATION FORM

<p>The heading of the section on the corporate website that includes the human resources policy on preventing discrimination and harassment, or a summary of the related articles of the policy</p>	<p>Our employees act, so as to create a professional working environment, with respect and courtesy towards each other. Employees do not have another employee do their personal work in breach of their duties, powers and responsibilities. Employees do not verbally attack or say cursing words to each other and avoid any form of ill-treatment, such as physical assault and violence inside or outside the workplace. Regardless of their position, each of our employees maintains their relationship with each other in a way that will not be perceived as sexual harassment, discrimination or ill-treatment inside or outside the workplace, and behave in a way that does not disrupt the working climate. The managers take the necessary measures in order to prevent any acts of ill-treatment, discrimination or sexual harassment in the workplace, and notify the Human Resources Department in case of suspicion. Our employees also report their complaints on this matter to their senior managers or directly to the Human Resources Department. Such complaints are not used against the complainant and they are processed and concluded in a serious manner. The company imposes severe sanctions in respect of all forms of ill-treatment, discrimination or sexual harassment as well as attempts to conceal such acts.</p>
<p>The number of final court verdicts against the Company that result from the liabilities associated with occupational accidents</p>	<p>N/A</p>
<p>3.5. Code of Ethics and Social Responsibility</p>	
<p>The heading of the section on the corporate website that includes the policy on ethical principles</p>	<p>Investor Relations/Code of Ethics</p>
<p>The heading of the section on the corporate website that includes the corporate social responsibility report. If there is no report on corporate social responsibility, precautions taken with respect to the environmental, social and corporate governance issues</p>	<p>Investor Relations/Corporate Governance. In all its transactions, Garanti BBVA 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 Garanti BBVA Faktoring policies and legislation. Garanti BBVA Faktoring does not finance activities that are prohibited and restricted by national legislation and international conventions to which Turkey is a party and, regardless of the amount, any activities/projects covering the following topics without carrying out environmental and social impact assessments.</p>
<p>Precautions taken to fight against all kinds of corruption, including fraud and bribery</p>	<p>Garanti Anti-Corruption Policy entered into force after having been approved at the Board of Directors meeting dated 28/11/2018.</p>

4. BOARD OF DIRECTORS-I

4.2. Principles of Activity of the Board of Directors

The date of the last board performance assessment conducted	N/A
Whether the board performance assessment was externally facilitated	N/A
Whether all board members are discharged	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Recep Baştuğ- Chairman of the Board of Directors
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Ali Temel-Deputy Chairman of the Board of Directors
The number of reports presented to the Supervisory Board or other related committees by the internal control department	8
The heading of the section or page number in the annual report that contains the evaluation on the efficacy of the internal control system	Committees and Attendance at Committee Meetings
Name of the Chairman of the Board	Recep Baştuğ
Name of the Chief Executive Officer/General Manager	Kaya Yıldırım
The link of the announcement made on the Public Disclosure Platform (KAP), where the reasoning is explained for the chairman and the chief executive officer/general manager to be the same person	-
Link to the KAP notification stating that any damage that may be caused by the members of the board of directors during the performance of their duties is insured for an amount exceeding 25% of the company's capital	-
The heading of the section on the corporate website that includes the current diversity policy aimed at increasing the number of female board members	-
The number and ratio of female board members	-
Composition of the Board	
Name/Surname of the Board Member	Executive Role
Recep BAŞTUĞ	Yes
Ali TEMEL	No
Cemal ONARAN	No
Osman Bahri TURGUT	No
Selahattin GÜLDÜ	Yes
Kaya YILDIRIM	Yes
Nihat KARADAĞ	No
Serkan ÇANKAYA	No
Name/Surname of the Board Member	Independent Board Member
Recep BAŞTUĞ	No
Ali TEMEL	No
Cemal ONARAN	No
Osman Bahri TURGUT	No
Selahattin GÜLDÜ	No
Kaya YILDIRIM	No
Nihat KARADAĞ	Yes
Serkan ÇANKAYA	Yes

CORPORATE GOVERNANCE INFORMATION FORM

Name/Surname of the Board Member	Date of Initial Election to the Board
Recep BAŞTUĞ	15/10/2019
Ali TEMEL	13/03/2017
Cemal ONARAN	13/03/2017
Osman Bahri TURGUT	23/03/2016
Selahattin GÜLDÜ	19/06/2018
Kaya YILDIRIM	1/08/2018
Nihat KARADAĞ	26/03/2019
Serkan ÇANKAYA	26/03/2019
Name/Surname of the Board Member	The Link of the Announcement Made on KAP that Contains the Statement of Independence
Recep BAŞTUĞ	-
Ali TEMEL	-
Cemal ONARAN	-
Osman Bahri TURGUT	-
Selahattin GÜLDÜ	-
Kaya YILDIRIM	-
Nihat KARADAĞ	https://www.kap.org.tr/tr/Bildirim/749901
Serkan ÇANKAYA	https://www.kap.org.tr/tr/Bildirim/749901
Name/Surname of the Board Member	Whether the Independent Member is Evaluated by the Nomination Committee
Recep BAŞTUĞ	-
Ali TEMEL	-
Cemal ONARAN	-
Osman Bahri TURGUT	-
Selahattin GÜLDÜ	-
Kaya YILDIRIM	-
Nihat KARADAĞ	Yes
Serkan ÇANKAYA	Yes
Name/Surname of the Board Member	Whether a Member Ceased to Qualify as an Independent Member
Recep BAŞTUĞ	-
Ali TEMEL	-
Cemal ONARAN	-
Osman Bahri TURGUT	-
Selahattin GÜLDÜ	-
Kaya YILDIRIM	-
Nihat KARADAĞ	No
Serkan ÇANKAYA	No
Name/Surname of the Board Member	Whether minimum 5 years of experience in audit/accounting and/or finance is held
Recep BAŞTUĞ	Yes
Ali TEMEL	Yes
Cemal ONARAN	Yes
Osman Bahri TURGUT	Yes
Selahattin GÜLDÜ	Yes
Kaya YILDIRIM	Yes
Nihat KARADAĞ	Yes
Serkan ÇANKAYA	Yes

4. BOARD OF DIRECTORS-II

4.4. Format of the Board Meetings

The number of physical board meetings involving members attending in person in the reporting period	26
Average attendance rate at the board meetings	100%
Whether the board uses an electronic portal to facilitate its works or not	No
When are the information and documents presented to board members as per the working rules of the board of directors (how many days before the meeting)	3
The heading of the section on the corporate website that includes information on internal regulations of the Company specifying the rules for board meetings	None
The upper limit set forth in the policy for the board members to assume other duties outside the Company	None

4.5. Committees Established under the Board of Directors

The page number or heading of the section in the annual report which include information on the committees of the board of directors	Committees and Attendance at Committee Meetings
The link of the announcement made on KAP that includes the principles of activity for committees	https://www.kap.org.tr/tr/Bildirim/224354

Committees of the Board of Directors-I

Names of Board Committees	Committee Defined as "Other" In the First Column	Committee Name-Surname of the Members	Committee Chairs	Board Member
1-Audit Committee	-	Nihat Karadağ	Yes	Board member
	-	Serkan Çankaya	No	Board member
2-Corporate Governance Committee:	-	Nihat Karadağ	Yes	Board member
	-	Osman Bahri Turgut	No	Board member
	-	Serap Çakır	No	Not a board member
4-Early Detection of Risk Committee	-	Nihat Karadağ	Yes	Board member
	-	Serkan Çankaya	No	Board member

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-III

4.5. Committees Established under the Board of Directors-II	
Specify where the activities of the audit committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Investor Relations/Committees
Specify where the activities of the corporate governance committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Investor Relations/Committees
Specify where the activities of the nomination committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Investor Relations/Committees/Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Investor Relations/Committees
Specify where the activities of the remuneration committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Investor Relations/Committees/Corporate Governance Committee
4.6. Financial Rights Provided to the Board Members and Executive Directors	
The page number or the heading of the section in the annual report where information on operational and financial performance goals, and whether they have been achieved is presented.	Previous Period Budget and Performance Assessment
The heading of the section of the corporate website of the Company that includes the remuneration policy for executive and non-executive board members.	Investor Relations /Remuneration Policy
Page number or heading of the section in the annual report which states the wages and other benefits provided to board members and other executives with administrative responsibilities	Compensation and Benefits Granted to Board Members and Executives with Administrative Responsibility

Committees of the Board of Directors-II

Names of Board Committees	Name of the Committee Designated as "Other" in the first column	Ratio of Non-Executive Members	Ratio of Independent Members	Number of Physical Meetings Held by the Committee	The number of reports presented to the Board by the Committee on its activities
1-Audit Committee	-	0	100	8	4
2-Corporate Governance Committee:	-	66	33	4	2
4-Early Detection of Risk Committee	-	0	100	6	6

STATEMENT OF RESPONSIBILITY RELATED TO ACCEPTANCE OF THE FINANCIAL STATEMENTS

Istanbul, 29/01/2020

ATTN: BORSA İSTANBUL A.Ş. DIRECTORATE
İstinye/İSTANBUL

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT
RESOLUTION DATE: 29/01/2020
RESOLUTION NUMBER: 2020/03

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

- a) We have reviewed Garanti Faktoring A.Ş.'s (Company) financial statements prepared as of 31.12.2019.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities at the Company, the financial statements do 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) 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,

Annexes:

- 1- Independently Audited Financial Statements as of 31 December 2019

Mert ERCAN
Executive Vice
President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Member of Audit
Committee

Serkan ÇANKAYA
Member of Audit
Committee

Garanti Faktoring A.Ş.

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 WITH INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat: 1-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

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

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

A) Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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



Key Audit Matters

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

Impairment of factoring receivables

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

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>Impairment of factoring receivables</p> <p>As at 31 December 2019, factoring receivables comprise 96% of the Company's total assets.</p> <p>The Company recognizes its factoring receivables in accordance with BRSA Accounting and Financial Reporting Legislation. In accordance with the aforementioned Regulation and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As at 1 January 2019, due to the adoption of TFRS 9, in determining the impairment of factoring receivables the Company has begun to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Company's management are as follows:</p> <ul style="list-style-type: none"> - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. 	<p>Our procedures for testing the impairment of factoring receivables included below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Company's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Company's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.



<p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Company calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<ul style="list-style-type: none"> • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Company management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. • Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the "BRSA Accounting and Financial Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either



intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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

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

Alper Güveç, SMMM
Partner

29 January 2020
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

GARANTİ FAKTORİNG A.Ş.

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

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

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

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

GARANTİ FAKTORİNG A.Ş.

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

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

	LIABILITIES	Notes	Audited 31 December 2019			Audited 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
			I.	FUNDS BORROWED	11	1,590,602	414,529	2,005,131
II.	FACTORIZING PAYABLES	6.1	507	10,093	10,600	2,238	13,104	15,342
III.	LEASE OBLIGATIONS	12	2,174	2,379	4,553	-	-	-
IV.	SECURITIES ISSUED (NET)	13	-	-	-	485,126	-	485,126
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	5.2	-	-	-	-	61	61
VII.	PROVISIONS	14	9,712	535	10,247	6,888	493	7,381
7.1	Restructuring Reserves	-	-	-	-	-	-	-
7.2	Provisions For Employee Benefits	14.1	8,134	-	8,134	5,392	-	5,392
7.3	General Provisions	-	-	-	-	-	-	-
7.4	Other Provisions	14.2	1,578	535	2,113	1,496	493	1,989
VIII.	CURRENT PERIOD TAX LIABILITIES	9	-	-	-	3,959	-	3,959
IX.	DEFERRED TAX LIABILITIES	-	-	-	-	-	-	-
X.	SUBORDINATED LOANS-DEBT	-	-	-	-	-	-	-
XI.	OTHER LIABILITIES	15	3,234	3,878	7,112	4,243	2,641	6,884
XII.	SUBTOTAL	-	1,606,229	431,414	2,037,643	1,780,251	498,264	2,278,515
	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	-	-	-	-	-	-	-
XII.1	Held For Sale	-	-	-	-	-	-	-
XII.2	Discontinued Operations	-	-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY	16	163,984	-	163,984	155,545	-	155,545
13.1	Paid-in Capital	-	79,500	-	79,500	79,500	-	79,500
13.2	Capital Reserves	-	-	-	-	-	-	-
13.2.1	Share Premiums	-	-	-	-	-	-	-
13.2.2	Share Cancellation Profits	-	-	-	-	-	-	-
13.2.3	Other Capital Reserves	-	-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	(626)	-	(626)	(657)	-	(657)
13.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss	-	-	-	-	-	-	-
13.5	Profit Reserves	-	76,702	-	76,702	134,078	-	134,078
13.5.1	Legal Reserves	-	9,205	-	9,205	9,205	-	9,205
13.5.2	Statutory Reserves	-	-	-	-	-	-	-
13.5.3	Extraordinary Reserves	-	67,497	-	67,497	124,873	-	124,873
13.5.4	Other Profit Reserves	-	-	-	-	-	-	-
13.6	Profit or Loss	-	8,408	-	8,408	(57,376)	-	(57,376)
13.6.1	Prior Periods Profit / Loss	-	(16,030)	-	(16,030)	-	-	-
13.6.2	Current Period Profit / Loss	-	24,438	-	24,438	(57,376)	-	(57,376)
	TOTAL LIABILITIES AND EQUITY		1,770,213	431,414	2,201,627	1,935,796	498,264	2,434,060

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2019

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2019			Audited 31 December 2018		
		TL	FC	TOTAL	TL	FC	TOTAL
		I. IRREVOCABLE FACTORING OPERATIONS		510.529	475.216	985.745	854.530
II. REVOCABLE FACTORING OPERATIONS		796.979	187.087	984.066	775.409	77.708	853.117
III. GUARANTEES TAKEN	25.1	291.821	23.150.443	23.442.264	179.853	25.570.326	25.750.179
IV. GUARANTEES GIVEN	25.2	654.196	128	654.324	1.262.391	765	1.263.156
V. COMMITMENTS		-	-	-	-	-	-
5.1 Irrevocable Commitments		-	-	-	-	-	-
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	25.3	-	-	-	-	185.729	185.729
6.1 Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Investment Hedges		-	-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading		-	-	-	-	185.729	185.729
6.2.1 Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Buy/Sell Transactions		-	-	-	-	185.729	185.729
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	25.4	784.598	173.167	957.765	608.226	107.754	715.980
TOTAL OFF BALANCE SHEET ITEMS		3.038.123	23.986.041	27.024.164	3.680.409	26.457.161	30.137.570

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

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

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

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

		CHANGES IN SHAREHOLDERS' EQUITY																
		Notes	Paid-in Capital	Capital Reserves	Share Premium	Share Profits	Share Reserves	Other Capital Reserves	Accumulated Other Comprehensive Income	Other Comprehensive Income	Foreign Exchange Differences	Revalued on reclassification of available-for-sale financial assets	Other (Profit/Loss) from sale of hedge, other comprehensive income or expenses reclassified by profit or loss	Profit/Loss	Current Year Profit/(Loss)	Non-Controlling Interest	Total Shareholders' Equity	
		CHANGES IN SHAREHOLDERS' EQUITY																
		1. January - 31 December 2019																
I.	Attributed	16	79,500	-	-	-	-	-	(657)	-	-	-	-	-	(657)	-	185,242	
II.	Balance at Beginning of Period																(6,400)	
III.	Effect of corrections																(16,000)	
IV.	Effect of changes in accounting policies																(16,000)	
V.	Capital Increase in Cash	2,5	79,500	-	-	-	-	-	(657)	-	-	-	-	-	-	-	24,469	
VI.	Capital Increase in Share								31	-	-	-	-	-	-	-	-	
VII.	Capital Reserves from Inflation Adjustments on Paid-in Capital																-	
VIII.	Convertible Bonds																-	
IX.	Other Comprehensive Income																-	
X.	Others Changes																-	
XI.	Profit Distribution																-	
XII.	Transfers to Reserves																-	
XIII.	Others																-	
	Balance at end of the period 01 December 2019 (31 December 2019)		79,500	-	-	-	-	-	(657)	-	-	-	-	-	(657)	-	185,242	
		1. January - 31 December 2018																
I.	Attributed	16	79,500	-	-	-	-	-	(932)	-	-	-	-	-	(932)	-	212,866	
II.	Balance at Beginning of Period																(27,603)	
III.	Effect of corrections																(27,603)	
IV.	Adjusted Balance at Beginning of Period (I+II)								(932)	-	-	-	-	-	-	-	(27,603)	
V.	Capital Increase in Cash	2,5	79,500	-	-	-	-	-	(932)	-	-	-	-	-	-	-	(27,603)	
VI.	Capital Increase in Share								31	-	-	-	-	-	-	-	-	
VII.	Capital Reserves from Inflation Adjustments on Paid-in Capital																-	
VIII.	Convertible Bonds																-	
IX.	Other Comprehensive Income																-	
X.	Others Changes																-	
XI.	Profit Distribution																-	
XII.	Transfers to Reserves																-	
XIII.	Others																-	
	Balance at end of the period 01 December 2018 (31 December 2018)		79,500	-	-	-	-	-	(932)	-	-	-	-	-	(932)	-	212,866	

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

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

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

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

GARANTİ FAKTORİNG A.Ş.**PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

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

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2019

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

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

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

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

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

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

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

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

Maslak Mahallesi Eski Büyükdere Caddesi No: 23 Sarıyer / İstanbul

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

Approval of Financial Statements:

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

GARANTİ FAKTORİNG A.Ş.
 NOTES TO THE FINANCIAL STATEMENTS AS AT AND
 FOR THE YEAR ENDED 31 DECEMBER 2019
 (Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance

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

Changes regarding classification and measurement of financials assets

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

2.1.2 Functional Currency

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

2.1.3 Preparation of Financial Statements in Hyperinflationary Periods

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

2.1.4 Offsetting

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

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.2 Changes in Accounting Policies

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

The new standards which are effective as of 1 January 2019

(a) TFRS 9 Financial Instruments

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

(b) TFRS 16 Leases

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

2.3 Changes in Accounting Estimates and Errors

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

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

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

Note 3 – Cash and Cash Equivalents and Central Bank

Note 6 – Financial Assets at Amortised Cost (net)

Note 7 – Tangible Assets

Note 8 – Intangible Assets

Note 9 – Tax Assets and Liabilities

Note 14 – Provisions

GARANTİ FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2019
 (Amounts are expressed in Turkish Lira (thousands of “TL”) unless otherwise indicated.)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards

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

Standards issued but not yet effective and not early adopted

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

The revised Conceptual Framework (version 2018)

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

Amendments to TAS 1 and TAS 8 - Definition of Material

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

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

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

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

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

- (a) The highly probable requirement;
- (b) Prospective assessments;
- (c) Retrospective assessment; and
- (d) Separately identifiable risk components.

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.4 New and Revised Turkish Accounting Standards (continued)****2.4.1 The new standards, amendments and interpretations which are effective as at 31 December 2019 but not yet adopted are as follows (continued)****Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)**

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

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

2.5 Summary of Significant Accounting Policies**(a) Revenue**

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

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

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

(b) Financial Instruments**First time adoption of TFRS 9 "Financial instruments" standard**

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

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

Classification and measurement

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

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

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

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

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

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****First time adoption of TFRS 9 "Financial instruments" standard (continued)****Classification and measurement (continued)**

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

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

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

Factoring Receivables and Other Receivables

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

Disclosures on impairment of financial assets

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

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

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Disclosures on impairment of financial assets (continued)**

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

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

The effect of new impairment model

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

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

Calculation of expected credit losses

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

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

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Calculation of expected credit losses (continued)**

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

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

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

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

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

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

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

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

Forward-looking macroeconomic information

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)****Significant increase in credit risk**

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

Qualitative assessment:

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

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

Quantitative assessment:

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

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

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

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

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

Cash and Cash Equivalents

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

Derivative Financial Instruments

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(b) Financial Instruments (continued)**Financial Liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

(c) TFRS 16 Leases

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

Definition of Leasing

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(c) TFRS 16 Leases (continued)*****As a lessee***

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

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

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

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

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

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

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

Transition

- Their carrying amount as if TFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

Impacts on financial statements

Impacts on transition

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

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

Right of use assets	1 January 2019	31 December 2019
Vehicles	3.848	2.233
Real estate lease	2.458	1.944
	6.306	4.177
Right of use liabilities	1 January 2019	31 December 2019
Real estate lease	4.185	2.174
Vehicles	4.056	2.379
	8.241	4.553

Impacts for the period

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

(d) Tangible Assets and Amortization

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

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(e) Intangible Assets****Intangible Fixed Assets Acquired**

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

Computer Software

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

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

(f) Impairment of Assets

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

(g) Capital Increase

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

(h) Retirement Pay Provision

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

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

(i) Provisions, Contingent Liabilities and Contingent Assets

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

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

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

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

(j) Borrowing Costs

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

(k) Effects of Changes in Exchange Rates

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

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

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

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

(l) Earnings per Share

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

(m) Events after the reporting period

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(n) Segment Reporting**

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

(o) Income Tax

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

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

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

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

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****(p) Statement of Cash Flows**

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

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

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

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

Cash and Cash Equivalents:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Cash and Cash Equivalents	11.930	19.778
	11.930	19.778

2.5.1 Summary of Accounting Policies Applied in Previous Period**(r) Financial Assets**

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**2.5 Summary of Significant Accounting Policies (continued)****Held to Maturity Investments**

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

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

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

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

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

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

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

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

5.1 DERIVATIVE FINANCIAL ASSETS

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

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

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

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5.2 DERIVATIVE FINANCIAL LIABILITIES

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

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

6 FINANCIAL ASSETS AT AMORTISED COST (NET)**6.1 Factoring Receivables and Payables***Factoring Receivables*

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

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

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

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

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

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

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

6.1 Factoring Receivables and Payables (continued)

Factoring Payables

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

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

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

6.2 Non-Performing Receivables

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

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

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

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

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

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

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6 FINANCIAL ASSETS AT AMORTISED COST (NET) (continued)**6.3 Expected Credit Losses**

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

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

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

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

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

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

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

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

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

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7 TANGIBLE ASSETS

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

	1 January 2019	Additions	Disposals	31 December 2019
Acquisition Cost				
Furniture and fixtures	5.420	22	(15)	5.427
Vehicles	19	-	-	19
Leasehold improvements	1.757	-	-	1.757
Right-of-use				
Leased buildings	-	2.822	(495)	2.327
Right-of-use				
Vehicles	-	3.820	(187)	3.633
	7.196	6.664	(697)	13.163
Accumulated Depreciation		Depreciation for the period	Disposals	31 December 2019
Furniture and fixtures	4.132	594	(14)	4.712
Vehicles	19	-	-	19
Leasehold improvements	1.310	85	-	1.395
Leased buildings	-	878	(495)	383
Vehicles	-	1.587	(187)	1.400
	5.461	3.144	(696)	7.909
Net book value	1.735			5.254

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

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

	1 January 2018	Additions	Disposals	31 December 2018
Acquisition Cost				
Furniture and fixtures	4.942	632	(154)	5.420
Vehicles	19	-	-	19
Leasehold improvements	1.719	38	-	1.757
	6.680	670	(154)	7.196
Accumulated Depreciation		Depreciation for the period	Disposals	31 December 2018
Furniture and fixtures	3.508	751	(127)	4.132
Vehicles	19	-	-	19
Leasehold improvements	1.214	96	-	1.310
	4.741	847	(127)	5461
Net book value	1.939			1.735

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8 INTANGIBLE ASSETS

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

	1 January 2019	Additions	Disposals	31 December 2019
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	23.750	6.938	-	30.688
	26.826	6.938	-	33.764
Accumulated Amortization		Charge for the period	Disposals	31 December 2019
Rights	3.076	-	-	3.076
Other (Software)	16.112	5.152	-	21.264
	19.188	5.152	-	24.340
Net book value	7.638			9.424

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

	1 January 2018	Additions	Disposals	31 December 2018
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	17.573	6.177	-	23.750
	20.649	6.177	-	26.826
Accumulated Amortization		Charge for the period	Disposals	31 December 2018
Rights	3.076	-	-	3.076
Other (Software)	12.082	4.030	-	16.112
	15.158	4.030	-	19.188
Net book value	5.491			7.638

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

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9 TAX ASSETS AND LIABILITIES*Corporate Tax*

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

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

The effective tax rate in 31 December 2019 is 22% (2018: 22%). While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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

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

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

Income Withholding Tax

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

Tax provision movement

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

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9 TAX ASSETS AND LIABILITIES (continued)

Income Withholding Tax (continued)

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

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

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

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

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

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

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9 TAX ASSETS AND LIABILITIES (continued)

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

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

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

(**) The tax rate is 20%.

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9 TAX ASSETS AND LIABILITIES (continued)

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

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

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

Movements of deferred tax assets are as follows:

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

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10 OTHER ASSETS

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

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

11 FUNDS BORROWED

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

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

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

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

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

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

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12 LEASE OBLIGATIONS

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

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

13 MARKETABLE SECURITIES ISSUED

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
<i>Bills</i>				
Nominal	-	-	505.280	-
Cost	-	-	465.322	-
Carrying Value	-	-	485.126	-

The Company issued discounted bills only for qualified investors.

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

14 PROVISIONS

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

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

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14 PROVISIONS (continued)

14.1 Provision for Employee Benefits

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

Retirement Pay Provision

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month's salary and this amount for the period 01 January – 30 June 2019 is TL 6.017,60 (full), for the period 01 July – 31 December 2019, this amount is limited to a maximum of TL 6.379,86 (full) (31 December 2018: TL 5.434,42 (full)). The amount of compensation to be paid is equal to one month's salary for every and each year of employment.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 12,50% and a discount rate of 16,30% (31 December 2018: inflation rate of 12,50%, discount rate of 16,30%, real discount rate of approximately 3,04%).

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

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

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14 PROVISIONS (continued)

14.1 Provision for Employee Benefits

Personnel Bonus Accrual

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

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

Unused Vacation Accrual

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

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

14.2 Other Provisions

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

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Balance at 1 January	1.496	493	466	482
Reversal	(1.343)	(493)	(61)	(482)
Provision provided for the period	1.425	535	1.091	493
Balance at the end of the period	1.578	535	1.496	493

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15 OTHER LIABILITIES

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

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

16 SHAREHOLDERS' EQUITY**16.1 Paid-in Capital**

As at 31 December 2019, the Company's share capital amounts to TL 79.500 (31 December 2018: TL 79.500). As at 31 December 2019, the Company has 7.950.000.000 (31 December 2018: 7.950.000.000) total registered shares consisting of 4.004.242.970 preferred shares and 3.945.757.030 ordinary shares with a par value of Kuruş (“Kr”) 1 each (31 December 2018: Kr 1).

16.2 Capital Reserves

None (31 December 2018: None).

16.3 Other Comprehensive Income or Expense

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

16.4 Profit Reserves

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

16.5 Profit Distribution**Profit distribution table****31 December 2018**

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

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17 OPERATING INCOME

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

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

18 FINANCE EXPENSES

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

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

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19 OPERATING EXPENSES

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

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

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

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

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20 OTHER OPERATING INCOME

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

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

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

21 PROVISIONS

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

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

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

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

	1 January- 31 December 2018
Provisions	176.568
	176.568

22 OTHER OPERATING EXPENSES

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

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

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23 EARNINGS PER SHARE

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

	1 January – 31 December 2019	1 January – 31 December 2018
Net profit for the period	24.438	(57.376)
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
Earnings per thousand shares (KR)	307,40	(721,71)

24 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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24 RELATED PARTY TRANSACTIONS (continued)

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

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

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

	1 January – 31 December 2019	1 January – 31 December 2018
Interest income from factoring receivables		
Garanti Bank International NV	106	175
	106	175
Interest income on bank deposits		
Türkiye Garanti Bankası A.Ş.	279	105
Garanti Bank International NV	-	1
	279	106
Interest expenses on funds borrowed		
Türkiye Garanti Bankası A.Ş.	54.153	44.501
Garanti Bank International NV	56	650
	54.209	45.151
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	1.502	2.476
Türkiye Garanti Bankası A.Ş.	134	517
Garanti Bank International NV	91	209
	1.727	3.202

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24 RELATED PARTY TRANSACTIONS (continued)

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

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

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

Salary and other benefits provided to board members and executives:

The amount of salary and other benefits provided to board members and executives by the Company for the period ended 31 December 2019 is TL 14.471 (31 December 2018: TL 17.845).

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25 CONTINGENT ASSETS AND LIABILITIES**25.1 Guarantees Received**

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

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

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

25.2 Guarantees Given

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

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

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25 CONTINGENT ASSETS AND LIABILITIES (continued)**25.3 Derivative Agreements**

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

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

25.4 Safety Securities

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

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

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26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS**26.1 Financial Risk Management Purposes and Policies**

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

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

26.1.1 Credit Risk

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

Under the credit allocation;

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

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

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

Credit monitoring phase;

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

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

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

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26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**26.1 Financial Risk Management Purposes and Policies (continued)****26.1.2 Market Risk**

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

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

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

26.1.3 Liquidity Risk

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

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

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

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

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

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

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26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**26.1 Financial Risk Management Purposes and Policies (continued)****26.1.4 Operational Risk**

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

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

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

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

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

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

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

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

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26 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**26.1 Financial Risk Management Purposes and Policies (continued)****26.1.5 Reputation Risk**

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

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

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

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26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.2 Liquidity Risk**

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

31 December 2019

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

31 December 2018

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

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows			
		Less than 3 months	3-12 months	1-5 years	
Derivative financial liabilities and foreign exchange buy-sell commitments		(187)	(187)	-	-
Derivative cash inflows		92.771	92.771	-	-
Derivative cash outflows		(92.958)	(92.958)	-	-

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk

Foreign currency risk

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

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

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Currency Risk (continued)

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

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

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

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

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

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

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26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.3 Market Risk (continued)***Foreign currency sensitivity risk*

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

TL

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

TL

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

Interest Rate Risk

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

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (Continued)

Interest Rate Sensitivity Analysis

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

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

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

Capital Risk Management

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

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

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

27 FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company has calculated fair values of financial instruments using available market information and appropriate valuation methodologies. However, as the judgment is necessary to interpret market data to determine the estimated fair value, the calculated fair values may not be fully reflective of the value that could be realized in the current circumstances. Management assumes that the fair values of financial assets and liabilities at amortized cost including cash and banks, factoring receivables and short term bank loans denominated in TL approximate their carrying values due to their short term nature.

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27 FINANCIAL INSTRUMENTS (continued)*Fair Value of Financial Instruments Classification*

The table below presents the fair value determination method of the financial instruments at fair value as at 31 December 2018. The method for each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

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

28 EVENTS AFTER THE REPORTING PERIOD

None.

GARANTİ FAKTORİNG A.Ş. CONTACT INFORMATION

Branch Name	Address	Telephone
Head Office	Maslak Mahallesi Eski Büyükdere Caddesi No: 23 Sarıyer/İstanbul	+90 (212) 365 31 50
Adana Branch	Reşatbey Mah. Atatürk Cad. Mimar Semih Rüstem İş Merkezi No: 18 K:4 A Blok 01020 Seyhan/Adana	+90 (322) 355 10 68
Ankara Branch	Kızılırmak Mah. 1441. Sok. Meva İş Merkezi No: 8/5-8/6 Çukurambar Çankaya/Ankara	+90 (312) 287 12 89
Antalya Branch	Kızıllık Mah. 2754 Sokak No: 1 Oficity İş Merkezi Muratpaşa/Antalya	+90 (242) 310 94 83
Bursa Branch	Nilpark AVM Karaman Mah. İzmir yolu Cad. No: 90 K: 6 Nilüfer/Bursa	+90 (224) 249 53 66
Denizli Branch	Saraylar Mah. Gazi Mustafa Kemal Bulv. No: 2 Saraylar/Denizli	+90 (258) 295 46 44
Gaziantep Branch	Mücahitler Mah. Gazimuhtarpaşa Bulvarı No: 48 K: 4 Şehitkamil/Gaziantep	+90 (342) 211 68 56
İstanbul Anatolian Branch	İçerenköy Mah. Değirmenyolu Cad. Gür İş Merkezi No: 31 K: 2 D: 4-5 Ataşehir/İstanbul	+90 (216) 428 97 71
İstanbul European Branch	15 Temmuz Mah. Bahar Cad. No: 71/A K: 5 Güneşli Bağcılar/İstanbul	+90 (212) 630 53 87
İstanbul Beylikdüzü Branch	Cumhuriyet Mah. Gürpınar Yolu No: 7 Beylikdüzü/İstanbul	+90 (212) 657 96 21
İstanbul Karaköy Branch	Müeyyetzade Mah. Kemeraltı Cad. No: 24/A 34425 Karaköy/İstanbul	+90 (212) 377 12 31
İzmir Branch	Konak Mah. Cumhuriyet Bulvarı No: 20 Konak/İzmir	+90 (232) 488 70 16



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