

Resolute partner



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In a difficult year driven by uncertainties, we continued to add value to commercial life without altering our strong stance and while staying true to our strategy.

We serve a wide range of customers, especially SMEs, companies highlighted by their importing/exporting identities, organizations with a wide network of suppliers and dealers at the fore. We value inclusion with an innovative approach and digitalization and offer quality and fast solutions to our customers, with diversified products for both domestic and international transactions.

We continue our work to increase the share of SME customers in our financial statement and add more value to export transactions.

17.3

TL billion

**2021 yearly trading
value**



Trust-Inspiring Growth

*Our expertise, correct strategies and strong financial structure allow us to be at our customers' side in their times of need. We inspire trust, both by the growth rates of our financial statement and our profitability ratios. By the end of 2021, we managed to expand our asset size to **TL 4.4 billion** and our factoring receivables to **TL 4.2 billion**.*

48%

Growth in
factoring
receivables



5.1

TL billion

Trading value
for SMEs

Inclusive Growth

*We continue financial inclusion to diversify our portfolio and provide **more support to SMEs**, which are the capillaries of our economy. We create a difference in the industry with our supplier financing implementation, increase operational efficiency by allowing suppliers of large companies to benefit from the main company's position and provide a strong benefit to commercial operations.*







Growth by Supporting Export

*We provide warranty for companies' **export receivables from product and service sales** directed abroad. We offer small exporters the possibility to enter unknown new markets and undertake a strong role by providing a consultancy and warranty service.*

5.1

TL billion

Export factoring
trading volume



Growth by Digital Innovations

*We shorten and facilitate transaction times by digitizing all processes related to factoring services. Additionally, we conduct many operational processes that do not require decisions and include repetitions to **robot processes named RPA** while ensuring their rapid and error-free continuation. We increase the rate of inclusion with digital transformation.*





**WORLD'S
BEST**

EXPORT

**FACTORING
COMPANY**

Growth Crowned with Success

*We carry the pride of being chosen as
“The World’s Best Export Factoring Company”
for the fifth time with a full 100 score by
Netherlands-based Factors Chain International
(FCI), which is active in approximately 90
countries abroad and includes close to 400 active
export and import factoring companies.*



Annual Report Compliance Opinion



INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Garanti Faktoring Anonim Şirketi

Opinion

We have audited the complete set of financial statements of Garanti Faktoring Anonim Şirketi ("Company") for the period between 1 January 2021 and 31 December 2021, thus, the accompanying annual report.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors that is carried out by using the information in the financial statements about the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the independent audit and provides a fair presentation.

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 under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We declare that we are independent of the Company in compliance with the Code of Ethics for Independent Auditors issued by POA (Including Standards of Independence) ("Code of Ethics") and with the relevant ethical provisions of the independent auditing regulations. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

On 1 February 2022, we expressed a positive opinion regarding the complete set of financial statements of the Company for the period between 1 January 2021 and 31 December 2021.

Board of Director's 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:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The evaluation of the board of directors is also included in this report.
- to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - Research and development activities of the Company,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation, and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the Board of Directors also considers the related regulations issued by the Ministry of Trade and related institutions.

Independent Auditor's Responsibility in the Audit 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 Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Alper Güvenç, SMMM (Independent Accountant and Financial Advisor)
Partner
March 1, 2022
Istanbul, Turkey

Statement of Responsibility Related to Acceptance of the Annual Report

Istanbul, 1.03.2022

BORSA İSTANBUL A.Ş. DIRECTORATE
İstinye / İSTANBUL

RESOLUTION OF THE BOARD OF DIRECTORS ON THE ACCEPTANCE OF THE ANNUAL REPORT
RESOLUTION DATE : 1.03.2022
RESOLUTION NUMBER : 06

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

- a) We have reviewed Garanti Faktoring A.Ş. (Company)'s annual report prepared as of 31.12.2021.
- 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.

Respectfully,

Annexes:

1- The Independently Audited Annual Report as of December 31, 2021

Şule FİRUZMENT BEKÇE
Executive Vice President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Audit Committee Member

Serkan ÇANKAYA
Audit Committee Member

About Garanti BBVA Factoring

Garanti BBVA Factoring, provides under one umbrella the financing, guarantee and collection products required by both domestic and foreign trade.

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

With the authorization of the Capital Markets Board (CMB) in 1993, Garanti BBVA Factoring has offered its shares to the public, thus, it has been listed on Borsa Istanbul (BIST). The Company’s 81.84% share belongs to Garanti Bank and 9.78% belongs to the Export Trade Bank of Turkey, and 8.38% free-floating shares are traded on Borsa Istanbul.

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

Garanti BBVA Factoring delivers services in 8 Turkish provinces via 11 branches and 120 employees. The Company develops innovative products and services

in response to customer needs with its continuous investment in advanced technology infrastructure, client-oriented service approach and specialized workforce.

Motivated by the principle of offering its customers the best service, Garanti BBVA Factoring is on its’ customers side on both domestic and international trade, and offers rapid and reliable solutions to SME’s, importing and exporting companies and organizations with wide supplier and dealer networks with its warranty and collection products.

Garanti BBVA Factoring, aiming to create added value for its customers and the sector with its expert team and customer-focused approach; a pioneer in product consulting and product development; developing customized corporate solutions with its highly competent workforce; standing out in the sector with its operational transaction speed; is a powerful factoring company in international factoring transactions with the wide correspondent network thanks to its FCI membership.

Providing financial consultancy services that enable its customers to make healthy financial decisions, Garanti BBVA Factoring accelerates solution processes thanks to artificial intelligence, machine learning, and the use of big data, which have gained an important place in its activities.



11

Number of branches

Garanti BBVA Factoring, with its focus on trade financing and receivable-based financing and with the BBVA synergy, provides under one umbrella the financing, guarantee and collection products required by both domestic and foreign trade over a wide network, and creates a difference in the sector by creating the best solutions for customer relations management.

Garanti BBVA Factoring aims to expand its customer base and strengthen its relations with existing customers, maximizing the high growth potential of Turkey while maintaining the risk-cost balance in its areas of focus.

Garanti BBVA Factoring, consistently automating its operational processes to provide customers with ease of operation and leading solution suggestions, is expanding its end-to-end digital solutions and continues to provide a unique experience to customers via its technology investments. Focusing on disciplined and sustainable growth, the Company provides effective risk management of financial and non-financial risks through integrated management at global standards.

Garanti BBVA Factoring's ratings by Fitch Ratings have been updated on February 25, 2022, and become long-term TL at B+ and long-term foreign currency at B. Its long-term national rating is at AA.

In 2021, Garanti BBVA Factoring, raised its grade in the Corporate Governance Principles Compliance Rating made by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) to 9.47.

Garanti BBVA Factoring has been chosen as "The World's Best Export Factoring Company" for the 5th time with a full 100 score by Netherlands-based Factors Chain International (FCI), which is active in approximately 90 countries abroad and joined by close to 400 active export and import factoring companies, and also deemed worthy of third place in the "Best Export and Import Factoring" category.

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

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

Garanti BBVA Factoring at a Glance

Garanti BBVA Factoring has continued stable growth with the same mission and vision, in a year in which the effects of the Covid-19 pandemic have not fully recovered.

4.36

TL Billion
Asset Size

131.9

TL Million
Net Profit for the Period

345

TL Million
Shareholder's Equity

17.3

TL Billion
Transaction Volume



44,002

Number of
Total Factoring
Transactions

4.15

TL Billion
Factoring Receivables

120

Number of
Employees

11

Number of
Branches

4,979

Number of customers
with risk

8,260

Number of total customers
with transactions

Garanti BBVA Factoring at a Glance

Garanti BBVA Factoring has been chosen as “The World’s Best Export Factoring Company” for the 5th time with a full 100 score by Netherlands-based Factors Chain International.

Developments in 2021

World’s Best Export Factoring Company

Netherlands-based Factors Chain International (FCI), which is active in approximately 90 countries abroad and joined by close to 400 active export and import factoring companies, has chosen Garanti BBVA Factoring as “The World’s Best Export Factoring Company” for the 5th time with a full 100 score. Garanti BBVA Factoring has also been deemed worthy of third place in the “Best Export and Import Factoring” category.

Changes in Working Processes During the Pandemic Period

Upon the first coronavirus case observed in Turkey in March 2020, Garanti BBVA Factoring, prioritizing employee health, provided the necessary infrastructure for working from home and shifted to a remote work system as of March 15, 2020.

Work in the office was carried out alternately with a partial number of employees, not exceeding 10% of the employees in Headquarters units, and ranging between 50% and 75% in field teams. Prior to working with a full staff in the office, the number of cases are evaluated; at this time, there is no definite date for the resumption of on-site work on a full-time basis.

Any cases detected among employees in offices were detected and closely followed up with a daily questionnaire to employees; when necessary, the relevant region or branch was closed, and measures were taken. Garanti BBVA Factoring takes all kinds of health measures during the pandemic process and ensures that the entire team complies with these measures.

Technological Adaptations during the Pandemic Period

Garanti BBVA Factoring aimed to enable every employee to continue working seamlessly during the shift from on-site to remote work. In this context, the Company, which first defined for all employees the authorization required for remote access, also conducted a study on the availability of technical equipment required by employees working from home, and provided notebooks for employees with incomplete or inadequate equipment.



Pendik Campus

Work is carried out in the Pendik campus, featuring a total indoor area of 140,000 m², including an auditorium, conference and training halls, a market, cafeterias, a sports center, a dining hall, an infirmary and a salon, enabling employees to meet a wide array of needs within the campus. Shuttle facilities were provided at many points for employees to reach their homes comfortably.

In the new campus, practices are implemented that prioritize employees' health, such as fresh-air ventilation and air-conditioning at double the international standards, 10 air recirculation per hour, refreshing, technological and hygienic electrostatic filter.

Increase in the Number of Customers and the Share of SMEs in the Balance Sheet

Garanti BBVA Factoring, which expanded the SME share in its balance sheet in 2021 and made it the largest business line, has increased the number of its customers. In the SME segment, which has surpassed the Company's corporate and commercial customer segments, the majority are; wholesale and retail sales, transport, storage and communication under services industry and textiles and textile products industry, metallurgy industry, petroleum and coal products and industrial sectors under manufacturing industry.

Strong Shareholding Structure

With 19.2% market share, Garanti BBVA is the second largest private bank in TL loans.

849

TL Billion
Garanti BBVA's
asset size

Türkiye Garanti Bankası A.Ş.

Established in Ankara in 1946, Garanti BBVA is Turkey's second largest private bank and most valuable bank with a consolidated asset size of TL 849 billion as of December 31, 2021.

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

The custom-tailored solutions and wide product range that Garanti BBVA offers to its customers play a key role in reaching its TL 610 billion cash and non-cash loan portfolio. Garanti BBVA's disciplined and sustainable growth strategy by creating capital without compromising the sound asset quality enables the bank to move forward with strong steps. The bank occupies a leading position in many core banking services:

With 19.2% market share is the second largest private bank in TL loans.

The largest TL customer deposits portfolio with 19.7% market share reflects the Bank's strong relations banking.

The Bank is in leader position in individual loans with close to 20 million individual customers.

The Bank holds 2nd position in TL business loans with 17.5% market share, first place among private banks with brand strength and SME NTS, and is the undisputed leader in all financial indicators including Net Interest Margin, Net Income, Net Fee and Commission Income and Return on Equity.

Garanti BBVA aims to present the possibilities of today to everyone and to create value for all its stakeholders towards this purpose. The Company provides tailored solutions and guidance to improve clients' financial health alongside its strategic priorities. Garanti BBVA attaches great importance to positively influencing the decision-makers and the sector regarding sustainability and to bringing sustainability mainstream. In addition, Garanti BBVA creates shared value and supports positive change, via social programs focusing on issues considered a priority by the Bank, its stakeholders and its strategic partners and loan disbursements focused on impact investment.

As Garanti BBVA continuously improves its business model and processes in line with a focus on operational excellence, it closely monitors financial and non-financial risks. To accelerate and strengthen value creation, Garanti BBVA continues to reach more customers by being where customers are. As of Friday, December 31, 2021, the Company meets all financial needs of nearly 20 million customers with an extensive distribution network consisting of 863 domestic branches, 8 abroad branches with 7 in Cyprus and 1 in Malta and 1 representative office, and its 18,354 employees.

With its conveniently integrated channels, Garanti BBVA offers uninterrupted experience in all channels through 5,401 ATMs with high-end technological infrastructure, an award-winning Call Center and internet, mobile and social banking platforms.

For Garanti BBVA, data and technology are primary factors in realizing its "best and most loyal team" strategy. Since 2019, Garanti BBVA has gained more than 2.5 million new customers and reached more than 11 million digital and 10.6 million mobile customers, and the share of digital sales in total sales has surpassed 80%. The Bank continuously invests in strong and reliable technology, and benefit from advanced data analytics and artificial intelligence. At the foundation of Garanti BBVA's human resource outlook is the principle to invest in humans. With the awareness that human resources are the engine driving all progress, the fundamental building blocks of the Company's system are to continuously recruit young and creative minds to Garanti BBVA, to train and develop them, to provide employees with environments where they can demonstrate their talents, and to offer opportunities, and see and reward their achievements.

The controlling shareholder of Garanti BBVA, who implements an advanced corporate governance model that supports the bank's core values, is Banco Bilbao Vizcaya Argentaria S.A., which owns 49.85% of its shares (BBVA). Garanti BBVA, whose shares are publicly traded in our country and depositary receipts in the UK and USA, has an actual free float of 50.07% in Borsa Istanbul as of Friday, December 31, 2021.

Banco Bilbao Vizcaya Argentaria S.A

Banco Bilbao Vizcaya Argentaria S.A. ("BBVA"), who has become an equal strategic partner with Doğuş Holding after acquiring the stakes held by GE Capital Corporation and Doğuş Holding A.Ş. in 2011, currently owns 49.85% of Garanti Bank shares.

Strong Shareholding Structure

Türk Eximbank supported exports in the amount of USD 46.1 billion in 2021.

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 31 December 2021, BBVA's asset size is EUR 662.9 billion, shareholders' equity is EUR 49 billion, and the net profit for the period of 2021 is EUR 4.6 billion. BBVA shares are traded on stock exchanges in Spain, New York, London, Mexico and Peru. As of December 31, 2021, the Group's shares carried equal voting rights, with about 827 thousand shareholders across the globe.

Maintaining its operations for more than 150 years, BBVA provides services to 81.7 million customers with its 110 thousand employees through 6,083 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 goods and services exported, introducing new markets for export goods, helping exporters increase their share in international commerce and providing them with the support they need for their operations. In addition, Türk Eximbank ensures that exporters and contractors operating abroad remain competitive and secure, provides support to and promotes both foreign investment in Turkey, and the production and sale of investment goods for export.

Türk Eximbank, as the sole corporate incentive source of export in Turkey, provides short, medium and long term cash and non-cash loans, insurance and guarantee programs to support exporters having the same objective, and manufacturers that produce for export as well as contractors and entrepreneurs operating abroad. Since Türk Eximbank gathers all guarantee and insurance products under one roof, the integrity of services provided to exporters is greater than those offered by disparate official export credit agencies in developed countries.

As of the end of 2021, Türk Eximbank has extended USD 22.5 billion cash loans and USD 23.6 billion insurance/guarantees; in total, the support to exports amounted to USD 46.1 billion. As of the end of 2021, the Bank's asset size is at the level of TL 322.4 billion. Türk Eximbank's paid-in capital reached TL 10.8 billion, up from TL 9.27 billion,

A circular illustration showing several hands in business attire adjusting large, interlocking gears. The gears are rendered in a textured, painterly style with shades of brown, tan, and grey. The hands are positioned as if they are fine-tuning the mechanism, symbolizing industrial or financial processes.

through cash capital transfers of TL 100 million from the Treasury, and profit reserves offsetting of TL 1.43 billion.

Türk Eximbank provides services through 22 branches and 10 liaison offices. Headquartered in Istanbul (Anatolian Side), the Bank operates regional offices in the Central Anatolia, Marmara and Aegean regions, as well as 22 branches on the European side of Istanbul, in Ankara, Gaziantep, İzmir, Denizli, Bursa, Kayseri, Konya, Antalya, Adana, Gebze, Central, Istanbul Odakule, Çorlu, Maltepe, Manisa, Mersin, Eskişehir, Trabzon, İskenderun, Istanbul İkitelli Organized Industrial Zone and Kahramanmaraş, and 10 liaison offices located in Samsun, Aegean Regional Chamber of Industry, Aegean Exporters' Association, İzmir Kemalpaşa Organized Industrial Zone, Aydın, Erzurum, Hatay, Sakarya, İstanbul Anatolian Side Organized Industrial Zone and İnegöl.

22

Türk Eximbank number
of branches

Company Capital and Shareholding Structure

Garanti BBVA Factoring's shareholding structure consists of 81.84% Türkiye Garanti Bankası, 9.78% Türkiye İhracat Kredi Bankası and 8.38% free float shares.

As of Friday, December 31, 2021, Garanti BBVA Factoring's paid capital is TL 79,500,000. Türkiye Garanti Bankası A.Ş. owns 81.84% of the registered shares. The Bank has acquired the remaining 26.4% of the Company's shares, which trade on BIST. Garanti BBVA Factoring's 8.38% free float shares are traded on Sub-Market under the ticker symbol "GARFA."

81.84%

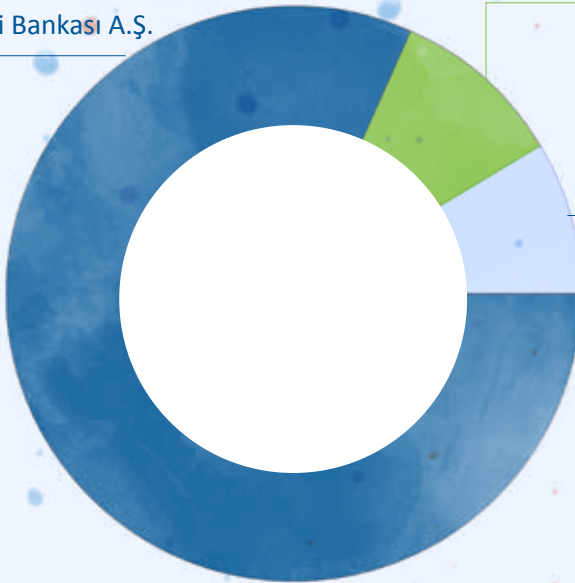
Türkiye Garanti Bankası A.Ş.

9.78%

Türkiye İhracat Kredi Bankası A.Ş.

8.38%

Publicly Traded



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 Management Reporting

Fast Operational Processes

Integrated Financial Services Offering

Solutions for the Best Customer Relations Management

Our Mission, Our Values, Our Strategic Priorities

Garanti BBVA Factoring aims to provide its customers a peerless experience with its investments in digital platforms.

Our Mission

“To Facilitate the Opportunities of the Age for Everyone”

Our Service Principles

Our Customers are Our Priorities

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

We Think Big

- We inspire
- We innovate
- We exceed expectations

We are One

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



Our Strategic Priorities

- Garanti BBVA Factoring defines its strategic priorities as the following:
- Reaching More Customers,
- Best and Most Loyal Team,
- Operational Superiority,
- Data and Technology.
- The Company aims to create value for all its stakeholders by working in line with these strategic priorities.

Reaching More Customers

- To expand our customer base by making greater use of our country's high potential and to deepen our relations with customers.
- To be where our customers are.
- To grow in consideration of the risk-cost balance in our focus areas.

Best and Most Loyal Team

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

Operational Superiority

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

Data and Technology

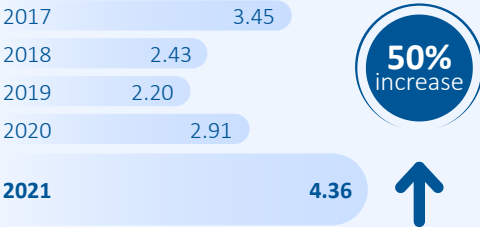
- To make our technological infrastructure and platforms stronger and more agile.
- To accelerate our solution processes with the fewest errors by integrating artificial intelligence, machine learning and big data, which hold an important place in the Company's daily operations.
- To focus on data analytics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

Financial Indicators and Ratios

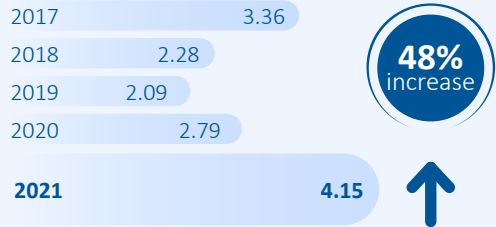
Garanti BBVA Factoring has continued its strong financial performance in the year 2021.

Garanti BBVA Factoring Major Main Balance Sheet Sizes and Ratios

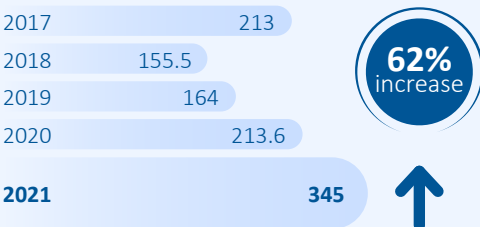
Total Assets (TL Billion)



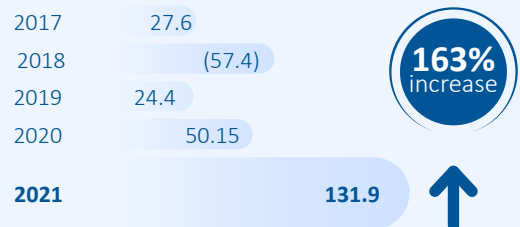
Factoring Receivables (TL Billion)



Shareholders' Equity (TL Million)



Net Profit/Loss for the Period (TL million)



	2017	2018	2019	2020	2021
Return on Assets (%)	0.96%	-1.99%	1.16%	2.00%	3.62%
Return on Equity (%)	13.84%	-28.25%	14.95%	26.99%	47.48%
Non-Performing Loans Ratio (%) ^(*)	2.76%	11.87%	13.98%	4.52%	1.63%

^(*)As part of TFRS 9, write offs have been performed in the years 2020 and 2021.

Outlook of Income and Expense Items for the Last 5 Years

Garanti BBVA Factoring Major Income Statement Items					
(TL thousand)	2017	2018	2019	2020	2021
Factoring Income	286,315	477,508	375,828	309,468	638,775
Interest Collected from Factoring Receivables	263,228	466,627	368,204	297,653	621,491
Factoring Fees and Commissions Income	23,087	10,881	7,624	11,815	17,284
Financial Expenses	(252,215)	(363,463)	(263,863)	(189,506)	(419,177)
Interest Paid for Utilized Loans	(178,093)	(247,253)	(176,025)	(161,436)	(320,305)
Interest Paid for Securities Issued	(59,685)	(99,052)	(80,449)	(26,190)	(95,800)
Fees and Commissions Paid	(14,436)	(17,138)	(6,825)	(757)	(1,314)
Other	(1)	(20)	(564)	(1,123)	(1,758)
Operating Expenses	(43,196)	(52,056)	(50,828)	(49,316)	(69,613)
Expenses on Personnel and Severance					
Pay Provisions	(25,669)	(32,235)	(30,039)	(30,838)	(41,324)
General Administrative Expenses	(17,488)	(18,661)	(20,671)	(18,378)	(27,798)
Other	(39)	(1,160)	(118)	(100)	(491)
Other Operating Income/Expenses (net)	64,753	45,511	35,595	92,015	64,292
Interest Collected from Banks	1,953	160	1,945	691	1,850
Interest Collected from Securities	-	-	-	1,689	6,006
Capital Markets Operations Profit (Net)	-	-	-	345	180
Profit/Loss from Derivative Transactions (Net)	104,124	24,441	2,705	5,287	4,005
Profit/Loss from Foreign Exchange Transactions (Net)	(42,926)	19,564	21,423	72,329	28,503
Other	1,602	1,346	9,522	11,674	23,748
Provision Expenses	(20,801)	(176,568)	(65,701)	(97,990)	(47,251)
Gross Profit/Loss	34,856	(69,068)	31,031	64,671	167,026
Tax Expenditure for the Period	(7,253)	11,692	(6,593)	(14,521)	(35,090)
Net Profit for the Period	27,603	(57,376)	24,438	50,150	131,936

Financial Situation and Performance Assessment in 2021

In 2021, Garanti BBVA Factoring has a correspondent guaranteed export factoring market share of 21.3% in Turkey.

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. With its extensive branch network, Garanti BBVA Factoring delivers its products and services across the country.

In 2021, Garanti BBVA Factoring served 8,260 customers through its 11 branch locations across Turkey.

Offering a wide range of products thanks to its strong relations management skills with correspondent factoring companies, and providing the customers with the highest quality collecting, guarantee and financing services in their international operations with its innovative and customer-oriented approach, Garanti BBVA Factoring continues to make a difference and offer tailored solutions to its customers with its expert team and its strength in international factoring. Its strong balance sheet structure, experienced team, risk management policies, innovative point of view, digitalization investments, agile processes as a



8,260

Number of customers



result of these investments, long-term trust-based relations with customers and correspondents and the financial consultancy service stand out as the building blocks of Garanti BBVA Factoring's success.

Serving many customers in the field of export factoring with the advantage of being a factoring company with a wide network of branches, Garanti BBVA Factoring has 21.3% market share in Turkey in correspondent guaranteed export factoring in the year 2021, according to the data from FCI, the most competent body of export factoring with approximately 400 factoring company members in 90 countries.

Garanti BBVA Factoring, with its high quality service, innovative products and accomplished successes; has received the highest points among all service quality, correspondent network and export volume criteria in FCI's evaluation, earning the title "5th Time The Best Export Factoring Company in the World" and has become the first factoring company in the organization's history to win "100% full points" in a row.

Garanti BBVA Factoring aims to increase its number of customers in correspondent guaranteed export factoring transactions and continue improving its service quality to its existing customers in 2022.

Digitalization and Mobile

In 2022, 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. The Garanti BBVA Factoring 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 2022.

Garanti BBVA Factoring also plans to continue making capital investments in systems infrastructure and human resources while striving to realize its set performance objectives, thus continuing to improve operational efficiency.

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.

Garanti BBVA Factoring stepped up its social media activity to support customer communications. To this end, the Company's website is put in service as an application channel. With the Garanti BBVA internet branch, the customers can see the products in their accounts and details on these products. Furthermore, checks can be sent over the internet branch for factoring over the internet branch. In this way, in the digital environment, it is possible to both shorten process times and increase the efficiency in internal processes.

Collection Guarantee

A safe tool for companies that wish to start with new customers and markets, "Collection Guarantee" was met with large interest in both domestic and export transactions also in 2021.

Financial Situation and Performance Assessment in 2021

Garanti BBVA Factoring also deepened its relationships with partner banks to provide funding at convenient terms to its customers.

Garanti BBVA Factoring will continue the technological investments and system improvements depending on these investments for Supplier Financing and Commercial Collection Management, which were added to the product range in 2020, also in 2022.

Financing Opportunities with Favorable Terms

Garanti BBVA Factoring, internationally well-known for its strong relations management skills, provided cost-effective funding in the volatile environment in 2021 and diversified the funding sources according to the market conditions.

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.

During the year, Garanti Factoring increased the number of its partner banks and deepened the relations, also provided the base to fund its balance sheet under the most favorable terms and conditions possible. In the coming period, the Company plans to strengthen its collaboration with banks in the area of foreign trade finance, and particularly with Europe-based banks.

In 2021, Garanti BBVA Factoring issued discount bonds with a 3-6 month maturity and total nominal value of TL 2,021 million offered exclusively to qualified investors via private placement. The Company also amortized bonds with a total nominal value of TL 1,995 million.

Despite a volatile interest and foreign currency exchange rate environment, the Company plans to pursue its current business strategy and prioritize bond issues in 2022 as well.

Pioneering and Exemplary Practices

Factoring processes and transactions are realized in a short time, in accordance with relevant Laws, Regulations and Garanti BBVA Factoring policy and procedures. Active solutions are provided to problems that may occur from transactions or materialize later.

The company has managed the structuring of project-based transactions in 2021, and continued its efforts on the conformity of its factoring practices to the legislations. It has pursued a pioneering role in the sector on issues that need clarity in practice, and continued its operations by receiving the opinions of authorities and providing consensus on the standards.

364,454

Invoices subjected to factoring processes

In 2021 a total of 44,002 domestic and foreign financing transactions were realized and 364,454 invoices were subjected in factoring processes.

Factoring Receivables

In 2021, Garanti BBVA Factoring has a market share of 7% with factoring receivables of TL 4.15 billion.

Total Assets

In 2021, Garanti BBVA Factoring has a market share of 6.7% with a total asset size of TL 4.36 billion.

Transaction Volume

- In 2021, Garanti BBVA Factoring has a market share of 8.69% in the sector with a total transaction volume of TL 17.3 billion (USD 1.9 billion).
- For the year, domestic transactions totaled TL 11.4 billion (USD 1.3 billion); export transaction volume amounted to 5.1 billion (USD 557 billion); and import transaction volume totaled TL 787 million (USD 79 million).

Number of Customers

In 2021, Garanti BBVA Factoring served a total of 8,260 customers in funding, guarantee and collection through its 11 branch locations across Turkey.

Garanti BBVA Factoring has a market share of 6.7% with a total asset size of TL 4.36 billion.

Financial Situation and Performance Assessment in 2021

Garanti BBVA Factoring has shown a strong performance in transaction volume in agriculture sector, production sector and service sector in 2021.

Garanti BBVA Factoring's Transaction Volume and Factoring Receivables on Sector Basis as of the year-end 2021 (TL thousand)

Sector Distribution of Transaction Volume

SERVICES SECTOR	10,331,408.00
Wholesale and Retail Trade Mot. Veh. Services	7,731,274.00
Transportation, Warehousing, and Communication	993,455.00
Real Estate Brokerage, Leasing and Operating Activities	659,514.00
Construction	451,478.00
Other Public, Social and Private Services	413,675.00
Hotels and Restaurants (Tourism)	61,786.00
Health and Social Services	15,380.00
Education	3,994.00
Financial Institutions	446.00
Defense and Public Administration Compulsory Social Security Institutions	406.00
MANUFACTURING SECTOR	6,919,570.00
Textile and Textile Products	2,470,050.00
Main Metal Industry and Processed Material Manufacturing	876,815.00
Nuclear Fuels, Petroleum and Coal Products	717,718.00

Electrical and Optical Devices	530,628.00
Machinery and Equipment	388,036.00
Transportation Vehicles	295,305.00
Food, Beverage and Tobacco	286,507.00
Chemical and Chemical Products and Artificial Fibers	273,898.00
Extraction of Metals Not Used for Energy Production	221,508.00
Manufacturing Not Classified Elsewhere	205,967.00
Rubber and Plastic Products	204,427.00
Wood and Wood Products	126,431.00
Other Mines Excluding Metals	120,579.00
Paper Raw Materials and Paper Products Printing	113,699.00
Electrical Gas and Water Resources	45,077.00
Leather and Leather Products	38,995.00
Extraction of Metals Used for Energy Production	3,930.00
AGRICULTURAL SECTOR	86,719.00
Agriculture, Livestock, Forestry	86,066.00
Fishery	653.00
TOTAL	17,337,697.00

In 2021, the sector with the largest factoring receivables was services sector with 76.01%.

Sector Distribution of Factoring Receivables (TL thousand)

	Amount ^(*)	Ratio ^{(%)(*)}
SERVICES SECTOR	3,150,002	76.01
Wholesale and Retail Trade Mot. Veh. Services	2,366,632	57.08
Other Public, Social and Private Services	260,648	6.29
Transportation, Warehousing, and Communication	210,568	5.09
Construction	145,374	3.50
Real Estate Brokerage, Leasing and Operating Activities	142,770	3.45
Hotels and Restaurants (Tourism)	17,768	0.43
Health and Social Services	4,620	0.12
Education	1,551	0.05
Financial Institutions	71	0.00
MANUFACTURING SECTOR	959,450	23.13
Chemical and Chemical Products and Artificial Fibers	156,583	3.79
Textile and Textile Products	156,547	3.79
Main Metal Industry and Processed Material Manufacturing	136,989	3.30
Extraction of Metals Not Used for Energy Production	80,920	1.95
Machinery and Equipment	75,151	1.81
Food, Beverage and Tobacco	73,483	1.76
Electrical and Optical Devices	65,474	1.57
Rubber and Plastic Products	42,245	1.01
Manufacturing Not Classified Elsewhere	38,564	0.94
Other Mines Excluding Metals	38,089	0.92
Paper Raw Materials and Paper Products Printing	26,004	0.63
Wood and Wood Products	23,356	0.55
Transportation Vehicles	20,296	0.48
Leather and Leather Products	15,837	0.39
Electrical Gas and Water Resources	6,024	0.14
Nuclear Fuels, Petroleum and Coal Products	3,200	0.07
Extraction of Metals Used for Energy Production	688	0.02
AGRICULTURAL SECTOR	36,735	0.87
Agriculture, Livestock, Forestry	36,486	0.87
Fishery	249	0.00
TOTAL	4,146,187	100.00

* Including the net non-performing loans.

Information on GARFA Shares

In the January 1 - December 31 2021 period, GARFA stock reached 19.04 – the highest closing price – while the transaction volume totaled TL 794 million during the same period.

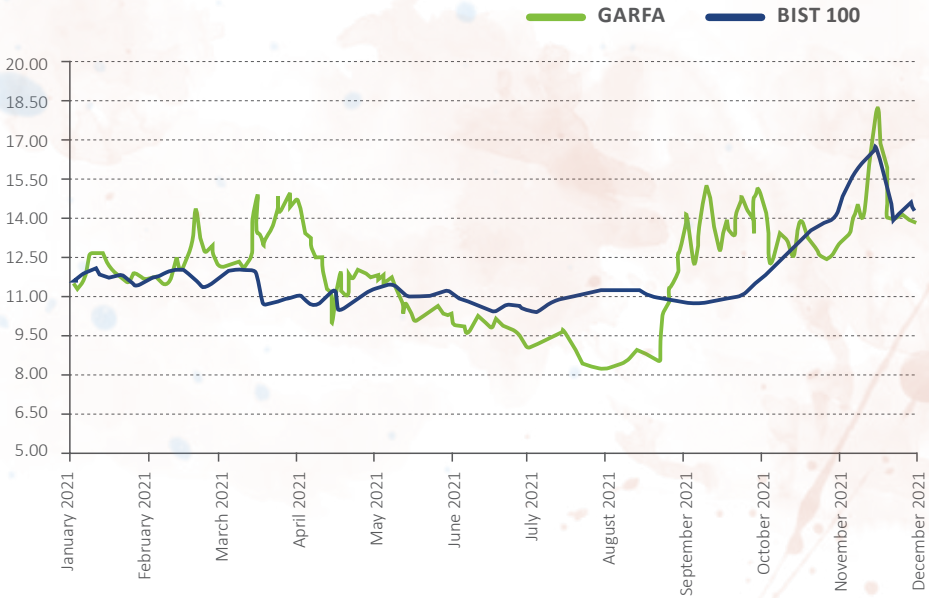
Garanti BBVA Factoring shares are listed on Borsa Istanbul (BIST) under the ticker symbol “GARFA.”

Garanti BBVA Factoring shares have been listed on Borsa Istanbul (BIST) since 1993, under the ticker symbol “GARFA.” As per the decision of the Borsa İstanbul A.Ş. Board of Directors dated 10/09/2020 and the Capital Markets Board (CMB) dated 14/09/2020, some amendments have been made, to be effective as of 01/10/2020, in the market structuring in the Equity Market, the principles of trading in the markets and the criteria for transition between markets and the conditions for taking quotas. With the amendment made, GARFA stocks started to be traded on the Sub-Market.

1 In the period January 1- December 31 2021, GARFA stock reached TL 19.04 – the highest closing price – while the transaction volume totaled TL 794 million during the same period.

Share Performance

BIST100 closing prices are indexed to GARFA price.



Lowest price in 2021 7.67

Highest price in 2021 19.04

Closing price 2021 was realized as 13.70.

Credit Ratings

Garanti Faktoring A.Ş. is receiving rating service from the international credit rating company Fitch Ratings.

Fitch Ratings has updated the Company's grades and outlook as below on February 22 2022.

Foreign Currency

Long Term	B
Short Term	B
Outlook	Negative

Turkish Lira

Long Term	B+
Short Term	B
Outlook	Negative

National

Long Term	AA (tur)
Shareholder Support	b
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 "Corporate Governance Principles Compliance Rating" study, held for the tenth time in 2021i was completed on August 17, 2021.

The report has been prepared by Kobirate International Credit Rating and Corporate Management Services Inc. (Kobirate) and shows that Garanti BBVA Factoring's Corporate Management Rating rose from 9.44 to 9.47 for the period August 17, 2021- August 17, 2022.

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. After assuming a variety of duties in the Board of Directors for one of the largest industrial groups of Turkey for a brief period, on September 6, 2019, Mr. Baştuğ was appointed as Board Member, President and CEO at Garanti BBVA. Mr. Baştuğ also serves as President of the Board at Garanti BBVA International N.V., Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Leasing, Garanti Payment Systems and Garanti BBVA Technology. In addition to these roles, Mr. Baştuğ serves as a Board Member of The Banks Association of Turkey and the Istanbul Foundation for Culture and Arts (IFCA) and as a Member of the Board of Trustees of the Teachers Academy Foundation. Mr. Baştuğ has 30 years of experience in banking and business administration.

Murat Atay

Vice Chairman/Credit Committee Member

A graduate of Middle East Technical University Political Science and Public Administration, Murat Atay holds an Accounting MBA from Yeditepe University and a Banking and Finance Ph.D. from Istanbul Okan University and started his career as a corporate and credit analyst at Garanti BBVA. Apart from duties of Corporate Branch Manager 2000-2009 and Garanti BBVA S.A. Romania General Manager 2009-2012, he has served as the Chairman of the Board of Directors in Motoractive, Ralfi and Domenia companies. Serving as the Garanti BBVA Mortgage General Manager between 2012-2020, Atay was assigned to his duty as Assistant General Manager Responsible for Credit Risk Management as of January 2021. With a 27 years business expertise in banking and operating branches, Atay is responsible for the fields of Credit Risk Management, Corporate and Featured

Credits, Commercial Credits, Individual and MSE Credits Risk Management, Corporate and Commercial Credits Structuring; Risk Planning, Observation and Reporting; Regional Credits Coordination, Risk Projects and Credit Risk Management Advanced Analytics.

Aydın Güler

Board Member

Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti BBVA Fund Management Department in 1990. After working at different Head Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management Reporting. Between 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed Executive Vice President in charge of Finance and Accounting. He is furthermore the Vice President of the Board of Garanti BBVA Fleet, and a Board Member of Garanti BBVA Leasing, Garanti BBVA Mortgage, Garanti BBVA Pension and Provident Fund Foundation and Garanti BBVA Pension and a Board of Trustees Member of the Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Assets & Liabilities Management, Financial Management, Financial Data, Performance Management and Budget Planning, Cost Management and Efficiency, Investor Relations, Financial Reporting and Accounting, Finance Projects, Tax Management, Purchasing Management and Credit Cards and Member Merchant Coordination.

Kaya Yıldırım

General Manager/Member of the Board of Directors

Kaya Yıldırım graduated from Istanbul University, Economics Department in 1987 and joined Garanti BBVA in 1989. After working for various sections and branches of the 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 BBVA Factoring. He has also served as a Board Member of the Association of Financial Institutions since September 20, 2018.

Osman Bahri Turgut

Member of the Board of Directors/Corporate Governance Committee Member

Osman Bahri Turgut started his studies in 1986 and graduated from Marmara University Department of Economics in 1990. The same year, Osman Bahri Turgut started his professional career at Garanti BBVA 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 continues to serve as Chairman of the Garanti BBVA Audit Board. And he is also a member of the Board and Audit Committee of Garanti BBVA Leasing, Garanti BBVA Fleet; a Board Member of the Garanti BBVA Pension and Provident Fund Foundation and Garanti Culture; and a Member of the Audit Committee of Garanti BBVA Leasing, Garanti BBVA Consumer Finance SA and Garanti BBVA Payment Systems.

Cemal Onaran

Board Member

Cemal Onaran graduated from Middle East Technical University Department of Public Administration in 1990 and started his career as Assistant Auditor in Garanti BBVA at the Audit Committee in the same year. Between 2000-2007, he worked as the Regional Manager in various regions for Garanti BBVA in Istanbul. After the establishment of Garanti BBVA Mortgage in October 2007, he was appointed General Manager at Garanti BBVA Mortgage. After serving as the General Manager at Garanti BBVA Pension & Life from August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti BBVA in charge of SME Banking on January 1, 2017. Mr. Onaran is the Chairman of Garanti BBVA Fleet, Vice Chairman of the Board of Garanti BBVA Mortgage; a Board Member of Garanti BBVA S.A. (Romania), Garanti BBVA Leasing, Garanti BBVA Technology, Garanti BBVA Factoring, Garanti BBVA Pension, Garanti BBVA Pension and Provident Fund Foundation; and a Board of Trustees Member of the Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Onaran is in charge of SME Medium & Large Enterprise Banking and SME Small Enterprise Banking.

Sibel Kaya

Board Member

A graduate of Middle East Technical University Architecture Faculty City and Regional Planning Department, Sibel Kaya started his career in 1997 as Manager Candidate in Garanti BBVA. She has served in management positions in Commercial Banking division 1998-2005, Branch Manager and Commercial Branch Manager in various branches 2005-2016, Aegean

Regional Manager between 2016-2018 and Human Resources Director between 2018-2021, and assigned to Assistant General Manager Responsible for SME Banking in Garanti BBVA on February 2 2021. With a 23 years of experience in banking and operations, Kaya is responsible for SME Banking Marketing and SME Banking Field and Performance Management.

Nihat Karadağ

Independent Member/Audit Committee Member/ Chairman of the Early Detection of Risk Committee/ Chairman 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 started his career as an auditor at Ziraat Bank and has served as Executive Vice President at Koç Consumer Financing and Card Services, Oyakbank, Ing Bank and OYAK. During 2009-2016, he served as a board member and chairman Akdeniz Kimya San. ve Tic. A.Ş., Ereğli Demir ve Çelik Fabrikaları T.A.Ş., Iskenderun Demir ve Çelik Fabrikaları A.Ş., Hektaş Ticaret T.A.Ş., Oyak Yatırım Menkul Değerler A.Ş., Tuğtaş Gıda San. ve Tic. Halk Leasing Finansal Kiralama A.Ş., Atterbury SA (Luxembourg), Chemson Polymer Additives AG (Austria), Almatris B.V.(Netherlands) and Orfin Finansman A.Ş.. Mr. Karadağ is a member of the Finance Managers Foundation and the Chairman of the Professional Committee. He also holds an Independent Accountant and Financial Advisor License.

Serkan Çankaya

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

Prof. Dr. 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, who first started his academic career at Kadir Has University, serves as the Manager of the Finance Institute at Istanbul Commerce University, Head of Finance and Banking Department in English 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 financial mathematics, investment analysis, portfolio management, and conducts research activities in the area of sustainable finance.

Committees and Attendance at Committee Meetings

Audit Committee

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

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

The tasks of the Committee are as follows:

Internal Control System:

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

Internal Control Unit fulfills its obligations stipulated in the Internal Regulations,

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

Financial Reporting and Independent External Audit:

- To oversee whether the Company's financial reports include all the information that is correct and that must be reflected whether they are prepared in compliance with the law and other relevant legislation and, moreover, to ensure that the detected faults and/or irregularities are corrected,

- To select the independent audit firm, to prepare the audit agreements and to start the independent audit process, as well as to supervise the independent audit firm's auditing activities at all stages.

Compliance with the Law, Regulation and Code of Ethics

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

The Audit Committee convened 9 (nine) times in 2021. In these meetings, the Committee discussed the results of the periodic control activities conducted by the Internal Control and Compliance Unit, and the Compliance Officer provided the information on compliance activities across the Company. Moreover, the audit activities about the deficiencies detected during the audit activities by the T. Garanti Bankası A.Ş. Audit Board and other institutions.

Moreover, information was provided to the members of the Audit Committee regarding the results of the audit activities – performed by the independent audit firm (KPMG) – regarding the Company's financial data dated 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021, and regarding the prepared management recommendation letter.

Corporate Governance Committee

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

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

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

The tasks of the Committee are as follows:

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

Acting as the Nomination Committee:

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

Acting as the Compensation Committee:

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

The Corporate Governance Committee convened 5 (five) times in 2021.

Committees and Attendance at Committee Meetings

Early Detection of Risk Committee

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

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

The tasks of the Committee are as follows:

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

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

Early Detection of Risk Committee convened 6 (six) times in 2021. In these meetings, the Committee shared the reports – with the Members of the Board of Directors – that it prepared regarding the issues such as; compliance with standard ratio and the 376th Article of TTK (Turkish Commercial Code), status of the Company’s foreign exchange position, status of the problem factoring receivables, cost-yield and maturity composition of the balance sheet, assets & liabilities composition and status of operational expenses (OPEX).

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

Assets and Liabilities Committee

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

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

In 2021, the Committee was convened 50 (fifty) times by the General Manager in order to discuss and assess the specified issues weekly.



Credit Committee

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

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

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

Credit Processes Committee

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

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

IT Committee

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

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

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

The committee convened 2 (twice) in 2021.

In the meeting held in 2021, 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**
His resume is on page 40.



Şule Firuzment Bekçe²
Executive Vice President

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



Gülçin İşcan³
Executive Vice President

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



Osman Bilgin¹
Executive Vice President

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

¹ As of January 31 2022, Memet Zeki Pekmezci has retired from our Company's Executive Vice President duty, and in his Place, Osman Bilgin was appointed as of 1 February 2022.

² As of May 31 2021, Mert Ercan has left the position of Executive Vice President in our Company to serve in another company of our main shareholder T. Garanti Bankası A.Ş., as of June 1 2021 Şule Firuzment Bekçe was appointed in his position.

³ As of February 28 2021, Barış Uzmay has left the position of Executive Vice President in our Company to serve in another company of our main shareholder T. Garanti Bankası A.Ş., as of May 10 2021 Gülçin İşcan was appointed in his position.

Organizational Structure and Organizational Structure Changes

Changes to the Organizational Structure

There was no change in the organizational structure between Friday, January 1, 2021 and December 31, 2021.



Executive Vice President

Sales Coordination and
Product Management

International Factoring Unit

Corporate and Commercial
Region

İstanbul European 1-2
Eastern Anatolia Regions

İstanbul European 3-4-5 Regions

İstanbul Anatolian 1-2-3/
Eastern Black Sea Regions

Ankara 1-2/Western
Black Sea Regions

Marmara & Western Anatolian
Regions

İzmir & Aegean & Southern
Aegean Regions

Çukurova & Southeast
Anatolian & Middle Anatolian Regions

Mediterranean & Central
Anatolia Regions

Chairman's Assessment

Garanti BBVA Factoring has continued to operate as one of the leading companies in the non-banking financial sector, measured by both its experienced and qualified human resources and its pioneering technological initiatives.



Recep Baştuğ
Chairman of the Board of Directors

Dear Esteemed Stakeholders,

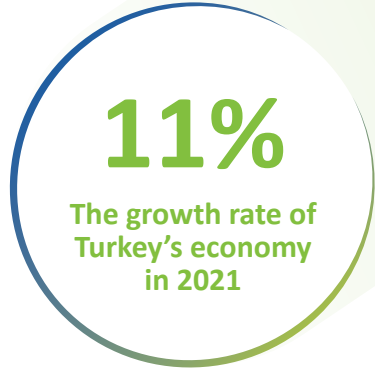
The world economy, which contracted in 2020 with the impact of the coronavirus epidemic, witnessed a strong recovery in 2021 as a result of vaccination and supportive economic measures. The USA was at the forefront of economic expansion in 2021, while among developing countries, Turkey, India, and China had the largest expanding economies.

According to estimates from the United Nations Conference on Trade and Development (UNCTAD), global trade increased by 22% in 2021, reaching USD28 trillion. Apart from the steps toward normalization, which are expected to continue at full tilt in 2022, the World Bank report foresees a decline to 4.1% in the global growth rate, with the effects of the increase in commodity and energy costs, inflation and political uncertainties. Additionally, the ongoing disruptions to the supply chain and high energy prices mean that inflation will remain high on the global scale for a longer period than originally foreseen.

Developed countries, which relaxed monetary policies during the pandemic, are signaling a gradual policy change spread over time, with forward-looking directions on asset purchase programs and financial policy interest rates. Regarding these changes, the asset purchase program announced by the Fed in March 2020 is expected to end in 2022, and interest rate increases are expected within the year.

The European Central Bank has also announced it will finalize the Pandemic Emergency Asset Purchase Program, which started in March 2020, in March 2022.

Meanwhile, the Turkish economy has recovered thanks to measures taken in 2021 and has grown by 11% in 2021, according to TÜİK data, indicating a performance of high expansion.



Chairman's Assessment

Garanti BBVA Factoring has made its balance sheet stronger and more sustainable and continued its growing contribution to the country's economy by continuously supporting the SMEs, the lifeblood of the real economy, in the fields of funding, collections and collection guarantees.

On the other hand, with increases in commodity and energy prices as the pandemic disrupted global supply chains, especially in the final quarter of 2021, an important loss of value in the Turkish lira and a rise in inflation occurred. However, as a result of measures promoting the Turkish lira, the currency rate was balanced.

The sector expanded in the second half of the year

Following a relatively recessive first half-year in 2021 due to the effect of quarantine measures, with accelerated vaccination programs, normalization measures and the resulting robust growth in the economy, the second half-year has seen important growth in parallel.

The transaction volume of the sector increased in December 2021 by 34% compared with the previous year and reached TL 200 billion, with the size of the receivables reaching TL 59.5 billion. In parallel with

the important yearly increase in our country's export totals in 2021, an important rise in export transaction volumes in our sector—already one of the long-time strong players in the world in export factoring—has also taken place.

Similar to past years, Garanti BBVA Factoring continued in 2021 to operate as one of the leading companies in the non-banking financial sector, measured by both its experienced and qualified human resources and its pioneering technological initiatives. With its strong financial structure and sturdy business plan, the company has continued to remain by its customers' side as a sustainable and dependable business partner.

Performance above targets

The company's financial results were significantly above targets in 2021. The company has continued its inclusive, SME segment-focused, stable and active growth in parallel with its current strategy.

In the last three years, our company has sustainably increased the number of customers in the SME segment and recorded over 250% cumulative growth. The company also continued its contribution to the country's economy by continuously supporting the SMEs, the lifeblood of the real economy, in the fields of funding, collection and receivables guarantee.

This success also was certified by awards in 2021. At Garanti BBVA Factoring, we take pride in being awarded "The World's Best Export Factoring Company" for the fifth time by Netherlands-based Factors Chain International (FCI), which is active in approximately 90 countries abroad, includes close to 400 active export and import factoring companies, and is also responsibly and sustainably continuing to add value to Turkish exporters and the country's economy.

In a changing world, the path to remaining competitive and offering the highest quality and fastest service to customers and shareholders is through digitalization. In this regard, Garanti BBVA Factoring has made technological improvements and digitalization a continuous part of its yearly strategy, both to make its operational processes more efficient and automated, and to offer its customers faster, more competent service. With this in mind, the company continued its technology investments without pause in 2021.

We will continue stable growth

Since high inflation is expected to remain a feature in the world and our country in 2022, as it has in the past few years, we also aim for a year where we expand our customer portfolio without compromising our asset quality, by bringing a stable and strong asset growth to the fore and making our present credit and risk policies more efficient and automated.

Additionally, while maintaining our focus on inclusive growth primarily with our SMEs, we plan to answer all our customers' needs in the fastest and most reliable way and perform our part in preserving economic stability in our country.

As a company, I thank all stakeholders, with our employees at the fore, who have contributed to this stable and robust growth.

Best regards,

Recep Baştuğ

Chairman of the Board of Directors

General Manager's Assessment

“The World’s Best Export Factoring Company” award is cherished by us, as it displays the importance of the continuous and stable support we have provided to the real economy.



Kaya Yıldırım
General Manager

Dear Esteemed Stakeholders,

In 2021, the world and our company have overcome the negative effects of the COVID-19 pandemic and have entered a fast path to recovery. However, with the emergence of new variants, rising inflation around the world, increasing commodity and energy prices and disruptions to supply chains, the economic uncertainties remain.

Garanti BBVA Factoring, which has stood by its customers' sides in every time of crisis and uncertainty, provided continuous support to its customers with its qualified and sector-experienced workforce in 2021, and continued to be a dependable solution partner, especially with the factoring services offered to SMEs.

Our company, showing stable growth and increasing its number of customers, demonstrated an important rise in transaction volume in export areas as well as the SME segment and continued to contribute to country's growth and economic stability.

50% growth in total assets

As of the end of 2021, Garanti BBVA Factoring had TL 4.4 billion in assets and TL 4.2 billion in factoring receivables. The shareholders' equity was realized at TL 345 million. The company ended the year with a TL 132 million net period profit, a 3.6% active profitability ratio and a 47.5% equity profitability, and brought its transaction volume to TL 17.3 billion. These figures signify growth of 50% in assets, 48% in total factoring receivables and 28% in transaction volume. The growth resulted mostly from domestic and export transactions in the SME sector.

The primary reasons for this robust performance are stable and inclusive growth without compromising asset quality, variations in funding resources and the efficient use of equity. Additionally, resulting from the company's efficient risk management policies, new additions to the non-performing receivables portfolio in 2021 were limited, and including the effects of collections from this portfolio, the company has left behind a very successful year in which it strengthened its equity structure.



The fifth time best in the world

Netherlands-based Factors Chain International (FCI), which is active in approximately 90 countries abroad and includes close to 400 active export and import factoring companies, has chosen Garanti BBVA Factoring as "The World's Best Export Factoring Company" for the fifth time, with a full 100 score. Being worthy of this international award for the fifth time is cherished by us, as it displays the importance of the continuous and stable support we have provided to the real economy.

As always, to develop exports and allow its customers to continuously perform their activities as a dependable solution partner, Garanti BBVA Factoring will continue to bring factoring advantages to its customers and will support them internationally with its strong correspondent network abroad. With a suitable cost structure, provided guarantee and collection service advantage, along with the effect of the current economic environment, the trend towards export factoring transactions is expected to continue and increase in 2022.

General Manager's Assessment

Factors Chain International (FCI) has chosen Garanti BBVA Factoring as “The World’s Best Export Factoring Company” for the fifth time with a full 100 score.

The Corporate Management Rating increased once more

Our company has continued to take all necessary steps in the name of corporate governance. In the independent compliance rating study undertaken for the tenth time this year, our company managed to increase its corporate principles compliance rating from 9.44 to 9.47.

Additionally, while Garanti BBVA Factoring observes its corporate responsibilities, it has continued to perform its social duties. We value our support in this area as much as the financial targets regarding our operations, and we see this as a service to our country and society.

In 2021, Garanti BBVA Factoring continued its social responsibility projects conducted with TOG (Foundation of Society Volunteers) and KACUV (Hope Foundation for Children with Cancer). Within the scope of our ongoing scholarship fund project with TOG, the company supports the education of 13 students. The support for the “Hopeful Boxes” Project, conducted for many years with KACUV, also continues.

Digitalization gains speed

Digitalization steps in operational and risk management processes, taken with a corporate governance understanding, are also factors that bring a competitive advantage to Garanti BBVA Factoring and have carried us to the pioneering position in our sector. In this regard, data and technology remain the focus of the company’s forward-looking strategy and aims. Garanti BBVA Factoring works to automate its processes as much as possible to provide ease of use to its customers while continuing to invest in digital platforms.

Currently, our customers can perform their factoring transactions in seconds, practically and securely, via the mobile application. Additionally, through system-supported, reliable inquiry criteria, risks about receivables are evaluated rapidly, the suitability of the customers for funding is determined and immediate responses can be provided through the application.

As of the end of 2021, Garanti BBVA Factoring had TL 4.4 billion in assets and TL 4.2 billion in factoring receivables.

Garanti BBVA Factoring continued its digital transformation process in 2021. Work has been conducted for more effective use of the factoring request function, which was introduced in 2020 on the Garanti BBVA Internet Branch, and developments are underway for reaching more customers and increasing transaction volumes.

As a result of increasing the scope of use of the Garanti BBVA Factoring Supplier Funding System—which was completed and commissioned in 2020 to allow suppliers to turn their receivables into liquid assets faster and more efficiently with appropriate costs—an important increase in the number of transactions in this medium also was recorded in 2021.

Additionally, all remaining processes that do not need to be robotically automated to maximize operational efficiency will continue their efficient and customer satisfaction-oriented activities without interruption.

As Garanti BBVA Factoring, we will continue in 2022 to take the steps to maximize the value we add to our customers, the environment and our stakeholders, especially those related to digitalization and operational proficiency.

In this regard, as one of the leading players in the sector, our main objective this year is to serve more customers in the sector, taking advantage of Turkey's high potential for stable and strong asset growth without compromising profitability, while strengthening our relationships with our existing customers through broadening the variety of products.

I would like to extend my gratitude to our valued employees and all of our stakeholders who have never relinquished their support in any situation and turned us into the sector's leading, strong and innovative company.

Best regards,

Kaya Yıldırım
General Manager

Factoring Sector Overview

The factoring sector developed quickly in the country during the second half of the 2000s.

Factoring in Turkey

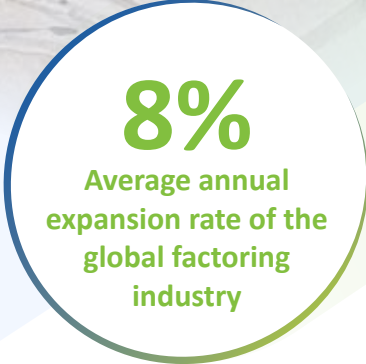
Factoring transactions in Turkey began in the 1980s and were initially conducted by banks. Today, factoring companies are regulated by the “Financial Leasing, Factoring and Financing Companies Law No. 6361” published in Official Gazette No: 28496 on December 13, 2012, and the “Regulation on the Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies No: 28627” issued by the Banking Regulation and Supervision Agency (“BRSA”) on April 24, 2013. As of the end of the year, there are 54 factoring companies affiliated with the Association of Financial Institutions in Turkey.

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

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

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





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

Factoring Worldwide

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

In line with widespread economic growth, a rebound in trade, better risk analysis, and more aware customers, factoring has become a modern financing method for companies around the world.

In parallel with the expansion of factoring into new industries and regions, the rapid rise in computer usage and technology advancements, the merger of independent organizations with large commercial banks, and the increased competition within the sector, the global factoring volume is increasing rapidly.

Today, we have a well-established factoring industry in more than 50 countries, particularly in Europe and the USA. Europe has a big weight in factoring transactions with a ratio of 68%. Europe is followed by Asia with 25% and continental America with 6%.

The global factoring industry has expanded at an average annual rate of 8% over the last 15 years.

Research and Development

Garanti BBVA Factoring is continuing its efforts in 2021, integrating the vision of being one of the leaders in the sector with efficiency.

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 2021, 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 2021, works on compliance with “the Regulation on the Establishment and Activity Principles of Financial Leasing, Factoring and Financing Companies” issued by BRSA were in focus.

In addition, we aimed to replace the credit screens and processes, which had been in use for a very long time, with a new technological infrastructure to renew both the technology and the user experience and increase operational efficiency. In this regard, work has commenced to develop credit offer input screens and processes.

Investments

In the 2021 fiscal period, Garanti BBVA Factoring purchased tangible assets worth TL 54 thousand and intangible assets (software) worth TL 7 million.



Risk Management Policies

As part of the Risk Management activities, the Company periodically reviews its existing risk management models and organization.

Financial Risk Management Objectives and Policies

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

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

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

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

Credit Risk

Garanti BBVA Factoring faces credit risks as per its subject of activity. In credit risk management, there are methods mainly focused on the pre-allocation and monitoring processes. The Company has an existing credit policy. Companies that lack credit allocation criteria cannot start a credit relationship with Garanti Factoring. The Credit Committee regularly meets and all credit requests are considered on their own individual merit.

There are also early warning systems in place, to monitor allocated credits. Within this framework, regular activities are carried out including customer credibility measurement. The Company has subcommittees in charge of credit processes and NPL management to ensure effective monitoring of credit risk.

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

Risk Management Policies

Convening regularly, the Garanti BBVA Factoring Credit Committee evaluates incoming requests during credit allocation.

During the credit allocation process, the Garanti BBVA Factoring Credit Committee gathers weekly, evaluates requests and makes decisions in accordance with the asset allocation limits.

Additionally, other authorities with the delegation of allocation can perform credit allocations within the scope of their authority. The rating of receivables and the credibility of the seller, as well as the content of the trade, are prioritized during the analysis.

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

1. Criteria-based limit allocation: A limit allocation is made to the appropriate buyer/seller side borrower companies that comply with the criteria which are determined and approved by Garanti BBVA Factoring Credit Committee. These criteria would be revised if necessary, depending on the market conditions, sectoral developments and the results obtained from the current allocation process. In the assessment of credit risk, credit analysis is performed by scoring method for SME qualified customers. If these criteria are no longer valid for a customer after the loan allocation, any other loan disbursements are stopped, and the risk liquidation process starts.

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

In the credit monitoring phase, there are also early warning systems in place to monitor allocated credits. Related works and customer creditability measures are performed in each period. To this end, bad checks, overdue factoring receivables and invoices are monitored daily. If deemed necessary, customers undergo additional screening and intelligence processes.

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

The tracking of macro credits is reported weekly to the Assets Liabilities Committee, whereas the tracking of the customer/group, sectoral and geographical concentrations are monitored 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. Factoring receivables as well as cash flow and liquidity risks are managed by monitoring maturities of bank credits and deposit accounts. Daily situation reports are compiled and submitted to the Senior Management together with the end-of-day open treasury transactions.

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

Liquidity Risk

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

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

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

Garanti BBVA Factoring builds the risk management system as an essential part of its risk management strategy. The Risk 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.

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.

Risk Management Policies

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

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.

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

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

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

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

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

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

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

Reputation Risk

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

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



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

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

In this regard, within the scope of the Internal Control and Compliance Unit's Control Activities;

- The Unit has conducted the control activities to ensure that the Company's activities are carried out in a regular, efficient and effective manner in compliance with the legal regulations and the strategies and policies set by the Board.
- Within the scope of the control plan in 2021, 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 2021, 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 2022, 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, 2021.

Information on Acquired Shares

As of December 31, 2021, Garanti Faktoring A.Ş. has not acquired any of its own shares.

Information on Private Audit and Public Audit

The Company did not undergo any private audits in 2021.

Lawsuits Filed Against Garanti Faktoring A.Ş

During fiscal year 2021, there were no lawsuits brought against Garanti Faktoring that may affect the financial position and operations of the Company.

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

Within 2021, BRSA has imposed the Company an administrative fine of TL 400,000. With the time periods established in the related legislation, the Company has taken advantage of advance payment discount and effected a payment of TL 300,000.

There were no administrative or legal penalties imposed on board members.

Previous Period Budget and Performance Assessment

While the factoring receivables of the sector increased by 33.61% in 2021 and reached TL 59.543 billion, the total receivables of Garanti BBVA Factoring increased by 48%.

While the year-on-year total assets in the sector increased by 35.23%, Garanti BBVA Factoring's year-on-year total asset balance increased by 50%.

As of the end of 2021, non-performing loans coverage ratio was 86%, and the ratio of non-performing receivables was 1.6%.

Despite the ongoing effects of the Covid-19 pandemic, which started in the 2nd quarter of 2020 and continued in 2021 with new variants, and also the economic uncertainties experienced in the 4th quarter, Garanti BBVA Factoring has been minimally effected by the volatilities in the markets by its strong financial structure, suitable funding composition and active risk management policies, and kept its net interest margin at the level of 4.85.

Total Assets (TL million)	2020	2021
Liquid Assets and Banks	12	153
Factoring Receivables	2,794	4,147
Other	6.3	55.4
Total Assets	2,913	4,356

Liabilities (TL million)	2020	2021
Funds Borrowed	2,088	3,350
Bond Issuance	582	584
Other	7.7	77
Shareholders' Equity	214	345
Total Liabilities	2,913	4,356

Net Profit (TL thousand)	2020	2021
Net Interest Income	111,284	211,484
Other Revenues	(11,699)	(9,935)
Operating Expenses	(49,435)	(69,613)
Net Profit	50,150	131,936

Growth Rates (%)	Garanti BBVA	
	Factoring	Factoring Sector
Average Assets	45.1%	32.2%
Average Factoring Receivables	46%	32%
Average Equity	49.6%	15.4%
NPL Ratio	-63.9%	-28.6%
Number of Total Factoring Employees	-0.8%	-1.8%

Profitability Rates (%)	2020	2021
Average Return on Assets	2	3.62
Average Return on Equity	26.99	47.48
Operating Income/Average Assets	12.3	17.5
Operating Expense/Average Assets	1.97	1.91
Net Interest Margin	3.82	4.85
Provision Ratio	90	86

Donations and Aid Granted in 2021 - Social Responsibility Projects

In 2021, 120 employees in Garanti BBVA Factoring participated in 2,536 hours of training in total, where they can increase their competence in technical, occupational and personal fields.

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

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

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

Garanti BBVA Factoring donated a total of TL 101,993. Of those funds, TL 52,815 was donated to the Community Volunteers Foundation, TL 47,978 to the Hope Foundation for Children with Cancer (KAÇUV) and TL 1,200 to the Turkish Educational Foundation.

Moreover, in 2021, the Company provided scholarships to 13 students via the Garanti BBVA Factoring Scholarship Fund, formed within the Community Volunteers Foundation.

CO-OP Project

Under the 12th edition of Bahçeşehir University's CO-OP Project in 2021, "Garanti BBVA Factoring: The World of Receivable Finance" classes continued. Garanti BBVA Factoring managers delivered 42 hours of classroom training on the sector to the students of Bahçeşehir University for 14 weeks. As in previous years, students showed great interest in the program in 2021.

Environmental Practices

To support recycling within the Company, garbage bins were removed from the desks in the head office and separate waste bins for paper, plastic and other wastes were placed at specific points on the floor.

Human Resources and Training

Garanti BBVA encourages continuous learning culture, which will allow the employees to prepare themselves better for both today's and tomorrow's competencies in line with their needs. Training studies were united under Campus Garanti BBVA in the beginning of 2021, forming a more active and effective structure.

In 2021, 120 employees in Garanti BBVA Factoring participated in 2,536 hours of training in total, where they can increase their competence in technical, occupational and personal fields. Average training time per employee was 21 hours for the year.

53% of the trainings were held digitally. Garanti BBVA Factoring employees attended 77 different inter-class training, conference and summits in digital platforms in 2021. Apart from this, employees were provided with 170 different digital trainings.

In order to support equal opportunity for development in English & Spanish for all employees, GETLingo portal integration was completed and provided for employees' use. Apart from this, 13 "Let's Talk" live broadcasts, held by experts through the year, and "Let's Ask Someone Who's Been There!" activities, supporting employees in learning from each other and sharing information, were offered for employees' attendance.

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.

"Upskilling and reskilling" trainings, allowing employees to be better at their work and prepare for tomorrow's proficiencies, were held with the participation of 89% of employees.

Also, throughout the year, leadership programs graded by experience were started, and "Leadership Knows No Distance" digital training program commenced for all leaders, oriented towards hybrid management environment.

Career Maps

In line with the human resources policy, Garanti BBVA Factoring trains future managers by prioritizing internal promotion. In 2021, all the managerial level promotions within the Company were from the internal staff.

To this end, the Company created Career Road Maps based on objective and transparent criteria to determine the appropriate career paths for employees that match their skills, experience, expectations, and goals. Since that time, these road maps have guided employees on their individual career paths. Through the Garanti BBVA-HR system, the employees' performance assessment is conducted online once a year.

Rewarding Three 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 selected categories, and to create awareness of excellence across the organization. In 2021, one employee in the Company received awards in various categories. In addition, two employees who earned the right to join our group's talent pool received their prizes determined by the program.

Distribution of Employees by Gender (%)

Male	48
Female	52

Average Age of Employees (years)

Male	39
Female	39

Education Level (%)

Primary school	1
High school	6
Associate degree	7
Bachelor's degree	66
Postgraduate	20

In-class, online and on-the-job training provided to employees (hours)

Per person	21
Total	2,536

Information on Group Companies

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

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

The Commercial activities with the controlling and affiliated companies are explained starting from page 164 of this report with the footnote n.24 of the Financial Statements of Garanti Faktoring A.Ş. as of December 31, 2021.

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 2021.

Regulations on Factoring Legislation

Financial Leasing, Factoring and Financing Companies Law has been changed to Financial Leasing, Factoring, Financing and Savings Financing Companies Law to cover activities of Savings Financing companies as well in 2021, and regulations on Savings Financing companies are now included.

Important Events that Occurred after the End of the Operating Year

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

Remuneration of Board Members and Key Executives

The net payment amount provided/to be provided to the key managers of Garanti BBVA Factoring in the fiscal period expired on December 31, 2021 is TL 3,731 (thousand).

Lawsuits Filed Against Profit Distribution Policy and Information Regarding Profit Distribution

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

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

There are no privileges for distributing dividends from the Company. 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 the Company's Articles of Association stipulating advanced dividend payments.

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

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

Taking into consideration the Company's financial statements for the period January 1 2020- December 31, 2020, 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 KMPG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the Board of Directors decided, in accordance with the principle

of "Determining and Distributing Profit" in the Company's Articles of Association, to set aside the tax provisions from the 2020 profit of TL 64,671,632.36 and transfer the remaining net period profit of TL 50,149,744.53 to the legal and extraordinary profit reserves account, taking into consideration the impact of net deferred tax of TL 14,521,887.83 that was calculated from the 2020 period profit, and to keep it 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 BBVA Faktoring as of December 31, 2021 on page 147 and onwards.

Corporate Governance Principles Compliance Report

A. OVERVIEW OF THE CORPORATE GOVERNANCE

Corporate Governance Principles Compliance Statement

Garanti Faktoring A.Ş. (Garanti BBVA Factoring), (Company) is the follower and implementer of the Corporate Governance Principles published by the Capital Market Board (CMB). Our Company has adopted full compliance with the Corporate Governance Principles stipulated in the Law and has got a corporate governance approach based on transparency, equality, responsibility and accountability. Our Company complies with the compulsory Corporate Governance Principles stipulated in the Corporate Governance Communiqué II-17.1 and adopts the principle of implementing the non-compulsory Corporate Governance Principles that would not have impact on our Company's competitive power, trade secrets and on the information that will create opportunity inequalities between the shareholders and stakeholders.

The annual agreement with KOBIRATE A.Ş. (Kobirate International Credit Rating and Corporate Governance Services Inc.) was signed on Tuesday,

June 22, 2021, to register our Company's practices regarding compliance with the Corporate Governance Principles. As a result of the tenth term rating study conducted by KOBIRATE A.Ş., our company's CMB Corporate Governance Principles Compliance score increased from "9.44" to "9.47."

This result indicates that Garanti BBVA Factoring has largely complied with the Corporate Governance Principles published by the Capital Markets Board. Possible risks for the company have been identified and can be controlled. 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 rating scores in major topics are given below in a comparison to the previous periods;

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
		1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
		Period	Period	Period	Period	Period	Period	Period	Period	Period	Period
SPK Corporate Governance Principles Compliance Rating	Weight	83.60	87.00	89.00	91.50	92.60	93.21	93.85	94.15	94.40	94.71
Shareholders	25%	81.94	86.54	87.70	92.02	92.02	92.70	92.70	92.70	92.70	92.70
Public Disclosure and Transparency	25%	86.67	89.19	93.51	96.51	97.67	97.67	99.00	99.00	99.00	99.00
Stakeholders	15%	84.62	88.42	88.90	90.90	90.90	92.93	94.95	96.98	96.98	96.98
Board of Directors	35%	80.33	85.12	86.86	87.74	90.01	90.52	90.52	90.52	91.22	92.10

On the Noncompliant Principles;

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

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.

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 as a cumulative sum in the General Assembly Meetings and Annual Reports.

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 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 region budget and performance meetings and weekly Assets-Liabilities Committee meetings, information on Company's progress is provided, suggestions are communicated and developments are tracked.

Corporate Governance Principles Compliance Report

Within the scope of Garanti BBVA Factoring Sustainability Compliance Framework;

as part of the Communiqué (II-17.1.a) on the Amendment of the "Corporate Governance Communiqué (II-17.1)" published in the Official Gazette dated 02.10.2020, our company, which carries out its policies and procedures in the field of sustainability in parallel with T. Garanti Bankası A.Ş. which is a pioneer in this field, has started its Environmental, Social and Corporate Governance studies.

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

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

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

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

By the Board of Directors decision the Environmental and Social Loan Policies were approved on 19.08.2014 and Garanti Ethics and Integrity Principles on 07.12.2015 and are published on <https://www.garantibbvafactoring.com>.

On 28.11.2018, Garanti Anti-Corruption Policy, on 01.04.2019, the Compliance Program of Policies and Procedures on Prevention of Laundering Proceeds of Crime and the Financing of Terrorism, on 05.08.2020, Garanti Faktoring A.Ş. Personal Data Retention and Disposal Policy were approved by the Board of Directors and announced to the company employees on the web portal (intranet).

Environmental Impacts of Our Activities

And as part of its direct effects, Garanti BBVA Pendik Technology Campus Building, where Garanti BBVA Factoring has been operating since March 2020 has the Gold certificate of LEED, one of the green building rating systems developed by the American Green Building Council (USGBC). The electricity needs of Regional and Branch buildings are covered by renewable energy.

Operating in buildings belonging to Garanti BBVA; Garanti BBVA Factoring has achieved a significant reduction in carbon intensity over the years as a result of Garanti BBVA's long-term efforts within the scope of its carbon footprint. Since the implementation of the ISO 14001 Environmental Management System in 2012, Garanti BBVA's carbon density has decreased by 92%.

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

A. SHAREHOLDER RELATIONS

Company Capital and Shareholding Structure

As of Friday, December 31, 2021, 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
Privileged	42.81	34,036,063.87	3,403,606,387.22
Non-Privileged	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
Privileged	7.56	6,006,364.21	600,636,420.76
Non-Privileged	2.22	1,766,577.70	176,657,769.67
OTHER PUBLIC OFFERING	8.38	6,661,423.03	666,142,302.86
TOTAL	100	79,500,000.00	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.

Corporate Governance Principles Compliance Report

Information on the General Assembly

General Assembly Meetings are held in conformity with the regulations specified in the Company's Articles of Association and "Garanti BBVA Factoring 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.

The 2020 Ordinary General Assembly Meeting of Garanti BBVA Factoring was held on May 21, 2021 at 10:30 in the Company Headquarters at Çamçeşme Mahallesi Tersane Caddesi No: 15 Pendik / ISTANBUL.

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.

Ordinary General Assembly Meetings were held with the Board of Directors decision. 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.

Dividend Rights

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

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

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

Garanti Faktoring A.Ş. Profit Distribution Policy

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 Articles of Association provisions and in line with the General Assembly decisions.

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

Dividends can be paid in equal or varying installment amounts provided that a decision is taken at the General Assembly Meeting that decided to make a profit distribution. There are no regulations in our Company's Articles of Association stipulating advanced dividend payments.

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

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

Profit Share Distribution Chart

At the 2020 Ordinary General Assembly Meeting held on 21.05.2021, the Board of Directors decision regarding the issue of setting aside the necessary amount from the 2020 profit for tax, and transferring the remaining profit to the legal and extraordinary reserve funds to keep it within the structure of the Company, was discussed and approved at the General Assembly.

Investor Relations Department

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

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Authorized persons are listed in the table below:

Full Name	Title	License Number/Type	Telephone	E-Mail
Şule Firuzment Bekçe	Executive Vice President	-	(216) 625 40 09	SFiruzmentBekce@garantibbvafactoring.com
Serap Çakır	Unit Manager	701222 / Corporate Governance Rating License 208344/Capital Markets Activities Level 3 License 305653 / Derivative Financial Instruments License 602587 / Credit Rating License	(216) 625 40 22	SCakir@garantibbvafactoring.com
Ümit Yıldız	Supervisor	-	(216) 625 40 23	UYildiz@garantibbvafactoring.com
Müge B. Güngörmez	Supervisor	525739/Capital Markets Activities Level 1 License	(216) 625 40 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 BBVA Factoring A.Ş. Internal Directive on General Assembly’s Working Principles and Procedures,
- Coordinating ratings activities and relations with rating companies,
- Performing Company’s capital increase transactions and enabling shareholders & investors to use rights offering and scrip issue arising from capital increase,

- Making changes to the Company Articles of Association in conformity with the relevant legislation,
- Performing profit distribution transactions in accordance with the 26nd Article of the Articles of Association in case the General Assembly decides to distribute profit,
- Preparing and revising policies and procedures within the scope of Capital Markets Board Communiqués and other regulations in order to increase the Company's compliance with the corporate governance principles
- Keeping track of and reporting stock price and volume movements, and presenting reports to the top management,
- Presenting reports to the Corporate Governance Committee and the Board of Directors.

Investor Relations Activities

In 2021, interviews were made with twenty eight shareholders via telephone and e-mail, and their requests for information were met. Information presentations were prepared for the Qualified Investors in Istanbul Stock Exchange as part of bond issue transactions. Thirty eight special circumstances were disclosed. These disclosures were published on the Company's website at www.garantibbvafactoring.com under the "Investor Relations" section. Ninth term "Corporate Governance Principles Compliance Rating" activities were carried out between our Company and Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (KOBİRATE A.Ş.).

B. PUBLIC DISCLOSURE AND TRANSPARENCY

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

3.1. Corporate Website and Its Content

Garanti BBVA Factoring's website – structured within the scope of the Corporate Governance Principles in Turkish and English – is at the web-address www.garantibbvafactoring.com

On our website at www.garantibbvafactoring.com; under the "Investor Relations" section, the information specified within the scope of Corporate Governance Principles and under the "Information Society Service" section, the issues that need to be published in the specific field of Garanti BBVA Factoring within the scope of the relevant Regulation of the Ministry of Customs and Trade, are updated regularly and made available to shareholders and the public.

Annual Report

The Company's Annual Reports are prepared and issued in "Turkish" and "English" in conformity with the provisions of the Capital Markets Board Communiqué on "Corporate Governance Principles" and Ministry of Customs and Trade Regulation on "Determining the Minimum Content of Annual Reports of the Companies" published in the Official Gazette n.28395 (date: 28.08.2012). Annual reports are presented to the approval of the Board of Directors and are publicly announced via Public Disclosure Platform (www.kap.gov.tr) and on the website www.garantibbvafactoring.com in the "Investor Relations" section under the topic of "Annual Reports."

C. STAKEHOLDERS

Disclosure to Stakeholders

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

Garanti BBVA Factoring, regularly informs the stakeholders via disclosure of material matters on Public Disclosure Platform by sharing on Information Security portfolio's corporate website and with press releases, social media announcements and internal announcements. Stakeholders' information requests are answered by the

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Executive Vice President in charge of the Investor Relations Department and Sales Marketing and Coordination Department. Written information requests sent via company's website by using GfYatirimcilliskileri@garantibbvafactoring.com and info@garantibbvafactoring.com e-mail addresses, are answered within the time frames stipulated in the Corporate Governance Communiqué.

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

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

In the vision meetings held every year with the presentation of the General Manager, the current status of Garanti BBVA Factoring and its strategies, goals and objectives for the next year are shared with all employees. In addition, all the procedures, policies and announcements are published on the in-house portal to keep staff informed quickly.

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

Pursuant to Garanti Factoring Ethics and Integrity Principles Procedure, Article entitled Prevention of Conflicts of Interest, the procedures to be

followed by employees in the event of a conflict of interest are stated in the Ethics Notification Hotline Procedure. When acts are witnessed contrary to applicable law and ethical principles, employees can report the situation to the Ethics Notification Hotline via the e-mail address "Etikbildirim@garantifactoring.com or the phone number + (90) 216 625 40 88," both of which are under the responsibility of the Compliance Department.

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

Participation of Stakeholders in the Management of the Company

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

Human Resources Policy

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

There are career paths determined with objective and transparent criteria in Garanti BBVA Factoring where all our employees get trainings to improve their technical, professional and individual skills. Within the limits of the Company, Garanti BBVA

Factoring adopts the principle of providing its employees with all kinds of social means on the road to success besides the importance it gives to training.

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

There is no human resources representative appointed to carry out relations with the employees. Because of being a medium scale subsidiary and having 120 staff members in Turkey, Human Resources personnel carry out all tasks and responsibilities of the human resources management, within the frame work of the general functions of human resources.

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

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

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

Performance and awarding process carried out by the Human Resources Unit, is clearly explained to company employees on the company web portal while employees are informed about their

performances. Policies and regulations about promotion, job rotation and EVA premium systems that will be associated to performance results, are announced on the company web portal (intranet).

Ethical Rules and Social Responsibility

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

In line with its vision, mission and strategic targets, Garanti BBVA Faktoring A.Ş. pursues the following principles in its sector:

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

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

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

In all its transactions, Garanti BBVA Factoring pays utmost attention to environmental and social awareness, and makes sure that its business relations' environmental impacts and customer requests are clearly evaluated. All transactions and customer activities within this scope are monitored

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to see if they meet the social and environmental standards necessitated by the Company policies and legislations. In order to manage its environmental and social impacts, our Company has put its Environmental and Social Loan Policies into effect with the Board of Directors Decision dated 19.08.2014 and numbered 2014/53.

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

Garanti BBVA Factoring donated a total of TL 101,993 in 2021. Of those funds, TL 52,815 was donated to the Community Volunteers Foundation, TL 47,978 to the Hope Foundation for Children with Cancer (KAÇUV) and TL 1,200 to the Turkish Educational Foundation.

Moreover, in 2021, the Company provided scholarships to 13 students via the Garanti BBVA Factoring Scholarship Fund, formed within the Community Volunteers Foundation.

Activities performed under the scope of social responsibility are detailed in Page 70 of this report.

D. BOARD OF DIRECTORS

Structure and Formation of the Board of Directors

Board of Directors is elected from among the candidates nominated by the Group (A) shareholders. The number and qualifications of the independent members of the Board of Directors,

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

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

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

Duties & Tasks Assumed by the Members of the Board of Directors

The Chairman of the Board of Directors, Recep Baştuğ, was elected as the Chairman of the Board of Directors on 15.10.2019, to be submitted to the approval of the first General Assembly, his membership of the Board of Directors was approved at the 2019 Ordinary General Assembly Meeting dated 30.03.2020.

Murat Atay was appointed as Vice Chairman of the Board of Directors and Sibel Kaya was appointed as Board Member with the Board of Directors decision dated 15.02.2021, and the appointments were approved at the 2020 Ordinary General Assembly meeting dated 21.05.2021.

Other board members were appointed for three years at the 2018 Ordinary General Assembly Meeting held on 26.03.2019. 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 Murat Atay.
- Independent Members of Board of Directors Nihat Karadağ and Assistant Prof. Serhan Çankaya are members of the Audit Committee.
- Within the scope of Capital Markets Board Communiqué on Corporate Governance Principles; a Corporate Governance Committee was established within the structure of the Board of Directors. The Board of Directors did not establish a Nomination Committee or a Compensation Committee, and thus the tasks of these committees are carried out by the Corporate Governance Committee.
- As per the Capital Markets Board's Communiqué on Corporate Governance Principles, and the Turkish Code of Commerce n.6102, the Early Risk Detection Committee was established within the structure of Board of Directors. Committee Members are Nihat Karadağ and Assistant Prof. Serkan Çankaya, who are the Independent Board Members. Nihat Karadağ is the Chairman of the Committee.

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

Résumés of the Members of the Board of Directors and Tasks Assumed Outside the Company are included on pages 40 and 41 of the annual report.

Independence Statements of the Independent Members of the Board of Directors

28.02.2022

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,

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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 on behalf of the juridical person elected as Member of the Board of Directors.,

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.

Nihat Karadağ
Serkan Çankaya

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

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

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

Responsibilities and Activities of the Board of Directors

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

Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members attending the meeting. Members of the Board of Directors do not have

weighted right to vote and/or negative veto right. Members may vote “accept” or “decline” in the Board of Directors. They cannot vote “abstain.” Members who vote “decline” shall write their reason under the ballot.

Board of Directors decisions taken as a result of the discussions made at the Board of Directors Meetings, are recorded in the Board of Directors decision book. As per the relevant Article of the New Turkish Code of Commerce, Board of Directors decision books openings and closings shall be notarized and completed within the specified time frames.

In 2021, 32 (thirty-two) 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, 69 (sixty-nine) pages of meeting minutes were issued. Board of Directors took 60 (sixty) decisions by either making meetings or by reviewing files. At the meetings held throughout the period, there were no issues that included opposition of any of the Board of Directors members that would need to be recorded in the decision minutes. Members of the Board of Directors do not have weighted right to vote and/or negative veto right.

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

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

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

Information on Committees and on attendance to committee meetings can be found on pages 42 and 45 of the annual report.

E. RISK MANAGEMENT AND INTERNAL CONTROL

For the Company, building an effective risk management system and creating a strong internal control environment is the most important factor behind sustainable growth and development. Our Company continuously monitors its risks via its technological infrastructure and business processes; and makes reporting to management staff to give clues about strategic and daily decisions. The Company analyzes value at risk and maturity in order to measure market and liquidity risks.

Our Company’s foreign currency position is daily monitored and reported to the relevant units and the top management in order to manage it within the allocated limits.

As per the Board of Directors’ Decision No. 2014/15 dated 07.04.2014, Garanti Factoring A.Ş. Risk Management Strategy, Policy and Implementation Procedures have been approved and entered into force. With this policy, Garanti BBVA Factoring 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, characteristic, and complexity of the Company activities; (ii) Complying

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with international and local legal regulations; (iii) Protecting the financial strength by monitoring and controlling risks in order to limit the impacts of potential negative market conditions on the capital and revenue; (iv) Creating a risk culture within the Company by creating transparency and risk awareness.

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

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

F. STRATEGIC GOALS OF THE COMPANY

The strategic targets of Garanti BBVA Factoring can be found on page 27 of the annual report.

G. FINANCIAL RIGHTS

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

The financial rights provided to the Members of the Board of Directors and senior executives were included under the agenda item numbered nine of the Company's Ordinary General Assembly Meeting held on 21.05.2021 and within the scope of Garanti Factoring A.Ş.'s remuneration policy, it was decided by the majority of the votes of those who participated that an increase of 10% would be made for the year 2021 and that an annual gross amount of 187.110-TL and a monthly gross amount of 15.592.5-TL be paid for each independent board member as an attendance fee.

With the agenda item numbered 11,

It has been informed that the company's remuneration policy is presented under the Investor Relations section on the website and that, within the framework of the remuneration policy that determines the remuneration principles of the members of the board of directors and senior executives in accordance with the Corporate Governance Principles, a total of TL 3,632,781 thousand of benefits and salaries has been provided, as stated in our financial reports for the 2020 fiscal year.

For the accounting period that ended on 31 December 2021, the amount provided/will be provided to board members and key executives is TL 3,371 thousand.

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

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
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.					Not Applicable		
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				
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		

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Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
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 No. 17 of the Articles of Association: "The minority rights shall be exercised by the shareholders holding at least one-twentieth of the capital. The shareholders holding at least one twentieth of the capital are entitled to ask the Board of Directors to call a General Assembly meeting as per Article 411 of Turkish Commercial Law, or, if the meeting is already set, they are entitled to put on the agenda any issue to discuss and to conclude." All shareholders are equally informed without any discrimination; and investor relations practices are equally conducted.	
1.6. DIVIDEND RIGHTS							
1.6.1- The Dividend Distribution Policy approved by the General Shareholders' Meeting 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						

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
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						
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 corporate website.		Partial				Some parts of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/Corporate Governance section.	
3.1.4- A whistleblowing program is in place for reporting legal and ethical issues.	Yes						
3.1.5-The Company addresses conflicts of interest among stakeholders in a balanced manner.	Yes						

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY							
3.2.1- The Articles of Incorporation, or the internal regulations (terms of reference/manuals), regulate the participation of employees in 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 Factoring, every year organizes a General Manager presentation and vision meetings with the participation of all company employees. With periodical regional budget and performance meetings and weekly assets/liabilities committee meetings, information on Company's progress is provided, suggestions are communicated and developments are followed.	
3.3. HUMAN RESOURCES POLICY							
3.3.1-The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	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 organized 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						

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
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						
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						

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
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						
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.	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	Explanation 2
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			<p>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.</p> <p>In the upcoming period, the selection of the board members will be shaped in accordance with this policy as well.</p>	

Corporate Governance Principles Compliance Report

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	Yes						
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						

Headlines	Yes	Partial	No	Exempt	Not Applicable	Description	Explanation 2
4.5.8-Minutes of all committee meetings are kept and reported to the Board Members.	Yes						
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 favor 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

	Explanation 1	Explanation 2	Explanation 3
1. SHAREHOLDERS			
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/en/Bildirim/928515		
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 in 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/en/Bildirim/905071		
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/en/Bildirim/913565		
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	No		
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.			
Shareholding rate of the majority shareholder	81.84%		

	Explanation 1	Explanation 2	Explanation 3
1.5. Minority Rights			
Whether the scope of minority rights is expanded (in terms of content or percentage) in the articles of association	Yes		
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	In the Board Meeting on April 15, 2021; taking into consideration the Company's financial statements for the period January 1 2020- December 31, 2020, 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/IFRS) and the financial statement format imposed by the CMB, and audited by KMPG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the Board of Directors decided, in accordance with the principle of "Determining and Distributing Profit" in the Company's Articles of Association, to set aside the tax provisions from the 2020 profit of TL 64,671,632.36 and transfer the remaining net period profit of TL 50,149,744.53 to the legal and extraordinary profit reserves account, taking into consideration the impact of net deferred tax of TL 14,521,887.83 that was calculated from the 2020 period profit, and to keep it within the Company.		
The link of the announcement made on KAP with relevant general assembly meeting minutes in case the Board proposed to the general assembly not to distribute profit	https://www.kap.org.tr/en/Bildirim/928513		
General Assembly Meetings			
General Assembly Date	21.05.2021		
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%		

Corporate Governance Information Form

	Explanation 1	Explanation 2	Explanation 3
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/assets/pdf/tutanak_21052021_GK.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)	84		
The KAP link of the general assembly notification	https://www.kap.org.tr/en/Bildirim/937170		
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	https://www.garantibbvafactoring.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	https://www.garantibbvafactoring.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 in Company Operations		

	Explanation 1	Explanation 2	Explanation 3
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 in 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	No		
g) Page number or heading of the section in the annual report which includes information on cross holding cases where direct shareholding exceeds 5%	No		
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 Internal Audit and Compliance Units.		
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	No		
Managerial bodies in which employees are represented	No		

Corporate Governance Information Form

	Explanation 1	Explanation 2	Explanation 3
3.3. Human Resources Policy of the Company			
The role of the Board in the development of a succession plan for key management positions	No		
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.</p> <p>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 Faktoring are the leaders of their careers. At the end of the competence and performance evaluations, our employees define, plan and manage their career goals together with their managers. Having adopted this process, Garanti BBVA Faktoring 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>		

	Explanation 1	Explanation 2	Explanation 3
Whether there is a plan to grant shares to employees	No		
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>Our employees act, so as to create a professional working environment, with respect and courtesy towards each other.</p> <p>Employees do not have another employee do their personal work in breach of their duties, powers and responsibilities.</p> <p>Employees do not verbally attack or say cursing words to each other and avoid any form of ill-treatment, such as physical assault and violence inside or outside the workplace.</p> <p>Regardless of their position, each of our employees maintains their relationship with each other in a way that will not be perceived as sexual harassment, discrimination or ill-treatment inside or outside the workplace, and behave in a way that does not disrupt the working climate.</p> <p>The managers take the necessary measures 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.</p> <p>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>		
The number of final court verdicts against the Company that result from the liabilities associated with occupational accidents	No		

Corporate Governance Information Form

	Explanation 1	Explanation 2	Explanation 3
3.5. Code of Ethics and Social Responsibility			
The heading of the section on the corporate website that includes the policy on ethical principles	Investor Relations/Code of Ethics		
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>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.</p> <p>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>		
Precautions taken to fight against all kinds of corruption, including fraud and bribery	Garanti Anti-Corruption Policy entered into force after having been approved at the Board of Directors meeting dated 24.09.2020.		
4. BOARD OF DIRECTORS-I			
4.2. Principles of Activity of the Board of Directors			
The date of the last board performance assessment conducted	No		
Whether the board performance assessment was externally facilitated	No		
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	Murat Atay- Vice 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		

	Explanation 1	Explanation 2	Explanation 3
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	1- 11%		

Name/Surname of the Board Member	Executive or Not	Independent Member or Not	Date of Initial Election to the Board	Link to PDP Notification That Includes The Independency Declaration	Whether the Independent Member is Evaluated by the Nomination Committee	Whether a Member Ceased to Qualify as an Independent Member	Whether Minimum 5 Years of Experience in Audit/Accounting and/or Finance is Held
Recep BAŞTUĞ	Yes	No	15/10/2019	-	-	-	Yes
Murat ATAY	Yes	No	15.02.2021	-	-	-	Yes
Cemal ONARAN	No	No	13/03/2017	-	-	-	Yes
Osman Bahri TURGUT	No	No	23/03/2016	-	-	-	Yes
Sibel KAYA	No	No	15.02.2021	-	-	-	Yes
Aydın Güler	No	No	30.03.2020	-	-	-	Yes
Kaya YILDIRIM	Yes	No	1/08/2018	-	-	-	Yes
Nihat KARADAĞ	No	Yes	26/03/2019	https://www.kap.org.tr/tr/Bildirim/749901	Evaluated	No	Yes
Serkan ÇANKAYA	No	Yes	26/03/2019	https://www.kap.org.tr/tr/Bildirim/749901	Evaluated	No	Yes

Corporate Governance Information Form

	Explanation 1	Explanation 2	Explanation 3
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	32		
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/Bildirim/224354		

Names of Board Committees	Name of the Committee Designated as "Other" in the first column	Name/Surname of Committee Members	Committee Chair	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	No	Board member
	-	Serkan Çankaya	No	Board member

	Explanation 1	Explanation 2	Explanation 3
4. BOARD OF DIRECTORS-III			
4.5. Committees Established under the Board of Directors-II			
Specify where the activities of the audit committee are presented in 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 Management 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	Number of Reports Presented to the Board by the Committee on Its Activities
1-Audit Committee	-	100	100	9	-
2-Corporate Governance Committee:	-	100	33	5	-
4-Early Detection of Risk Committee	-	100	100	6	6

Statement of Responsibility Related to Acceptance of the Financial Tables

Istanbul, 01/02/2022

BORSA İSTANBUL A.Ş. DIRECTORATE
İstinve / İSTANBUL

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
RESOLUTION DATE: 01/02/2022
RESOLUTION NUMBER: 2022/04

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

- a) We have reviewed Garanti Faktoring A.Ş.'s (Company) financial tables prepared as of 31.12.2021.
- b) Within the framework of the information we obtained as part of our tasks and responsibilities at the Company, the financial statements and the annual report do not include any misleading disclosure on material matters or deficiencies that might cause misconceptions about the disclosure as of the date it was made.
- c) Within the framework of the information we obtained as part of our tasks and responsibilities at the Company, we do declare that the financial statements and annual report prepared and issued as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) accurately reflect the facts, the progress and the performance of the business and the financial status of the Company, together with the important risks and uncertainties.

Respectfully,

Annexes:

1- Independently Audited Financial Statements as of December 31, 2021

Şule FİRUZMENT BEKÇE
Executive Vice President
Audit Committee

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 2021
With Independent Auditors' Report

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



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

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

A) Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Garanti Faktoring A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2021 and the 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 2021, 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 (including Independence Standards) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

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

Impairment of factoring receivables

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

Key audit matter	How the matter is addressed in our audit
<p>Impairment of factoring receivables</p> <p>As at 31 December 2021, factoring receivables comprise 95% of the Company’s total assets.</p> <p>The Company recognizes its factoring receivables in accordance with BRSA Accounting and Financial Reporting Legislation and TFRS 9 Financial Instruments standard (“Standard”).</p> <p>As of 1 January 2019, due to the adoption of the Regulation and Standard, in determining the impairment of loans, the Company started to use “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"> - design and implementation of expected credit loss model. <p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) 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.</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>	<p>Our procedures for testing the impairment of factoring receivables include 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 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 evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. <p>Additionally, we also evaluated the adequacy of the financial statements’ disclosures related to impairment provisions.</p>



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 scepticism 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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 1 February 2022.

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 2021 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 A.Ş.

Alper Güvenç, SMMM
Partner

1 February 2022
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, 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.

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021

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

ASSETS	Notes	Audited 31 December 2021			Audited 31 December 2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS AND CENTRAL BANK	3	130,623	22,319	152,942	2,258	10,147	12,405
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)	4	-	15	15	39,661	9	39,670
III. DERIVATIVE FINANCIAL ASSETS	5.1	-	-	-	1,921	-	1,921
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)	-	-	-	-	-	-	-
V. FINANCIAL ASSETS AT AMORTISED COST (Net)	6	2,837,932	1,308,255	4,146,187	2,081,449	707,398	2,788,847
5.1 Factoring Receivables	6.1	2,838,707	1,309,190	4,147,897	2,086,089	708,240	2,794,329
5.1.1 Discounted Factoring Receivables (Net)	-	1,695,813	354,997	2,050,810	1,010,724	163,041	1,173,765
5.1.2 Other Factoring Receivables	-	1,142,894	954,193	2,097,087	1,075,365	545,199	1,620,564
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	49,136	19,567	68,703	118,959	13,281	132,240
5.6 Allowances for Expected Credit Loss/Specific Provisions (-)	6.3	(49,911)	(20,502)	(70,413)	(123,599)	(14,123)	(137,722)
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	6,921	-	6,921	5,054	-	5,054
VIII. INTANGIBLE ASSETS (NET)	8	11,058	-	11,058	11,244	-	11,244
IX. REAL ESTATES FOR INVESTMENT (NET)	-	-	-	-	-	-	-
X. CURRENT PERIOD TAX ASSETS	9	-	-	-	3,420	-	3,420
XI. DEFERRED TAX ASSETS	9	28,591	-	28,591	43,661	-	43,661
XII. OTHER ASSETS	10	9,407	777	10,184	5,788	542	6,330
SUBTOTAL	-	3,024,532	1,331,366	4,355,898	2,194,456	718,096	2,912,552
XIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	-	11	-	11	11	-	11
13.1 Assets Held For Sale	-	11	-	11	11	-	11
13.2 Assets Held For Discontinued Operations	-	-	-	-	-	-	-
TOTAL ASSETS	-	3,024,543	1,331,366	4,355,909	2,194,467	718,096	2,912,563

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

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021

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

LIABILITIES	Notes	Audited 31 December 2021			Audited 31 December 2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. FUNDS BORROWED	11	2,052,733	1,297,214	3,349,947	1,449,664	638,026	2,087,690
II. FACTORING PAYABLES	6.1	2,163	16,038	18,201	639	2,647	3,286
III. LEASE OBLIGATIONS	12	6,807	-	6,807	3,716	1,156	4,872
IV. SECURITIES ISSUED (NET)	13	583,768	-	583,768	582,026	-	582,026
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	5.2	-	-	-	252	-	252
VII. PROVISIONS	14	20,573	5,349	25,922	12,425	737	13,162
7.1 Restructuring Reserves		-	-	-	-	-	-
7.2 Provisions For Employee Benefits	14.1	15,158	-	15,158	10,758	-	10,758
7.3 General Provisions		-	-	-	-	-	-
7.4 Other Provisions	14.2	5,415	5,349	10,764	1,667	737	2,404
VIII. CURRENT PERIOD TAX LIABILITIES	9	17,179	-	17,179	-	-	-
IX. DEFERRED TAX LIABILITIES	-	-	-	-	-	-	-
X. SUBORDINATED LOANS-DEBT	-	-	-	-	-	-	-
XI. OTHER LIABILITIES	15	7,467	1,512	8,979	5,565	2,120	7,685
SUBTOTAL		2,690,690	1,320,113	4,010,803	2,054,287	644,686	2,698,973
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held For Sale		-	-	-	-	-	-
12.2 Discontinued Operations		-	-	-	-	-	-
XIII. SHAREHOLDERS' EQUITY	16	345,106	-	345,106	213,590	-	213,590
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		(1,590)	-	(1,590)	(1,170)	-	(1,170)
13.4 Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		-	-	-	-	-	-
13.5 Profit Reserves		135,260	-	135,260	85,110	-	85,110
13.5.1 Legal Reserves		13,354	-	13,354	10,757	-	10,757
13.5.2 Statutory Reserves		-	-	-	-	-	-
13.5.3 Extraordinary Reserves		74,353	-	74,353	74,353	-	74,353
13.5.4 Other Profit Reserves		-	-	-	-	-	-
13.6 Profit or Loss		131,936	-	131,936	50,150	-	50,150
13.6.1 Prior Periods Profit / Loss		-	-	-	-	-	-
13.6.2 Current Period Profit / Loss		131,936	-	131,936	50,150	-	50,150
TOTAL LIABILITIES AND EQUITY		3,035,796	1,320,113	4,355,909	2,267,877	644,686	2,912,563

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

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2021

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2021			Audited 31 December 2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. IRREVOCABLE FACTORING OPERATIONS		978,398	1,171,565	2,149,963	976,463	586,068	1,562,531
II. REVOCABLE FACTORING OPERATIONS		1,543,465	107,550	1,651,015	1,369,693	82,358	1,452,051
III. GUARANTEES TAKEN	25.1	171,098	57,902,601	58,073,699	78,474	33,121,183	33,199,657
IV. GUARANTEES GIVEN	25.2	620,150	85	620,235	674,485	16,429	690,914
V. COMMITMENTS	25.3	-	-	-	39,787	-	39,787
5.1 Irrevocable Commitments		-	-	-	39,787	-	39,787
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	25.4	-	-	-	48,801	46,245	95,046
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		-	-	-	48,801	46,245	95,046
6.2.1 Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Buy/Sell Transactions		-	-	-	48,801	46,245	95,046
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	25.5	1,852,969	425,624	2,278,593	1,336,686	228,349	1,565,035
TOTAL OFF BALANCE SHEET ITEMS		5,166,080	59,607,425	64,773,505	4,524,389	34,080,632	38,605,021

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

GARANTİ FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

INCOME STATEMENT	Notes	Audited	
		1 January - 31 December 2021	1 January - 31 December 2020
I. OPERATING INCOME	17	638,775	309,468
FACTORING INCOME		638,775	309,468
1.1 Interest income on Factoring Receivables		621,491	297,653
1.1.1 Discounted		354,499	170,684
1.1.2 Other		266,992	126,969
1.2 Fees and Commissions Income from Factoring Operations		17,284	11,815
1.2.1 Discounted		4,982	4,516
1.2.2 Other		12,302	7,299
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	(419,177)	(189,506)
2.1 Interest Expense From Funds Borrowed		(320,305)	(161,436)
2.2 Interest Expense From Factoring Payables		-	-
2.3 Interest Expense of Finance Lease Expenses		(1,171)	(417)
2.4 Interest Expense From Securities Issued		(95,800)	(26,190)
2.5 Other Interest Expenses		(587)	(706)
2.6 Fees and Commissions Paid		(1,314)	(757)
III. GROSS PROFIT / LOSS (+/-)		219,598	119,962
IV. OPERATING EXPENSES (-)	19	(69,613)	(46,316)
4.1 Personnel Expenses		(39,872)	(30,025)
4.2 Employee Severance Indemnity Expense		(1,452)	(813)
4.3 Research and Development Expenses		-	-
4.4 General Administrative Expenses		(27,798)	(18,378)
4.5 Other		(491)	(100)
V. GROSS OPERATING PROFIT / LOSS (III+IV)		149,985	70,646
VI. OTHER OPERATING INCOME	20	111,127	151,683
6.1 Interest Income From Bank Deposits		1,850	691
6.2 Interest Income From Securities Portfolio		6,006	1,689
6.3 Dividend Income		-	-
6.4 Trading Account Income		443	345
6.5 Income From Derivative Financial Instruments		4,005	5,539
6.6 Foreign Exchange Gains		75,074	131,576
6.7 Other		23,740	11,843
VII. PROVISION EXPENSES		(47,251)	(97,990)
7.1 Specific Provisions		-	-
7.2 Allowances for Expected Credit Loss	21	(41,321)	(97,450)
7.3 General Provisions		-	-
7.4 Other		(5,930)	(540)
VIII. OTHER OPERATING EXPENSES (-)	22	(46,835)	(59,668)
8.1 Impairment Losses From Securities Portfolio		-	-
8.2 Impairment Losses From Non-Current Assets		-	-
8.3 Trading Account Loss		(263)	-
8.4 Loss From Derivative Financial Instruments		-	(252)
8.5 Foreign Exchange Loss		(46,571)	(59,247)
8.6 Other		(1)	(169)
IX. NET OPERATING PROFIT / LOSS		167,026	64,671
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)		167,026	64,671
XIV. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	9	(35,090)	(14,521)
14.1 Current Tax Charge		(19,915)	378
14.2 Deferred Tax Charge		(15,175)	(14,899)
14.3 Deferred Tax Benefit		-	-
XV. NET PROFIT FROM CONTINUING OPERATIONS (XIII-XIV)		131,936	50,150
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 (XV+XX)		-	-
XXI.1 Current Profit (Loss) Distribution		-	-
21.1.1 Non-Controlling Interests		-	-
21.1.2 Subsidiaries		-	-
XXII. DILUTED EARNINGS PER SHARE		-	-
XXII.1 A) Profit per Share from Continuing Operations	23	1.659572	0.630818
XXII.2 B) Profit per Share of Discontinued Operations		-	-

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

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited	
		1 January - 31 December 2021	1 January - 31 December 2020
I. PERIOD INCOME/LOSS		131,936	50,150
II. OTHER COMPREHENSIVE INCOME		(420)	(544)
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(420)	(544)
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 revaluation of intangible assets		(525)	(680)
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		105	136
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1 Translation differences for transactions in foreign currencies		-	-
2.2.2 Transilition and classification profit / loss of financial assets at fair value through other comprehensive 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)		131,516	49,606

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

GARANTI FAKTORING A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in thousands of Turkish Lira ("Thousands of TL" unless otherwise indicated))

CHANGES IN SHAREHOLDERS' EQUITY		Notes	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation of property and equipment	Accumulated evaluation of investments in financial assets	Other other income and expenses	Other other income and expenses	Foreign exchange differences	Revaluation and/or available for sale financial assets	Other other income and expenses	Profit Reserves	Previous Year Profit/(Loss)	Current Year Profit/(Loss)	Total Shareholders' Equity
PHIYONAN PERIOD																	
	1 January - 31 December 2020	16	79,500	-	-	-	636	-	-	-	-	-	-	76,702	8,408	143,984	
I.	Balance at Beginning of Period																
II.	Corrections made as per TAS 8																
2.1	Effect of corrections																
2.2	Effect of changes in accounting policies																
III.	Adjusted Balance at Beginning of Period (I+II)		79,500	-	-	-	636	-	-	-	-	-	-	76,702	8,408	143,984	
IV.	Total Comprehensive Income						(644)								50,150	49,604	
V.	Capital Increase in Cash																
VI.	Capital Increase from Internal Sources																
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital																
VIII.	Convertible Bonds																
IX.	Share Issuance																
X.	Others Change																
XI.	Profit Distribution														(8,408)	(8,408)	
11.1	Dividends																
11.2	Transfers to Reserves														5,100	5,100	
11.3	Others														(5,908)	(5,908)	
XII.	Balance at end of the period (I,II,IV,V,VI,VII,VIII,IX,X,XI,XII)		79,500	-	-	-	(1,178)	-	-	-	-	-	-	83,116	50,150	213,020	
PHIYONAN PERIOD																	
	1 January - 31 December 2021	16	79,500	-	-	-	(1,178)	-	-	-	-	-	-	83,116	50,150	213,020	
I.	Balance at Beginning of Period																
2.1	Effect of corrections																
2.2	Effect of changes in accounting policies																
III.	Adjusted Balance at Beginning of Period (I+II)		79,500	-	-	-	(1,178)	-	-	-	-	-	-	83,116	50,150	213,020	
IV.	Total Comprehensive Income						(420)								60,100	113,616	
V.	Capital Increase in Cash																
VI.	Capital Increase from Internal Sources																
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital																
VIII.	Convertible Bonds																
IX.	Subordinated Liabilities																
X.	Share Issuance																
XI.	Profit Distribution														(60,100)	(60,100)	
11.1	Dividends																
11.2	Transfers to Reserves														50,150	50,150	
11.3	Others														(50,150)	(50,150)	
XII.	Balance at end of the period (I,II,IV,V,VI,VII,VIII,IX,X,XI,XII)		79,500	-	-	-	(1,598)	-	-	-	-	-	-	183,266	113,206	246,472	

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

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

	STATEMENT OF CASH FLOWS	Notes	Audited	
			1 January - 31 December 2021	1 January - 31 December 2020
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating profit before changes in operating assets and liabilities		282,970	105,696
1.1.1	Interest/Leasing income received		575,497	288,999
1.1.2	Interest/Leasing expenses		(314,433)	(181,134)
1.1.3	Dividends received		-	-
1.1.4	Fees and commissions received		15,521	12,686
1.1.5	Other earnings		-	-
1.1.6	Receiving from non-performing receivables recognized as a loss	6.3	6,753	4,634
1.1.7	Cash payments to staff and service suppliers		(61,783)	(46,965)
1.1.8	Taxes paid		(2,736)	(3,420)
1.1.9	Other		64,151	30,896
1.2	Changes in operating assets and liabilities		(83,812)	(635,462)
1.2.1	Net (increase) decrease in factoring receivables		(1,349,196)	(695,407)
1.2.2	Net (increase) decrease in financial loans		-	-
1.2.3	Net (increase) decrease in receivables from leasing transactions		-	-
1.2.4	Net (increase) decrease in other assets		4,801	5,959
1.2.5	Net increase (decrease) in factoring payables		14,915	(7,314)
1.2.6	Net (increase) decrease in payables from leasing transactions		5,876	3,869
1.2.7	Net increase (decrease) in funds borrowed		1,254,625	74,944
1.2.8	Net increase (decrease) in due payables		-	-
1.2.9	Net increase (decrease) in other liabilities		(14,833)	(17,513)
I.	Net cash provided from operating activities		199,158	(529,766)
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		54	(221)
2.4	Fixed assets sales		17	48
2.5	Cash obtained from funds borrowed and securities issued		-	(39,663)
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	(6,854)	(8,008)
II.	Net cash provided from investing activities		(6,891)	(47,844)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash obtained from funds borrowed and securities issued		1,900,675	811,316
3.2	Cash used for repayment of funds borrowed and securities issued		(1,994,731)	(234,020)
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		(3,941)	(3,550)
3.6	Other		-	-
III.	Net cash provided from financing activities		(97,997)	573,746
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		8,486	3,868
V.	Net increase/decrease in cash and cash equivalents		102,756	4
VI.	Cash and cash equivalents at the beginning of the period		11,846	11,842
VII.	Cash and cash equivalents at the end of the period	2.5	114,602	11,846

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

GARANTİ FAKTORİNG A.Ş.
PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited	
		31 December 2021	31 December 2020
I. DISTRIBUTION OF CURRENT YEAR PROFIT (€)			
1.1		167,026	64,671
1.2	9	35,090	14,521
1.2.1		19,915	(378)
1.2.2		-	-
1.2.3		15,175	14,899
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		131,936	50,150
1.3		-	-
1.4		-	2,597
1.5		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]		131,936	47,553
1.6		-	-
1.6.1		-	-
1.6.2		-	-
1.6.3		-	-
1.6.4		-	-
1.6.5		-	-
1.7		-	-
1.8		-	-
1.9		-	-
1.9.1		-	-
1.9.2		-	-
1.9.3		-	-
1.9.4		-	-
1.9.5		-	-
1.10		-	-
1.11		-	-
1.12		-	47,553
1.13		-	-
II. DISTRIBUTION OF RESERVES			
2.1		-	-
2.2		-	-
2.2		-	-
2.2.1		-	-
2.2.2		-	-
2.2.3		-	-
2.2.4		-	-
2.2.5		-	-
2.3		-	-
2.4		-	-
III. EARNINGS PER SHARE			
3.1		-	0.630818
3.2		-	63.08
3.3		-	-
3.4		-	-
IV. DIVIDEND PER SHARE			
4.1		-	-
4.2		-	-
4.3		-	-
4.4		-	-

(*) Decision regarding to the 2020 profit distribution will be made at general assembly meeting.

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

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

	Shareholding		Shareholding	
	31 December 2021	(%)	31 December 2020	(%)
Türkiye Garanti Bankası A.Ş.	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası A.Ş.	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	79.500	100,00	79.5000	100,00

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

The Company has 120 employees as at 31 December 2021 (31 December 2020: 121).

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

Çamçeşme, Tersane Caddesi No: 15 Pendik / İstanbul

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

Approval of Financial Statements:

The financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 1 February 2022 and numbered 04. 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 2021

(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 communiqué 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

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 2019. 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.

In accordance with the announcement made by the KGK on January 20, 2022, since the cumulative change in the overall purchasing power of the last three years is 74.41% according to the Consumer Price Index ("CPI"), companies applying TFRS will not need to make any adjustments on their financial statements for the year 2021 based on the TAS 29 TMS 29 High Inflation Financial Reporting Standard in Economies. Thus, no inflation adjustment has been made in accordance to the TAS 29 while preparing the financial statements as of 31 December 2021.

2.1.4 Offsetting

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

2.2 Changes in Accounting Policies

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

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.3 Changes in Accounting Estimates and Errors

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

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

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

2.4 New and Revised Turkish Accounting Standards

The new standards, amendments and interpretations which are effective as at 31 December 2021 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.

Classification of Liabilities as Short or Long Term (Amendments in TAS 1)

The classification of Liabilities as Short or Long Term (Amendments in TAS 1) published by the IASB on 23 January 2020 in order to make the presentation in the financial position table for the classification of liabilities as short or long term according to IAS 1 more explanatory, was published in 2020.

This amendment clarifies the additional explanations about the long-term classification of liabilities that the company can defer at least twelve months and other matters related to the classification of liabilities.

The amendments made in TAS 1 address the following issues:

- In the classification of obligations, it should be clearly stated that the right of the enterprise to defer liability should exist at the end of the reporting period.
- Stipulating that the expectations and objectives of the business management regarding the use of the right to defer the liability will not affect the long-term classification of the liability.
- Explaining how the borrowing conditions of the company will affect the said classification.
- Explanation of the provisions regarding the classification of liabilities that the entity can pay with its own equity instruments.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

The company has to apply these changes retrospectively as of the reporting periods that started on and after 1 January 2022. However, its early application is allowed. However, with the amendment published on 15 July 2020, the IASB decided to postpone the effective date of the IAS 1 amendment until January 1, 2023.

The implementation of this amendment in TAS 1 is not expected to have a significant impact on the financial statements of the Company.

Annual Improvements /2018-2020 Period

Improvements in IFRS

The "Annual Improvements / 2018-2020 Period in TFRS" published by the KGK on 27 July 2020 for the standards in force, is presented below. These changes are effective from 1 January 2022 while early application is allowed. These changes in the TFRS are not expected to have a significant impact on the Company's financial statements.

TFRS 1- First Application of Turkish Financial Reporting Standards

This amendment simplifies the application of TFRS 1 if a subsidiary begins to apply TFRS later than the parent; e.g; if a subsidiary subsequently adopts TFRS from the parent, the accumulated foreign currency translation differences for all foreign currency transactions, taking advantage of the exemption in paragraph 1.D16(a) of TFRS, are included in the parent's consolidated financial statements based on the parent's transition date to IFRS Standards. You can choose to measure over. With this change, this optional exemption for subsidiaries will facilitate the transition to TFRS by i) reducing unnecessary costs and ii) eliminating the need to keep similar simultaneous accounting records. This change simplifies the switch to TFRS.

TFRS 9 Financial Instruments

This amendment requires that fees to be taken into account only for the purpose of performing the "10% test" for derecognition of financial liabilities – in determining fees charged on a net amount less fees paid for those transactions – and those paid reciprocally between or on behalf of the debtor and lender. or clarifies that it includes fees received.

TAS 41 Agricultural Activities

This amendment has harmonized the fair value measurement provisions in TAS 41 with the transaction costs required to be taken into account in determining the fair value in TFRS 13 Fair Value Measurement by removing the provision for not taking into account the payments made for taxes in the determination of fair value. This amendment provides flexibility in using TFRS 13 where appropriate.

Changes that have entered into force

The changes that have entered into force for accounting periods beginning on or after January 1, 2021 are as follows:

- 1) Benchmark Interest Rate Reform – Phase 2 (TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases Amendments)

Disclosure of Accounting Policies (Amendments to TAS 1)

On February 12, 2021, IASB published an update on IAS 1 Presentation of Financial Statements and IFRS Implementation Standard 2 Making Materiality Decisions to help companies make disclosures about accounting policies useful. Among these amendments, the ones related to IAS 1 were published by the KGK as the Amendments to TMS 1 on August 11, 2021.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 New and Revised Turkish Accounting Standards (continued)

Disclosure of Accounting Policies (Amendments to TAS 1) (continued)

Key changes in TMS 1 include:

- Requiring companies to disclose their accounting policies based on materiality rather than significant accounting policies;
- Clarify that accounting policies for transactions, other events or conditions that are below materiality are immaterial and therefore do not need to be disclosed; and
- Clarify that all accounting policies regarding transactions, other events or conditions exceeding the materiality level are not material to a company's financial statements.

The changes are effective from 1 January 2023, but companies can apply earlier.

Definition of Accounting Estimates (Amendments to TAS 8)

These amendments, published by the IASB on 12 February 2021, introduce a new definition for accounting estimates: it is aimed to clarify that these are monetary amounts that cause measurement uncertainty in the financial statements. The relevant amendments were also published by the KGK on 11 August 2021 as the Amendments to TMS 8.

The amendments also clarified the relationship between accounting policies and accounting estimates by stating that a company develops an accounting estimate to achieve the purpose set by an accounting policy.

Developing an accounting estimate includes both:

- Choosing a measurement method (estimate or valuation method) – for example, an estimation technique used to measure the allowance for expected credit losses when applying TFRS 9 Financial Instruments; and
- Choosing the inputs to be used when applying the selected measurement method - eg. Expected cash outflows to determine a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or valuation techniques are changes in accounting estimates. No change was made in the definition of accounting policies and remained the same.

These changes are effective for reporting periods beginning on or after 1 January 2023, early application is permitted and will be applied prospectively to changes in accounting estimates and accounting policies that occur at the beginning or after the first annual reporting period in which the Company applies these changes.

The implementation of this amendment in IAS 8 is not expected to have a significant impact on the Company's financial statements.

Deferred Tax on Assets and Liabilities Arising from a Single Transaction (TAS 12 Income Taxes Changes)

In May 2021, the "Deferred Tax on Assets and Liabilities Arising from a Single Transaction" amendment in TAS 12 Income Taxes was published by the IASB. The relevant changes were also published by the KGK on 27 August 2021 as the Amendments to TAS 12.

These changes made in TAS 12 Income Taxes, certain transactions of companies, for example; It clarifies how it should account for deferred tax on provisions for leases and decommissioning (dismantling, reinstatement, restoration, etc.).

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Deferred Tax on Assets and Liabilities Arising from a Single Transaction (TAS 12 Income Taxes Changes) (continued)

With the amendment, it is foreseen that the scope of the initial recognition exemption will not be applied to transactions whose equal and temporary differences are offset. As a result, companies will be required to recognize deferred tax assets and deferred tax liabilities for temporary differences and decommissioning provisions arising from initial recognition of a lease.

The amendments clarify that the exemption does not apply to transactions such as lease and decommissioning obligations. These operations will produce equal and compensating temporary differences.

For leases and retirement obligations, the relevant deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparatively presented period, and any cumulative effects will be recognized as an adjustment to prior period retained earnings or other equity components. If a company has previously accounted for deferred tax on leases and decommissioning obligations under the net approach, the impact on the transition will likely be limited to the separate presentation of the deferred tax asset and deferred tax liability.

These amendments are valid for reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The implementation of this amendment in IAS 12 is not expected to have a significant impact on the Company's financial statements.

2.5 Summary of Significant Accounting Policies

(a) Revenue

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

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

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

(b) Financial Instruments

Classification and measurement

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

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

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

"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".

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

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 income statement.

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

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

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

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

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

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

Factoring Receivables and Other Receivables

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

Disclosures on impairment of financial assets

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

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

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

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

Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

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

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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)

Calculation of expected credit losses (continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND
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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)

Low credit risk

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

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

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.

Disclosures to the denial policy

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(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 to the denial policy

In line with the related accounting policy of the company, the factoring receivables that are written off as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Deregistration of Factoring Receivables	86.299	-	32.981	240.527
	86.299	-	32.981	240.527

While the follow-up rate was 4,29% before the list, it regressed to 1,63% after the registration (31 December 2020: The follow-up rate, which was 12,14% before the registration, decreased to 4,52% after the registration).

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 primarily expose the business to Financial risks related to changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (mainly exchange rate forward contracts) to manage its financial risks associated with currency fluctuations related to future foreign exchange and credit transactions. Derivative financial instruments are recorded with their fair values at the contract date and are accounted for with their fair values in subsequent reporting periods.

Financial Liabilities

The Company's financial liabilities and equity instruments are classified on the basis of contractual arrangements, identification of a financial liability and an equity instrument. The contract representing the right in the assets of the Company after deducting all its debts is an equity-based Financial instrument. Accounting policies applied for certain financial liabilities and equity instruments are given below.

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

Financial liabilities at fair value through profit or loss

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

Financial Liabilities at Fair Value Through Profit or Loss

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases

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.

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

As a lessee

The Company leases properties and vehicles. Under TFRS 16, the 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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

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.

On 5 June 2020, the KGG published the Concessions Granted in Lease Payments in relation to COVID-19 “Changes to TFRS 16 Leases” and structured them in the “Leases Standard by publishing TFRS 16”. With this change, COVID-19 was justified in the exemption to find out if there was a change in the lease in the tenants’ payments. The change in question did not have a significant impact or financial performance on the Company’s financial performance.

(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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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(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.

<u>Intangible Assets</u>	<u>Estimated useful lives (Year)</u>
Rights	3-5
Software	3-5

(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.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(i) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

(j) Borrowing Costs

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

(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 2021 and 31 December 2020 are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
USD	13,0930	7,3405
EURO	14,8480	9,0079
GBP	17,6930	9,9438

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.

GARANTİ FAKTORİNG A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021**

(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)

(m) Events after the reporting period

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

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

(n) Segment Reporting

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

(o) Income Tax

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

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

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.

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(o) Income Tax(continued)

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.

(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 2021</u>	<u>31 December 2020</u>
Case / Effective	1	1
Cash and Cash Equivalents (*)	153.286	12.502
Blocked Deposits	(38.685)	(657)
	<u>114.602</u>	<u>11.846</u>

(*) The expected loss provision of TL 345 has not been netted.

(r) Covid-19 pandemic effects

Spreading in World and Turkey and was declared as a pandemic Covid-19 outbreak by the WHO on 11 March 2020 and the measures taken against the epidemic, exposure to the epidemic in all countries leads to disruptions in operations and both global as well as country economic conditions negatively affects. The economic effects of this epidemic have been evaluated as not having a significant negative effect as of the reporting date, based on the evaluation made by the Company's senior management.

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as at 31 December 2021 and 31 December 2020 are as follows:

	<u>31 December 2021</u>		<u>31 December 2020</u>	
	TL	TL	TL	FC
Cash and cash equivalents	2.665	22.379	1.622	10.224
Time deposits (*)	128.243	-	657	-
Expected credit losses	(285)	(60)	(21)	(77)
	<u>130.623</u>	<u>22.319</u>	<u>2.258</u>	<u>10.147</u>

(*) TL 38.685 is held as collateral for Takasbank Monetary Market transactions (31 December 2020: TL 657).

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

As of 31 December 2021 and 31 December 2020, financial assets at fair value difference is reflected to profit and loss consist of government bonds issued as collateral for trading in the Takasbank Money Market and shares representing a share in the capital not listed on the exchange.

	31 December 2021			31 December 2020		
	Carrying Value		% Share Rate	Carrying Value		% Share Rate
	TL	FC		TL	FC	
Pledged / Blocked	-	-	-	39.661	-	-
Factors Chain International (FCI)	-	15	1,72	-	9	1,72
	-	15		39.661	9	

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 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Derivative financial assets	-	-	1.921	-
	-	-	1.921	-

5.2 DERIVATIVE FINANCIAL LIABILITIES

The details of derivative financial liabilities consisting of currency swap agreements. As at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Derivative financial liabilities	-	-	252	-
	-	-	252	-

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

6 FINANCIAL ASSETS AT AMORTISED COST (NET)

6.1 Factoring Receivables and Payables

Factoring Receivables

Details of factoring receivables as at 31 December 2021 and 31 December 2020 are as follows:

Financial assets at amortised cost (net)	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Discounted Factoring Receivables (Net)	1.695.813	354.997	1.010.724	163.041
Other Factoring Receivables	1.142.894	954.193	1.075.365	545.199
Non Performing Receivables	49.136	19.567	118.959	13.281
Expected Credit Losses (-)	(49.911)	(20.502)	(123.599)	(14.123)
Stage 1	(10.492)	(935)	(9.676)	(842)
Stage 2	(35)	-	(7.642)	-
Stage 3	(39.384)	(19.567)	(106.281)	(13.281)
Factoring receivables	2.837.932	1.308.255	2.081.449	707.398

The company does not have any Stage 1 overdue receivables (31 December 2020: TL 23) and the delay periods are as follows:

Stage 1	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Overdue 1 month	-	-	23	-
	-	-	23	-

Stage 2 overdue receivables of the company are TL 554 (31 December 2020: TL 1.169) and the delay periods are as follows:

Stage 2	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Overdue 1 month	499	-	347	-
Overdue 1-3 months	55	-	604	-
Overdue 3-6 months	-	-	218	-
	554	-	1.169	-

In addition, there is a factoring receivable of TL 3.885, which is not overdue, followed up in the stage 2 (31 December 2020: TL 21.103).

Factoring Payables

Details of short term factoring payables as at 31 December 2021 and 31 December 2020 are as follows:

Factoring payables	31 December 2021		31 December 2020	
	TL	FC	TL	FC
	2.163	16.038	639	2.647
	2.163	16.038	639	2.647

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

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6 FINANCIAL ASSETS AT AMORTISED COST (NET)**6.1 Factoring Receivables and Payables (continued)****6.2 Non-Performing Receivables**

Details of the Company's non-performing factoring receivables as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Non-performing Factoring Receivables	49.136	19.567	118.959	13.281
	49.136	19.567	118.959	13.281

6.3 Expected Credit Losses

Details of the Company's expected credit losses for factoring receivables at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Expected credit losses	(49.911)	(20.502)	(123.599)	(14.123)
	(49.911)	(20.502)	(123.599)	(14.123)

The movements of expected credit losses for factoring receivables for the year ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance 1 January	137.722	325.407
<i>Expected credit loss of the period ;</i>		
Stage 1	8.282	8.787
Stage 2	35	3.682
Stage 3	32.215	21.576
<i>Collections/reversals of the period ;</i>		
Stage 1	(7.373)	(3.092)
Stage 2	(7.642)	(3.056)
Stage 3	(6.393)	(4.636)
<i>Deducted receivables provision cancellations</i>		
Stage 3	(86.433)	(210.946)
	70.413	137.722

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GARANTİ FAKTORİNG A.Ş.

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7 TANGIBLE ASSETS

Movements in tangible fixed assets for the period ended 31 December 2021 are as follows:

	1 January			31 December
	2021	Additions	Disposals	2021
Acquisition Cost				
Furniture and fixtures	4.585	20	(174)	4.431
Vehicles	19	-	-	19
Leasehold improvements	1.968	34	-	2.002
Right-of-use				
Leased buildings	4.536	975	(1.330)	4.181
Right-of-use				
Vehicles	-	-	-	-
	3.571	5.164	(3.775)	4.960
	14.679	6.193	(5.279)	15.593
Accumulated Depreciation				
	1 January	Depreciation		31 December
	2021	for the period	Disposals	2021
Furniture and fixtures	4.310	125	(173)	4.262
Vehicles	19	-	-	19
Leasehold improvements	1.487	95	-	1.582
Leased buildings	1.050	1.211	(401)	1.860
Vehicles	2.759	1.384	(3.194)	949
	9.625	2.815	(3.768)	8.672
Net book value	5.054			6.921

(*) As of 31 December 2021, the insurance amount on tangible assets are TL 939 (31 December 2020: TL 339) and the insurance premium amount is TL 4 (31 December 2020: TL 1).

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7 TANGIBLE ASSETS (continued)

Movements in tangible assets for the year ended 31 December 2020 are as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Acquisition Cost				
Furniture and fixtures	5.427	10	(852)	4.585
Vehicles	19	-	-	19
Leasehold improvements	1.757	211	-	1.968
Right-of-use				
Leased buildings	2.327	3.902	(1.693)	4.536
Right-of-use				
Vehicles	-	-	-	-
	3.633		(62)	3.571
	13.163	4.123	(2.607)	14.679

	1 January 2020	Depreciation for the period	Disposals	31 December 2020
Accumulated Depreciation				
Furniture and fixtures	4.712	402	(804)	4.310
Vehicles	19	-	-	19
Leasehold improvements	1.395	92	-	1.487
Leased buildings	383	1.178	(511)	1.050
Vehicles	1.400	1.412	(53)	2.759
	7.909	3.084	(1.368)	9.625
Net book value	5.254			5.054

8 INTANGIBLE ASSETS

The movement of intangible assets for the period ended 31 December 2021 is as follows:

	1 January 2021	Additions	Disposals	31 December 2021
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	38.696	6.854	-	45.550
	41.772	6.854	-	48.626
Accumulated Amortization				
Rights	3.076	-	-	3.076
Other (Software)	27.452	7.040	-	34.492
	30.528	7.040	-	37.568
Net book value	11.244			11.058

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

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8 INTANGIBLE ASSETS (continued)

The movement of intangible assets for the period ended 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Acquisition Cost				
Rights	3.076	-	-	3.076
Other (Software)	30.688	8.008	-	38.696
	33.764	8.008	-	41.772
Accumulated Amortization		Charge for the period	Disposals	31 December 2020
Rights	3.076	-	-	3.076
Other (Software)	21.264	6.118	-	27.452
	24.340	6.118	-	30.528
Net book value	9.424			11.244

As at 31 December 2021 and 31 December 2020, the Company has not any intangible asset that is generated within the company.

9 TAX ASSETS AND LIABILITIES

Corporate Tax

The company is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, with the Provisional Article 13 added to the Corporate Tax Law no. The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, the tax rate was used as 25% in the calculations of the period tax in the financial statements dated 31 December 2021.

Within the scope of the said amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

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9 TAX ASSETS AND LIABILITIES

Corporate Tax (continued)

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founder's shares, the usufruct shares and the pre-emptive rights of the real estates (immovables) owned for the same period of time, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

In Turkey, there is no practice of reaching an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment as a result of their findings.

Income Withholding Tax

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until December 22, 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the President's Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the provisions regarding the dividend distribution of the Income Tax Law No. has been downloaded.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

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9 TAX ASSETS AND LIABILITIES (continued)

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled “Disguised profit distribution through transfer pricing”. The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price, they have determined in violation of the arm’s length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

Tax income/(expense)

The tax income/expense for the years ended 31 December 2021 and 31 December 2020 is as follows:

Tax provision movement

	1 January – 31 December 2021	1 January – 31 December 2020
Reported profit before taxation	167.026	64.671
Calculated tax on reported profit	(41.757)	(14.228)
Permanent differences:		
Effect of change in tax rate	8.112	(186)
Disallowable expenses	(1.540)	-
Other	95	(107)
Tax Charge	(35.090)	(14.521)

Based on the 26th article of the Income Tax Law and the Law on Making Amendments to Some Laws, which entered into force by publishing in the Official Gazette dated 19 July 2019 and numbered 30836, the special provisions set aside from 1 January 2019 have been taken into account in the calculation of corporate tax provision.

Corporate tax payable as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Current period corporate tax provision	19.915	-
Temporary tax paid in current period	(2.646)	(3.329)
Withholding income tax	(90)	(91)
Current Period Tax Receivable/ (Payable)	17.179	(3.420)

As of 31 December 2021, there is TL 90 of income tax withheld (as of 31 December 2020, TL 91 is withheld income tax).

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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9 TAX ASSETS AND LIABILITIES (continued)**Deferred tax assets and liabilities**

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the goodwill that is not subject to tax deduction and the first recorded asset and liability differences that are not subject to accounting and taxation. In deferred tax calculations, the rates are determined as 23% and 20%, depending on the period in which the temporary differences will occur (31 December 2020: 20%).

Recognized deferred tax assets and liabilities

As of 31 December, items attributable to deferred tax asset and deferred tax liability consist of the following:

	31 December 2021	31 December 2020
Temporary Differences		
Unearned factoring interest income	91.998	49.089
Factoring credit provisions (phases 1 and 2)	11.462	18.160
Litigation and expense rediscount provisions	8.506	499
Personnel premium provisions (*)	7.018	4.868
Factoring credit provisions (stage 3) (*)	5.099	48.065
Compensation for severance (*)	3.596	2.746
Severance pay-actuarial loss/earnings (**)	1.987	1.462
TFRS16 depreciation expense	2.595	2.589
Vacation pay liability (*)	2.557	1.682
Loans received BITT rediscount	1.377	1.167
TFRS16 interest expense	1.171	417
Provisions for negative clearance lawsuits (*)	1.020	1.167
Prepaid commissions	638	1.557
Term deposit provisions	345	98
Interest rediscounts valuation differences on factoring receivables	202	1.105
Unused tax losses	-	95.306
TFRS16 exchange rate difference	-	303
Derivative financial assets valuation differences	-	252
Temporary differences related to deferred tax assets	139.571	230.533
Commission rediscounts for other factoring receivables	3.893	1.718
Temporary differences on tangible and intangible assets (*)	3.849	3.754
Vehicle rental expense	2.105	1.965
Building rental expense	1.685	1.585
Prepaid guarantee letter and brokerage commissions	1.202	575
Loans received valuation differences	409	306
Bond valuation differences	316	45
Currency valuation differences	100	-
Derivative financial liabilities valuation differences	-	1.921
Bond valuation	-	361
Temporary differences related to deferred tax liabilities	13.559	12.230

(*) Deferred tax rates are calculated according to the rates of 23% and 20%, taking into account the realization dates.

(**) TL 525 increase is classified under other comprehensive income or expenses under equity.

FINANCIAL HIGHLIGHTS

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9 TAX ASSETS AND LIABILITIES (continued)

	31 December 2021	31 December 2020
Deferred tax assets / (liabilities)		
Unearned factoring interest income	21.160	9.818
Factoring credit provisions (phases 1 and 2)	2.637	3.632
Litigation and expense rediscount provisions	1.957	100
Personnel premium provisions (*)	1.567	974
Factoring credit provisions (stage 3) (*)	1.022	9.613
Compensation for severance (*)	719	549
Severance pay-actuarial loss/earnings (**)	397	292
TFRS16 depreciation expense	597	518
Vacation pay liability (*)	511	336
Loans received BITT rediscount	317	233
TFRS16 interest expense	269	83
Provisions for negative clearance lawsuits (*)	204	234
Prepaid commissions	147	311
Term deposit provisions	79	20
Interest rediscounts valuation differences on factoring receivables	46	221
Unused tax losses	-	19.062
TFRS16 exchange rate difference	-	61
Derivative financial assets valuation differences	-	50
Deferred tax assets	31.629	46.107
Commission rediscounts for other factoring receivables	(895)	(344)
Temporary differences on tangible and intangible assets (*)	(805)	(751)
Vehicle rental expense	(484)	(393)
Building rental expense	(388)	(317)
Prepaid guarantee letter and brokerage commissions	(276)	(115)
Loans received valuation differences	(94)	(61)
Bond valuation differences	(73)	(9)
Currency valuation differences	(23)	-
Derivative financial liabilities valuation differences	-	(384)
Bond valuation	-	(72)
Deferred tax liabilities	(3.038)	(2.446)
Deferred tax assets (net)	28.591	43.661

(*) Deferred tax rates are calculated according to the rates of 23% and 20%, taking into account the realization date.

(**) The increase of TL 105 is classified under other comprehensive income or expenses under equity.

Movements of deferred tax assets are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
1 January	43.661	58.424
Deferred tax income / loss	(15.175)	(14.899)
Deferred tax income / (expense) related to other comprehensive income	105	136
Balance at the end of the period	28.591	43.661

The company calculates its deferred income tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of the different evaluations between the BRSA Accounting and Financial Reporting Legislation and the Tax Procedure Law in the balance sheet items.

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10 OTHER ASSETS

Details of other assets as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Receivables from BITT accruals	8.097	334	5.001	181
Prepaid expenses	1.222	129	595	63
Other	88	314	192	298
	9.407	777	5.788	542

11 FUNDS BORROWED

Details of funds borrowed as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Funds borrowed	2.052.733	1.297.214	1.449.664	638.026
	2.052.733	1.297.214	1.449.664	638.026

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 31 December 2021 and 31 December 2020.

	31 December 2021				31 December 2020			
	Original Amount	Interest Rate (%)	TL Equivalent		Original Amount	Interest Rate (%)	TL Equivalent	
			Up to 1 Year	1 Year and over			Up to 1 Year	1 Year and over
TL	2.052.733	19,75	2.052.733	-	1.449.664	15,98	1.449.664	-
USD	58.895	3,03	771.110	-	50.087	3,91	367.660	-
EURO	27.918	1,83	414.528	-	27.620	1,16	248.802	-
GBP	6.307	1,43	111.576	-	2.168	1,43	21.564	-
Total			3.349.947				2.087.690	

(*) As of 31 December 2021, TL 603.811 of TL loans (31 December 2020: TL 490.037) consists of loans received from Takasbank Money Market. For the loans obtained from Takasbank Money Market, TL 38.685 cash guarantee and TL 614.500 letter of guarantee were given (31 December 2020: TL 657 cash guarantee and TL 668.500 letter of guarantee was given).

As of 31 December 2021 and 31 December 2020, all other loans received are unsecured.

12 LEASE OBLIGATIONS

Details of lease obligations as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Nominal	9.131	-	4.351	1.180
Cost	(2.324)	-	(635)	(24)
Carrying Value	6.807	-	3.716	1.156

13 MARKETABLE SECURITIES ISSUED

FINANCIAL HIGHLIGHTS

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Details of marketable securities issued as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
<i>Bonds</i>				
Nominal	610.740	-	584.939	-
Cost	569.072	-	563.477	-
Carrying Value	583.768	-	582.026	-

The Company issued discounted bonds only for qualified investors.

1 January – 31 December 2021			1 January – 31 December 2020		
Date of issue	Nominal value	Maturity	Date of issue	Nominal value	Maturity
19.10.2021	261.019	15.04.2022	29.07.2020	144.887	22.01.2021
05.11.2021	228.001	02.03.2022	01.10.2020	168.054	05.01.2021
22.12.2021	65.420	17.06.2022	16.10.2020	199.997	14.01.2021
24.12.2021	56.300	24.03.2022	03.11.2020	72.000	01.02.2021
Total	610.740			584.939	

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14 PROVISIONS

Details of provisions as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Provision for employee benefits	15.158	-	10.758	-
Provision for brokerage commissions	-	1.637	-	737
Provision for lawsuits	1.020	-	1.168	-
Other provisions	4.395	3.712	499	-
	20.573	5.349	12.425	737

14.1 Provision for Employee Benefits

Provision for employee benefits as at 31 December 2021 includes retirement pay provision amounting to TL 5.583 (31 December 2020: TL 4.208), unused vacation accrual amounting to TL 2.557 (31 December 2020: TL 1.682) and personnel bonus accrual amounting to TL 7.018 (31 December 2020: TL 4.868).

According to the Turkish Labour Law, the Company is obliged to pay severance pay for its personnel who have completed their one-year working period and whose relationship with the Company has been terminated or retired, who completed 25 years of service and earned their retirement, were called into the military or died. After the legislative change on May 23, 2002, some transitional clauses regarding the length of service before retirement were issued. The compensation to be paid is equal to one month's salary for each year of service and this amount is limited to 8,284.51 (full) TL (31 December 2020: 7,117.7 (full) TL) for the period from 1 July to 31 December 2021. The compensation to be paid is equal to one month's salary for each year of service.

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation.

Therefore, as of 31 December 2021, provisions in the accompanying financial statements are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the balance sheet date is calculated using the assumptions of 15.80% annual inflation rate and 19.10% discount rate (31 December 2020: 9.70% annual inflation rate, 13% discount rate).

Movement of retirement pay provision as at 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Net liability at the beginning of the period	4.208	2.920
Severance indemnity paid in the period	(603)	(205)
Recognized under income statement	1.452	813
Retirement provision recognized under other comprehensive income	526	680
Net liability at the end of period	5.583	4.208

FINANCIAL HIGHLIGHTS

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14 PROVISIONS (continued)

14.1 Provision for Employee Benefits (continued)

Personnel Bonus Accrual

Movement of the personnel bonus provision as at 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	4.868	3.853
Paid in the period	(3.164)	(2.386)
Reversal	(136)	(413)
Accrual for the period	5.450	3.814
Balance at the end of the period	7.018	4.868

Unused Vacation Accrual

The movement of unused vacation provisions as at 31 December 2021 and 31 December 2020 are as follows

	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	1.682	1.361
Paid in the period	(300)	(102)
Reversal	-	(102)
Accrual for the period	1.175	525
Balance at the end of the period	2.557	1.682

14.2 Other Provisions

As of 31 December 2021, TL 1.637 has been reserved for correspondent expenses. TL 1,020 is provision for ongoing negative clearance lawsuits, TL 8,107 is provision for other lawsuits and expenses. (31 December 2020: TL 737 for correspondent expenses, TL 1.167 for ongoing negative clearance lawsuits, TL 500 for other lawsuits and uncollectible BMV reserves).

The movements of other provisions for the accounting periods ending on 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Balance at 1 January	1.667	737	1.578	535
Paid in the period	(945)	(737)	(549)	(535)
Accrual for the period	4.693	5.349	638	737
Balance at the end of the period	5.415	5.349	1.667	737

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15 OTHER LIABILITIES

Details of other liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Taxes payable	5.072	-	3.290	-
Liabilities to sellers	1.671	-	671	-
Remittances payable	-	1.469	-	1.765
Prepaid commissions	638	-	1.557	-
Temporary accounts payable	29	32	28	351
Other payables	57	11	19	4
Other liabilities	7.467	1.512	5.565	2.120

16 SHAREHOLDERS' EQUITY**16.1 Paid-in Capital**

As of 31 December 2021, the Company's share capital is TL 79.500 (31 December 2020: TL 79.500). As of 31 December 2021, a total of 7.950.000.000 (31 December 2020: 7.950.000.000) shares of the Company were issued, including 4.004.242.970 privileged and 3.945.757.030 non-privileged shares with a value of Kr 1 (31 December 2020: Kr 1).

16.2 Capital Reserves

None (31 December 2020: None).

16.3 Other Comprehensive Income or Expense

As of 31 December 2021, the Company's accumulated other comprehensive income or expenses that will not be reclassified to profit or loss consist of severance pay actuarial losses/gains amounting to TL (1.590) and deferred tax effects (31 December 2020: severance pay actuarial loss/gains amounting to TL (1.170) income and deferred tax effect).

16.4 Accumulated Other Comprehensive Income or Expense

None (31 December 2020: None).

16.5 Profit Reserves

As at 31 December 2021, the Company's profit reserves comprise of the legal reserves amounting to TL 13.354 (31 December 2020: TL 10.757) and extraordinary reserves amounting to TL 121.906 (31 December 2020: TL 74.353).

16.6 Profit Distribution

Profit distribution table	31 December 2020
Net Profit for the year	50.150
Legal Reserves (-)	2.597
DISTRIBUTABLE NET PROFIT OF THE PERIOD	47.553
Donations (+)	93
Distributable net profit of the period (with Donations)	47.646
EXTRAORDINARY RESERVES	47.553

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17 OPERATING INCOME

The details of operating income for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Factoring interest income	621.491	297.653
Factoring fee and commission income (net)	17.284	11.815
	638.775	309.468

18 FINANCE EXPENSES

The details of finance expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Interest expenses on funds borrowed	320.305	161.436
Interest expenses on marketable securities issued	95.800	26.190
Financial lease expenses	1.171	417
Fees and commissions given	1.314	757
Other interest expense	587	706
	419.177	189.506

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19 OPERATING EXPENSES

The details of operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	39.872	30.025
Depreciation and amortization charges	9.856	9.272
IT maintenance and contract expenses	6.314	2.900
Consultancy expenses	1.885	1.085
Legal case expenses	1.466	1.072
Provision for retirement pays	1.452	813
Subscription expenses	907	763
Vehicle expenses	746	516
Communication expenses	741	845
Maintenance and repair expenses	435	701
Other	5.939	1.324
	69.613	49.316

The details of personnel expenses classified under operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Salaries and wages	26.916	20.860
Bonuses	5.450	3.814
Social security premium employer's share	3.397	2.792
Insurance expenses	1.136	590
Personnel food expenses	739	578
Unemployment insurance employer's share	391	326
Per diem payments	360	336
Personnel transportation expenses	248	291
Other	1.235	438
	39.872	30.025

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20 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange profits	75.074	131.576
Expected losses provision cancellations (*)	22.057	11.528
Profits on derivative financial transactions	4.005	5.539
Interests received from securities	6.006	1.689
Interests received from banks	1.850	691
Litigation cancellations	945	-
Severance pay provision cancellation	660	-
Capital market transactions profit	443	345
Other	87	315
	111.127	151.683

(*) TL 75 includes the cancellation of the reserve set aside for time deposits/demand deposits and the cancellation of the default interest provision calculated for the third stage of TL 574 (31 December 2020: TL 39 banks provision cancellation for time/demand deposits and TL 705 the cancellation of the default interest provision calculated for the third stage).

21 PROVISIONS

The details of expected credit loss for the periods ended as at 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Stage 1 (*)	8.613	8.842
Stage 2	35	3.682
Stage 3 (**)	32.673	84.926
	41.321	97.450

(*) TL 331 expected loss provision for assets classified under Cash, Cash Equivalents and Central Bank is included (31 December 2020: TL 55 expected loss provision is included for assets classified under Cash, Cash Equivalents and Central Bank).

(**) TL 9.903 includes foreign currency increase in foreign currency expected loss provision and TL 458 default interest provision (31 December 2020: TL 62.561 includes foreign currency increase in expected accident provision for foreign currency and TL 788 default interest provision).

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22 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange losses	46.571	59.247
Losses on derivative financial transactions	263	252
Securities impairment expense	1	169
	46.835	59.668

23 EARNINGS PER SHARE

Calculation of earnings per share for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Net profit for the period	131.936	50.150
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000	7.950.000
Earnings per thousand shares (KR)	1.659,57	630,82

24 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	91.547	10.352	1.552	3.786
Demand deposits	1.989	10.352	1.552	3.786
Term deposits	89.558	-	-	-
Garantibank International NV	1	10.514	1	6.244
Demand deposits	1	10.514	1	6.244
	91.548	20.866	1.553	10.030

As of 31 December 2021, the amount of checks and bills in custody with Türkiye Garanti Bankası AŞ regarding factoring receivables is 2.002.631 TL (31 December 2020: 1.353.879 TL).

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası AŞ	782.364	680.731	596.110	413.332
Garantibank International NV	-	240.923	-	21.509
	782.364	921.654	596.110	434.841

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24 RELATED PARTY TRANSACTIONS (continued)

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Letter of guarantee:				
Türkiye Garanti Bankası A.Ş.	2.912	-	1.207	-
	2.912	-	1.207	-

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Miscellaneous Debts:				
Türkiye Garanti Bankası A.Ş.	795	-	57	-
	795	-	57	-

Income and expenses from related parties for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Interest from factoring receivables		
Garanti Bank International NV	-	1.643
	-	1.643

	1 January – 31 December 2021	1 January – 31 December 2020
Interest received from banks		
Türkiye Garanti Bankası A.Ş.	424	36
	424	36

	1 January – 31 December 2021	1 January – 31 December 2020
Interest on loans used		
Türkiye Garanti Bankası A.Ş.	130.807	75.783
Garanti Bank International NV	923	99
	131.730	75.882

	1 January - 31 December 2021	1 January - 31 December 2020
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	1.444	759
Türkiye Garanti Bankası A.Ş.	193	201
Garanti Bank International NV	115	64
	1.752	1.024

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24 RELATED PARTY TRANSACTIONS (continued)

<i>General Administrative Expenses</i> ^(*)	1 January – 31 December 2021	1 January – 31 December 2020
Türkiye Garanti Bankası AŞ	7.500	3.740
Garanti Filo Yönetim Hizmetler AŞ	2.282	1.416
Garanti Emeklilik ve Hayat AŞ	112	-
Garanti Finansal Kiralama AŞ	62	154
	9.956	5.310

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

The details of off-balance sheet transactions from related parties for the periods ended 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Commitments:				
Türkiye Garanti Bankası A.Ş.	-	-	39.787	-
Securities sale transactions			39.787	
	-	-	39.787	-
Profits from Financial Derivatives				
Türkiye Garanti Bankası A.Ş.		2.332		1.411
		2.332		1.411

Salary and other benefits provided to board members and executives:

The net payment amount provided/to be provided to the key managers of the Company, including the payments for those who left, is TL 3.731 for the accounting period ending on 31 December 2021 (31 December 2020: TL 3.633).

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

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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 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Sureties received ^(*)	-	45.498.193	-	27.702.762
Finance notes	2.300	12.006.677	2.200	5.155.029
Correspondent guarantees	-	263.461	-	162.027
Insurance coverage	134.789	52.606	45.118	48.372
Securities pending	281	81.664	-	-
Mortgage	33.280	-	30.500	3.450
Other	448	-	375	-
	171.098	57.902.601	78.474	33.121.183

^(*) 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 2021 and 31 December 2020 consist of letters of guarantee given to the institutions below:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Takasbank (Note 11)	614.500	-	668.500	-
Courts	5.640	85	5.981	47
Guarantees given to the reporter	-	-	-	16.382
Other	10	-	4	-
	620.150	85	674.485	16.429

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25 CONTINGENT ASSETS AND LIABILITIES (continued)**25.3 Commitments**

As of 31 December 2021, the details of the securities sale agreements are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Securities Sale Commitments	-	-	39.787	-
	-	-	39.787	-

25.4 Derivative Financial Instruments

The details of derivative agreements as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Currency swap buy transactions	-	-	48.801	-
Currency swap sell transactions	-	-	-	46.245
	-	-	48.801	46.245

25.5 Safety Securities

The details of cheques and notes in collection as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Cheques in collection	1.830.679	386.618	1.325.705	200.630
Notes in collection	22.290	39.006	10.981	27.719
	1.825.969	425.624	1.336.686	228.349

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

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

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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 are regularly updated, within the framework of corporate governance principle.

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

26.1.6 Credit Risk

	Factoring Receivables		Non-performing receivables			Other Assets	Cash and Cash Equivalents	Derivative Financial Assets Held for Trading	FVPL Financial Assets
	Related Party	Others	Related Party	Others	Related Party				
31 December 2021									
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	-	4.136.435	-	9.752	-	-	153.287	-	15
A. Carrying value of financial assets that are not past due nor impaired	-	4.147.343	-	-	-	-	153.287	-	15
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	554	-	-	-	-	-	-	-
- carrying value	-	554	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	(11.462)	-	9.752	-	-	(345)	-	-
- Past due (gross carrying value)	-	-	-	68.703	-	-	-	-	-
- Impairment (-)	-	(11.462)	-	(58.951)	-	-	(345)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-

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

26.1.6 Credit Risk (continued)

31 December 2020	Factoring Receivables				Non-performing receivables				Other Assets			Derivative Financial Assets Held for Trading	FVPL Financial Assets
	Related Party	Others	Related Party	Others	Related Party	Others	Related Party	Others	Banks				
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	-	2.776.169	-	12.678	-	-	-	-	12.405	1.921	1.921	39.670	39.670
A. Carrying value of financial assets that are not past due nor impaired	-	2.793.137	-	-	-	-	-	-	12.503	1.921	1.921	39.670	39.670
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired	-	1.192	-	-	-	-	-	-	-	-	-	-	-
- carrying value	-	1.192	-	-	-	-	-	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	(18.160)	-	12.678	-	-	-	-	(98)	-	-	-	-
- Past due (gross carrying value)	-	-	-	132.240	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	(18.160)	-	(119.562)	-	-	-	-	(98)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-	-	-	-
E. Off balance sheet items that include credit risk	-	-	-	-	-	-	-	-	-	-	-	-	-

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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 2021

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	3.958.723	4.058.077	2.959.947	1.092.003	6.126
Funds borrowed	3.349.947	3.420.005	2.656.646	763.359	-
Securities issued	583.768	610.740	284.301	326.439	-
Factoring payable	18.201	18.201	18.201	-	-
Payable leasing transactions	6.807	9.131	799	2.205	6.126

31 December 2020

Contractual Maturities	Carrying Amount	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	2.677.874	2.722.446	2.249.586	469.738	3.122
Funds borrowed	2.087.690	2.128.690	1.660.392	468.298	-
Securities issued	582.026	584.939	584.939	-	-
Factoring payable	3.286	3.286	3.286	-	-
Payable leasing transactions	4.872	5.531	969	1.440	3.122

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	2.512	2.512	2.512	-	-
Derivative cash inflows	48.801	48.801	48.801	-	-
Derivative cash outflows	46.289	46.289	46.289	-	-

(*) The fair value of derivative financial assets is TL 1,921.

GARANTİ FAKTORİNG A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

26 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**26.2 Explanations on Risk Management (continued)****26.2.3 Market Risk***Foreign currency risk*

Foreign currency risk is the risk arising from the value changes on financial instruments related with the change in exchange rates. The Company is exposed to currency risk due to its foreign currency borrowings. The currencies that the foreign currency risk of the Company mainly arises from are USD, Euro and GBP. As the financial statements of the Company are presented in TL, the financial statements are affected by fluctuations in these exchange rates against TL. The Company's net short/ (long) position arises from the assets, liabilities and derivative financial instruments in foreign currencies as at 31 December 2021 and 31 December 2020.

Foreign currency assets and liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
	(TL equivalent)	(TL equivalent)
A. Foreign currency monetary assets	1.331.236	718.033
B. Foreign currency monetary liabilities	(1.320.113)	(644.686)
C. Derivative financial instruments	-	(46.245)
Net foreign currency position (A+B+C)	11.123	27.102

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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 2021 and 31 December 2020. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

	USD	EURO	GBP	Total
31 December 2021				
Assets				
Cash and cash equivalents	9.805	7.971	4.543	22.319
Financial assets at fair value through profit or loss	-	15	-	15
Factoring receivables (Net)	772.380	428.513	107.362	1.308.255
Other Assets (*)	240	404	3	647
Total assets	782.425	436.903	111.908	1.331.236
Liabilities				
Funds borrowed	771.110	414.528	111.576	1.297.214
Factoring payables	1.927	11.939	2.172	16.038
Sundry creditors and other liabilities	572	6.107	182	6.861
Total liabilities	773.609	432.574	113.930	1.320.113
Net foreign currency position	8.816	4.329	(2.022)	11.123
Derivative Financial Assets	-	-	-	-
Net position	8.816	4.329	(2.022)	11.123

(*) Prepaid expense amounting to TL 130 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)

	USD	EURO	GBP	Total
31 December 2020				
Assets				
Cash and cash equivalents	2.603	3.546	3.998	10.147
Financial assets at fair value through profit or loss	-	9	-	-
Factoring receivables (Net)	422.676	258.661	26.061	707.398
Other assets (*)	151	327	1	479
Total Assets	425.430	262.543	30.060	718.033
Liabilities				
Funds borrowed	367.660	248.802	21.654	638.026
Factoring payables	1.209	1.118	320	2.647
Sundry creditors and other liabilities	515	2.802	696	4.013
Total liabilities	369.384	252.722	22.580	444.686
Net foreign currency position	56.046	9.821	7.480	73.347
Derivatives	(46.245)			(46.245)
Net position	9.801	9.821	7.480	27.102

(*) Prepaid expense amounting to TL 63 that is presented in other assets is excluded from the table.

FINANCIAL HIGHLIGHTS

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies as at 31 December 2021 results in an increase in profit before tax for the period amounting to TL 1.112 (31 December 2020: TL 2.710 increase). This analysis is made with the assumption that the other variables were held constant as at 31 December 2021 and 31 December 2020.

TL	
31 December 2021	Profit/(Loss)
USD	881
EURO	433
GBP	(202)
Total	1.112

TL	
31 December 2020	Profit/(Loss)
USD	980
EURO	982
GBP	748
Total	2.710

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021				31 December 2020			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
Assets								
Time deposit	-	-	-	23,50	-	-	-	17,97
Factoring receivables	4,79	3,77	3,32	27,02	6,18	3,07	5,45	22,32
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,35
Funds borrowed	3,03	1,83	1,43	19,75	3,91	1,16	1,77	15,98
Marketable securities issued	-	-	-	21,50	-	-	-	12,98

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

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

26.2 Explanations on Risk Management (continued)

26.2.3 Market Risk (continued)

Interest rate risk sensitivity analysis

The Company’s financial instruments that have interest rate sensitivity as at 31 December 2021 and 31 December 2020 are as follows:

	Carrying Value	
	31 December 2021	31 December 2020
Fixed Rate		
Factoring receivables	3.127.298	1.883.291
Financial assets at fair value through profit or loss	-	39.661
Time deposit	128.243	657
Funds borrowed	3.002.971	1.755.528
Marketable securities issued	583.768	582.026
Floating Rate		
Factoring receivables	1.020.599	911.038
Funds borrowed	346.976	332.162

If the interest rate on the renewal date of the variable rate factoring receivables and loans in Turkish Lira and foreign currency at 31 December 2021 was 100 basis points higher/lower and all other variables remained constant, the profit for the period before tax as a result of high/low interest expense consisting of variable rate financial instruments TL 6.736 (31 December 2021: TL 5.789) would be higher/lower.

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.

GARANTİ FAKTORİNG A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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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.

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 2021 and 31 December 2020. 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 2021, the Company does not have derivative financial assets and derivative financial liabilities.

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	15	-	-	15
Derivative financial assets held for trading	-	-	-	-
	15	-	-	15
Derivative financial liabilities	-	-	-	-
	-	-	-	-
31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	39.670	-	-	39.670
Derivative financial assets held for trading	-	1.921	-	1.921
	39.670	1.921	-	41.591
Derivative financial liabilities	-	252	-	252
	-	252	-	252

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28 FEES RELATED WITH THE SERVICES PROVIDED BY INDEPENDENT AUDIT COMPANY

The explanation regarding the fees for the services rendered by independent audit firms, prepared by the POA pursuant to the Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of the POA dated 19 August 2021 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Independent audit fee	300.000	212.000
IT audit services	-	65.000
	300.000	277.000

29 EVENTS AFTER THE REPORTING PERIOD

None.

Garanti Faktoring A.Ş.

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