

Guaranteed trust



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With our experience in factoring, which is increasing its market presence in Türkiye with each passing day, we are serving as the flagship company of the industry.

We always stand behind our customers in domestic and international trade under our motto of “factoring greases the wheels of commerce.” Managing financial and non-financial risks at world standards in accordance with our disciplined and sustainable growth focus, we support companies’ efforts to engage in effective risk management.

As in the past, we continue to render innovative and reliable services under our growth-oriented investments and customer-oriented approach this year.

Guaranteed steady growth

We continue to grow under any and every market condition thanks to our strong corporate structure and industry expertise. We distinguish ourselves from the competition with our return on equity while we leverage our ample liquidity to always stand behind our customers.



69.88%

Return on equity



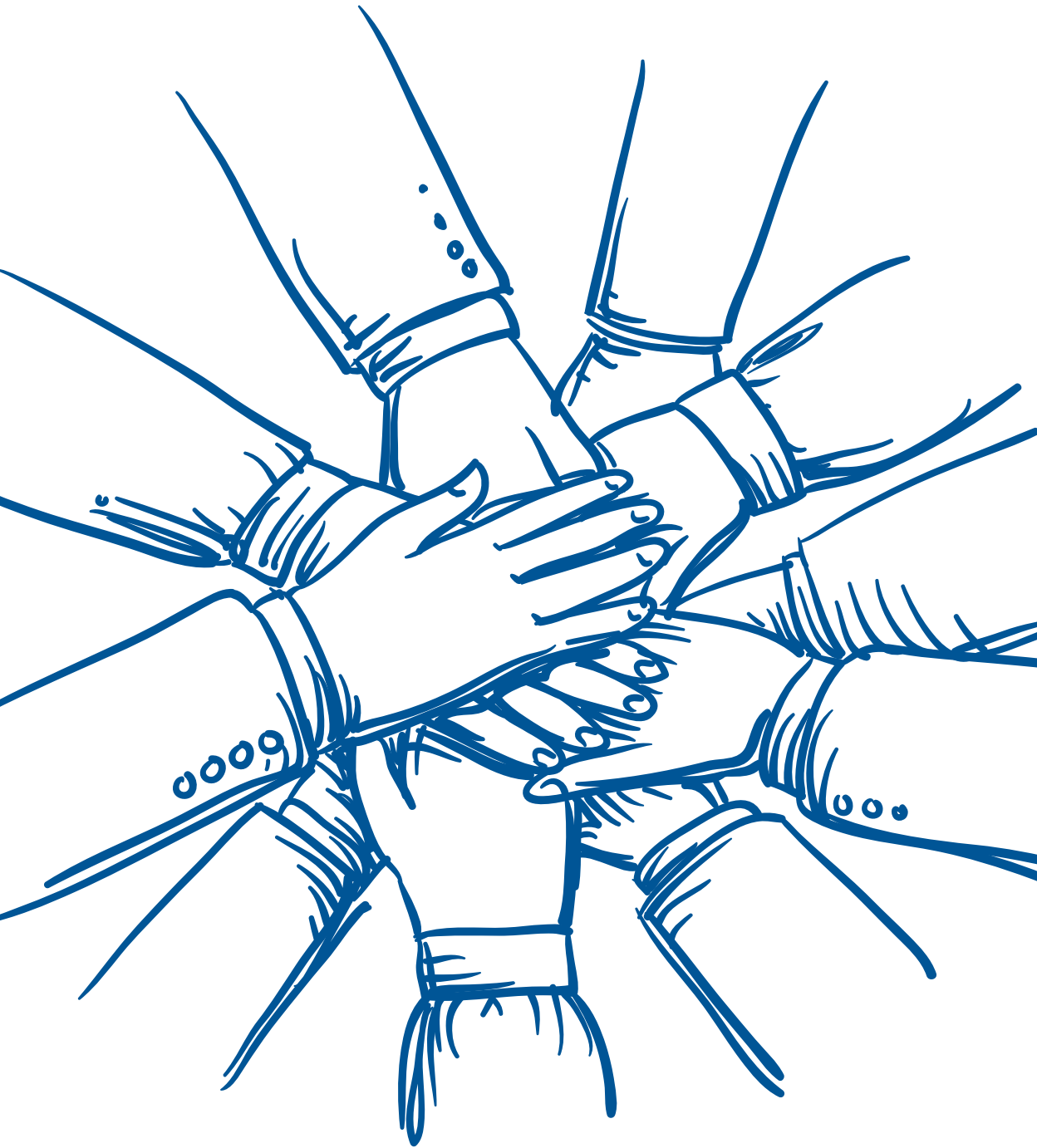
Guaranteed comprehensive support

We have been prioritizing the sustainable growth of our customer portfolio since the day we were established. With an emphasis on SMEs, we continue to expand our customer portfolio by supporting all companies, from small businesses all the way up to multinational corporations.



TL 8.8 billion

SME segment transaction volume



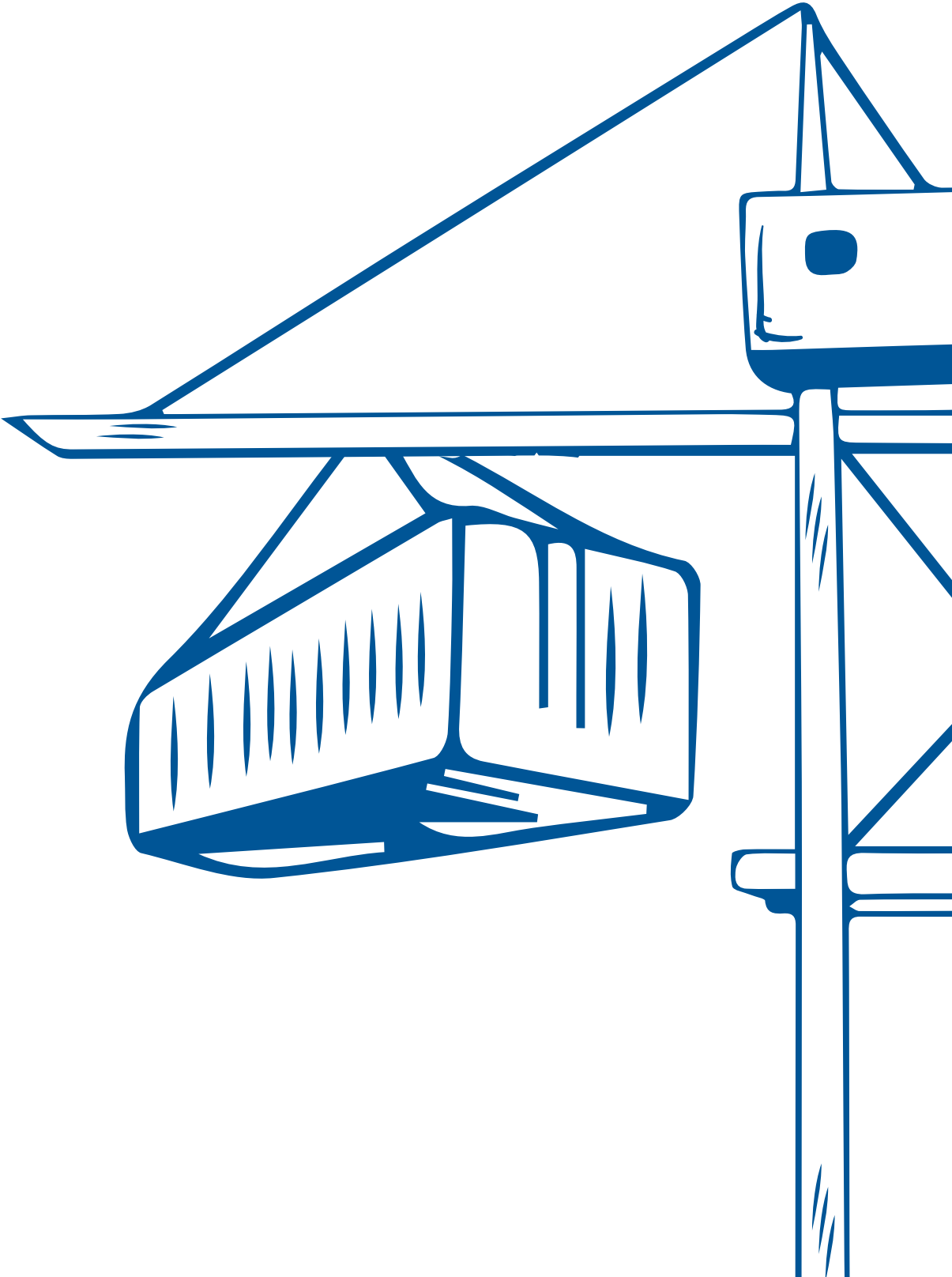
Guaranteed future goals

We render an unparalleled service experience with our reliable solutions tailored to the needs of enterprises. We finance and provide warranty for companies' domestic and export receivables from product and service sales directed abroad, as we continue to strive for growth in the export segment as well.



TL 7.2 billion

Export factoring transaction volume



Guaranteed sustainable satisfaction

We took all of our steps with a focus on customer satisfaction in 2022, a year characterized by a number of uncertainties and challenges in the global economy. We continued to meet our customers' needs promptly by providing fast and high-quality solutions as necessitated by the world of commerce without reflecting the challenging conditions to them.



8,712

Number of transacting customers



Annual Report Compliance Opinion



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

To the Board of Garanti Faktoring A.Ş.

1) Opinion

We have audited the accompanying annual report of Garanti Faktoring A.Ş. ("the Company") for the period between January 1, 2022 and December 31, 2022.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Company's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our independent audit in accordance with standards on independent auditing as issued by the Capital Markets Board of Türkiye and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Türkiye (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the 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 (Code of Ethics) and with the relevant ethical provisions of the independent auditing regulations. And we have fulfilled our further ethical responsibilities within the scope of the Code of Ethics and regulations. We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Auditor's Opinion on Complete Set of Unconsolidated Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the accounting period between January 1, 2022 and December 31, 2022 on January 30, 2023.

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

In accordance with the Articles 514 and 516 of the Turkish Commercial Code Numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Company ("Regulation") published in the Official Gazette dated 1 November 2006 and No. 26333, the Company's management is responsible for the following regarding the annual report:

- Preparation of the annual report within the first three months following the balance sheet date, and submission of the annual report to the general assembly.
- To prepare the annual report to reflect the Company's operations in that year and the consolidated financial position in a true, complete, straightforward, fair, and proper manner in all respects. In this report, the financial position of the Company is assessed in accordance with the Company's financial statements. The annual report shall also clearly state the details about the Company's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.
- The annual report also includes the matters below:
 - Significant events after the reporting period,
 - The Company's research and development activities,
 - Financial benefits such as salaries, bonuses, premiums, allowances, travel, accommodation and representation expenses, benefits in kind and in cash, insurances and similar guarantees paid to the Board Members and to senior management.

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

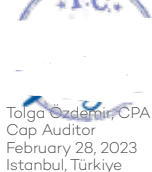
5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

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

The independent audit we have performed is conducted in accordance with InAS and the standards on independent auditing as issued by the Capital Markets Board of Türkiye. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Tolga Özdemir.

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



Statement of Responsibility Related to Acceptance of the Annual Report

Istanbul, 28.02.2023

BORSA ISTANBUL A.Ş. DIRECTORATE
Istinye / ISTANBUL

RESOLUTION OF THE BOARD OF DIRECTORS ON THE ACCEPTANCE OF THE ANNUAL REPORT
RESOLUTION DATE: 28.02.2023
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 31.12.2022.
- 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, 2022

Şule FİRUZMENT BEKÇE
Executive Vice President

Kaya YILDIRIM
General Manager

Nihat KARADAĞ
Audit Committee Member

Serkan ÇANKAYA
Audit Committee Member

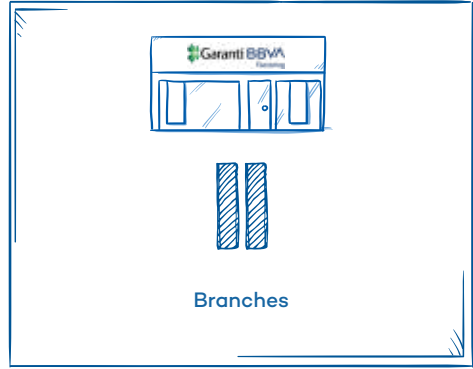
About Garanti BBVA Factoring

Garanti BBVA Factoring was named the “World’s Third Best Export Factoring Company” as a result of the evaluation performed by Factors Chain International.

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

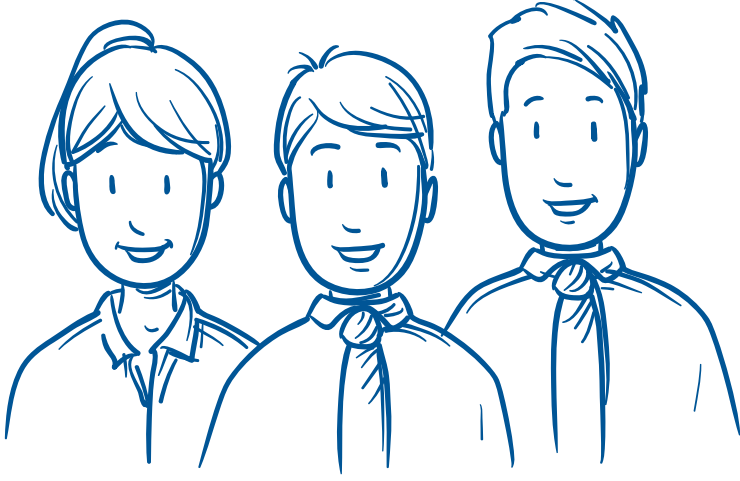
The Company conducts its activities following “the Financial Leasing, Factoring and Financing Companies Law” No. 6361, “the Regulation on the Establishment and Activity Principles of Financial Leasing, Factoring and Financing Companies” issued by BRSA with the publication in the Official Gazette No.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

Garanti BBVA Factoring delivers services in eight Turkish provinces with 11 branches and 123 employees. The Company develops innovative products and services in response to customer needs with its continuous investment in advanced technology infrastructure, client-oriented service approach and specialized workforce. Via a broad network established with BBVA synergy, Garanti BBVA Factoring provides financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing and blazes a trail by generating ideal solutions in customer relationship management.



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

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



Garanti BBVA Factoring is a robust factoring company in international factoring transactions with the widespread correspondent network brought by its membership in the Netherlands-based Factors Chain International (FCI) which incorporates about 400 export and import factoring companies operating in approximately 90 countries across the world. In an evaluation of Factors Chain International, Garanti BBVA Factoring got 96.70 points in the criteria of service quality, correspondent network and export volume, receiving the title of “World’s Third Best Export Factoring Company”.

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

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

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

Garanti BBVA Factoring’s ratings were updated on July 27, 2022 by Fitch Ratings and became long-term TL at B- /Negative Outlook and long-term foreign currency B- / Negative Outlook. Support rating for majority shareholder corresponded to b-.

In 2022, Garanti BBVA Factoring raised its grade in the Corporate Governance Principles Compliance Rating made by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. to 947.

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

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

Garanti BBVA Factoring at a Glance

Shareholders' Equity of Garanti BBVA Factoring amounts to TL 692 million by the end of 2022.



9.7

TL Billion
Asset size



692

TL Million
Shareholders' equity



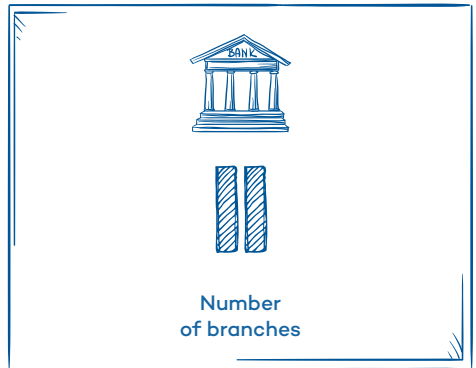
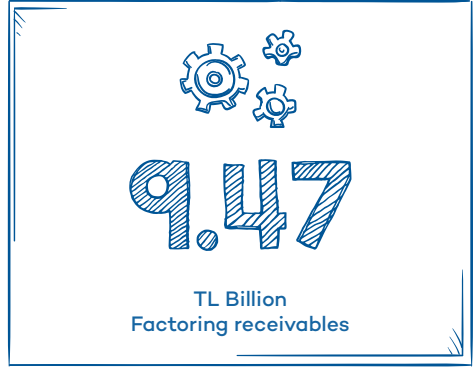
350.7

TL Million
Net profit for the period



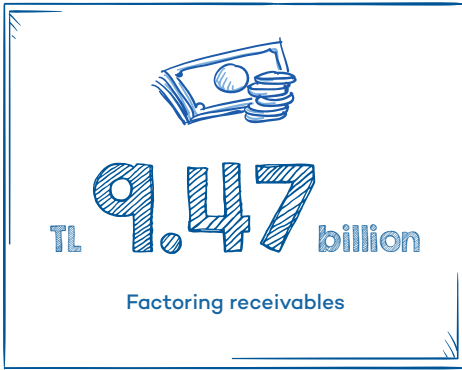
31.6

TL Billion
Transaction volume



Developments in 2022

Garanti BBVA Factoring successfully introduced the hybrid working model that fuses the efficiency of remote working with face-to-face communication needed for establishing social bonds.



World's Third Best Export Factoring Company

In an evaluation of the Netherlands-based Factors Chain International (FCI) which incorporates about 400 export and import factoring companies operating in approximately 90 countries across the world, including Garanti BBVA Factoring, the Company got 96.70 points in the criteria of service quality, correspondent network and export volume, and named "World's Third Best Export Factoring Company".



Transition to Hybrid Working Model

Thanks to the advantage of its robust digital infrastructure, Garanti BBVA Factoring became one of the companies that switched to remote working with the aim of placing particular emphasis on the health of its customers, employees and their families. The Company managed to carry on all operations productively with its agile transition completed before the pandemic, strong digital infrastructure and the single-team culture. Pursuing the aim of offering the ideal work experience to its employees by giving ear to their expectations, Garanti BBVA Factoring successfully introduced the hybrid working model that fuses the efficiency of remote working with face-to-face communication needed for establishing social bonds.

The Campus Keeping an Eye on the Employees' Wellbeing

Operations of Garanti BBVA Factoring continue on the Pendik campus, featuring a total indoor area of 140,000 m². The campus includes 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.

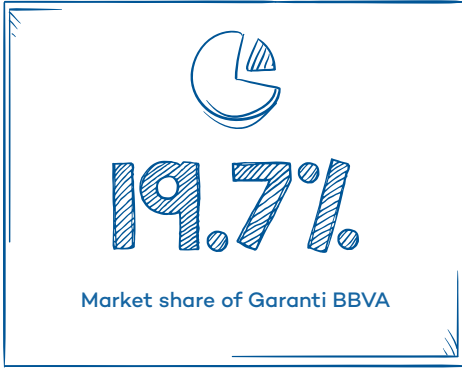
In the new campus, practices are implemented that prioritize employees' health, such as fresh-air ventilation and air-conditioning at double the international standards, 10 air recirculation per hour, refreshing, technological and hygienic electrostatic filter.

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

In 2022, Garanti BBVA Factoring kept raising the share of SMEs as well as the number of customers in its balance sheet. The SME segment which got ahead of the Company's corporate and commercial segments mainly embodies wholesale and retail trade, transport, warehousing and communication industries under service industry, and textile and textile products industry, main metal industry, petroleum and coal products and industrial sectors under manufacturing industry.

Strong Shareholding Structure

Garanti BBVA ranks first in brand strength and SME Net Promoter Score among private banks.



Türkiye Garanti Bankası A.Ş.

Established in 1946 in Ankara, Garanti BBVA is Türkiye's second largest private bank with consolidated assets of TL 1.304 trillion as of December 31, 2022.

Garanti BBVA, which operates in all segments of the banking industry, 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.

Garanti BBVA's custom-tailored solutions and wide product variety play a key role in reaching TL 974 billion cash and non-cash loans. 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:

- The largest private bank in TL loans with a market share of 19.7%.
- TL customer deposit portfolio of the Bank which is the biggest one among private banks with a market share of 18.6% demonstrates its strong relationship banking.
- Leadership in consumer loans with over 22 million retail customers.
- Market share of 18.4% in TL business loans.
- Number 1 in brand strength and SME Net Promoter Score (NPS) among private banks.

Garanti BBVA aims to present the opportunities 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 supports positive change, loan disbursements focused on impact investment, and creating shared value via social programs focusing on issues considered a priority by the Bank, its stakeholders and its strategic partners.

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 existing where customers are. As of December 31, 2022, the Bank responds any financial need of over 23 million customers with a broad distribution network comprised by 829 domestic branches, seven branches in Cyprus and eight overseas branches, including one in Malta, as well as 18,544 employees. With its conveniently integrated channels, Garanti BBVA offers uninterrupted experience in all channels through 5450 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. Garanti BBVA owns the highest digital and mobile customer base which is made up by 13.4 million digital and 13.0 million mobile customers. Share of the digital sales in total sales reached 86%. Constant investments of the Bank in robust and reliable technology makes it utilize advanced data analytics and artificial intelligence. Investing in people is the basis of Garanti BBVA's approach to human resources. With the awareness that human resources are the engine driving all progress, the fundamental building blocks of the Company's system are to continuously recruit young and creative minds to Garanti BBVA, to train and develop them, to provide employees with environments where they can demonstrate their talents, and to offer opportunities, and see and reward their achievements.

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

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

Note: The data regarding branches, ATMs and customers does not contain the partnerships subject to consolidation.

Strong Shareholding Structure

Operating for more than 160 years, BBVA is a global group that offers a wide range of financial and non-financial products and services.

Banco Bilbao Vizcaya Argentaria S.A

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

Operating for more than 160 years, BBVA is a global group that offers a wide range of financial and non-financial products and services. The Group renders service to 89.3 million customers in over 25 countries with almost 116 thousand employees and 6,040 branches. In this new competitive environment, BBVA has the mission of "facilitating the opportunities of the age for everyone" through the customer-centric vision in its activities.

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

As of December 31, 2022, the asset size of BBVA is EUR 713.1 billion while its shareholders' equity and net profit for 2022 amount to EUR 51 billion and EUR 6.4 billion. BBVA shares are traded on stock exchanges

in Spain, New York, London and Mexico. As of December 31, 2022 the Group's shares have equal voting rights, and it has about 801 thousand shareholders across the globe.

Türkiye İhracat Kredi Bankası A.Ş.

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

In addition to boosting exports by providing loans, the main objectives of Türk Eximbank are diversifying goods and services exported, introducing new markets for export goods, and helping exporters increase their share in international commerce and providing them with the support they need for their operations. As well, Türk Eximbank ensures that exporters and contractors operating abroad remain competitive and secure and provides support to and promotes both foreign investment in Türkiye and the production and sale of investment goods for export.

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



integrity of services provided to exporters is greater than those offered by disparate official export credit agencies in developed countries.

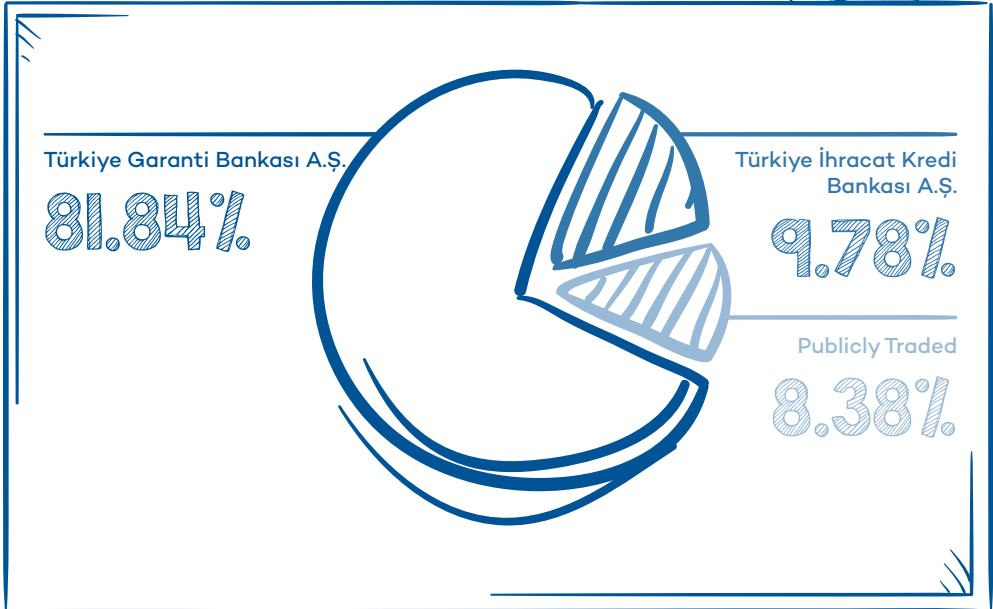
As of year-end 2022, Türk Eximbank provided cash loan of USD 19.6 billion and insurance/guarantee of USD 25.3 billion, bolstering export up by USD 45 billion. Year-end asset size of the Bank corresponds to TL 346.0 billion. Paid-in capital went up from TL 10.8 billion to TL 13.8 billion through cash capital of TL 3 billion transferred from the Treasury.

Türk Eximbank provides services through 23 branches and 11 liaison offices. Headquartered in Istanbul (Anatolian Side), the Bank has 23 branches covering Central Anatolia, Marmara and Aegean Regional Directorates and Ankara, Gaziantep, İzmir, Bursa, Denizli, Adana, Konya, Kayseri, Antalya, İstanbul Avrupa Yakası, Gebze, Merkez, İstanbul Odakule, Çorlu, Manisa, Maltepe, Mersin, Eskişehir, İskenderun, Trabzon, İstanbul İkitelli OSB, Kahramanmaraş and Diyarbakır branches, and 11 liaison offices in Samsun, Aegean Region Chamber of Industry, Aegean Exporters' Associations, İzmir Kemalpaşa Organized Industrial Zone, Aydın, Erzurum, Hatay, Sakarya, İstanbul Anatolian Side Organized Industrial Zone, İnegöl and Isparta.

Company Capital and Shareholding Structure

The biggest partner of Garanti BBVA Factoring with a paid-in capital of TL 79,500,000 is Garanti BBVA which holds 81.84%.

As of December 31, 2022, Garanti BBVA Factoring's paid-in capital is TL 79,500,000. Türkiye Garanti Bankası A.Ş. owns 81,84% of the registered shares. Türkiye İhracat Kredi Bankası A.Ş. has a share of 9.78%. Garanti BBVA Factoring's free float shares which is 8.38% are traded on SubMarket under the ticker symbol "GARFA."



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

Our Mission

“To Facilitate the Opportunities of the Age for Everyone”

Our Values

Our Customers Are Our Priorities

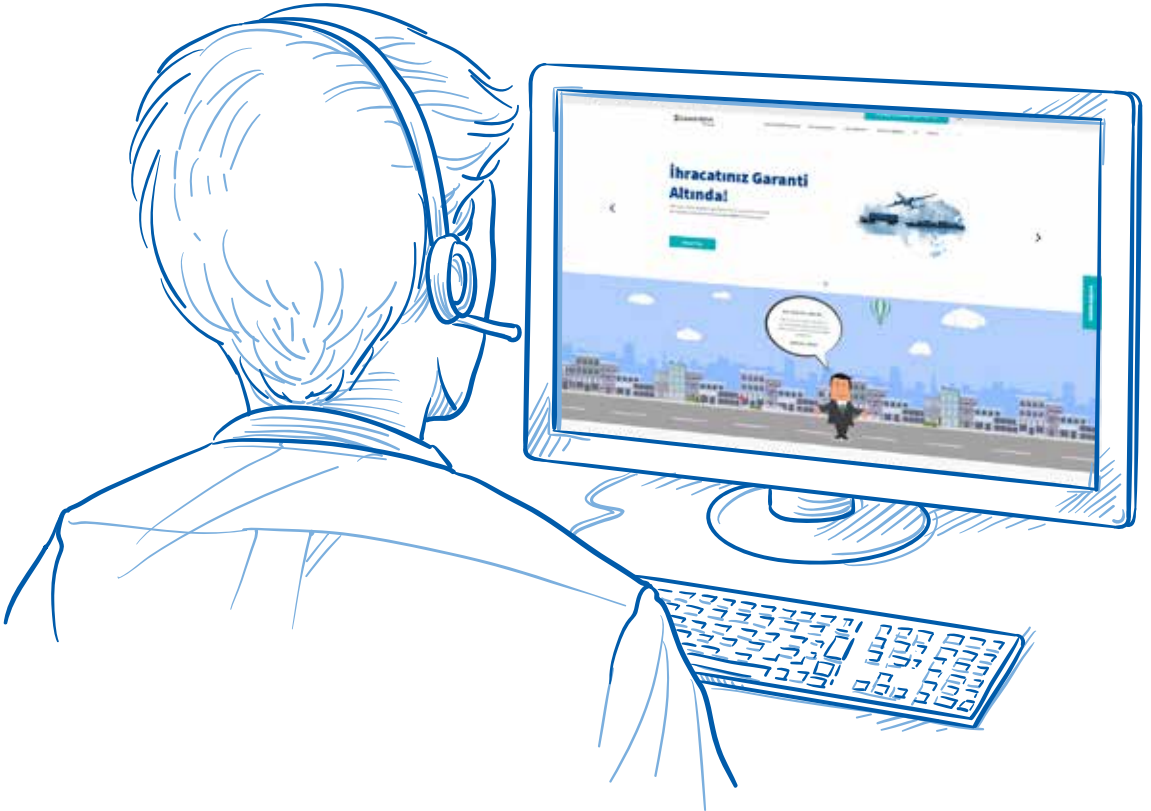
- We understand our customers
- We are honest and accountable
- We offer solutions

We Think Big

- We inspire
- We innovate
- We exceed expectations

We Are One

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



Our Strategic Priorities

Garanti BBVA Factoring defines its strategic priorities as the following:

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

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

Reaching More Customers

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

Best and Most Loyal Team

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

Operational Superiority

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

Data and Technology

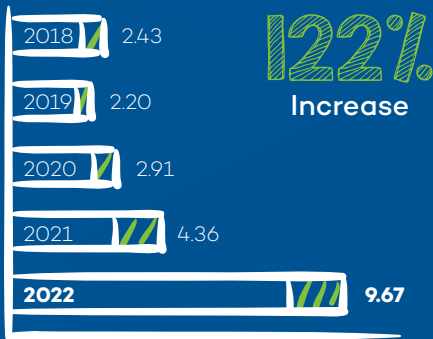
- To make our technological infrastructure and platforms stronger and more agile
- To accelerate our solution processes with the fewest errors by integrating artificial intelligence, machine learning and big data, which hold an important place in the Company's daily operations
- To focus on data analytics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

Financial Indicators and Ratios

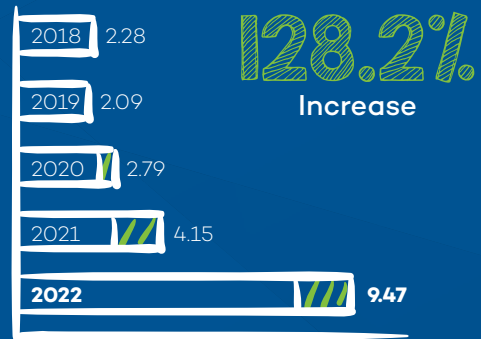
In 2022, total assets of Garanti BBVA Factoring exhibited more than 2-fold increase, reaching TL 9.67 billion.

Basic Chosen Balance Sheet Figures and Ratios of Garanti BBVA

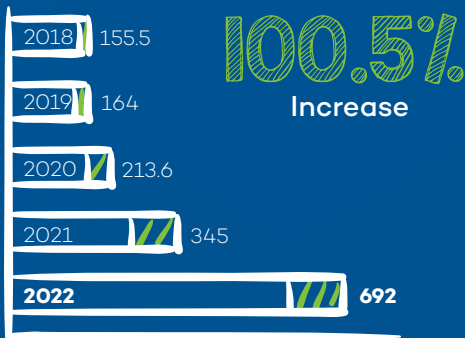
Total Assets (TL BILLION)



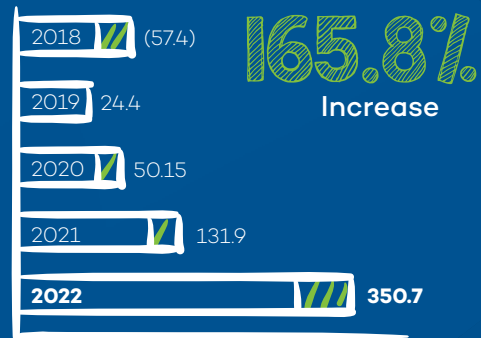
Factoring Receivables (TL BILLION)



Shareholders' Equity (TL MILLION)



Net Profit/Loss for the Period (TL MILLION)



	2018	2019	2020	2021	2022
Return on Assets (%)	-1.99%	1.16%	2.00%	3.62%	5.97%
Return on Equity (%)	-28.25%	14.95%	26.99%	47.48%	69.88%
Non-Performing Loans Ratio (%)*	11.87%	13.98%	4.52%	1.63%	0.72%

* As part of TFRS 9, write-offs were performed in the years 2020, 2021 and 2022.

Garanti BBVA Factoring Major Income Statement Items

(TL Thousand)	2018	2019	2020	2021	2022
Factoring Revenues	477,508	375,828	309,468	638,775	1,347,840
Interest Collected from Factoring Receivables	466,627	368,204	297,653	621,491	1,300,626
Factoring Fees and Commissions from Factoring Receivables	10,881	7,624	11,815	17,284	47,214
Financial Expenses	(363,463)	(263,863)	(189,506)	(419,177)	(768,789)
Interest Paid for Utilized Loans	(247,253)	(176,025)	(161,436)	(320,305)	(566,176)
Interest Paid for Securities Issued	(99,052)	(80,449)	(26,190)	(95,800)	(183,162)
Fees and Commissions Paid	(17,138)	(6,825)	(757)	(1,314)	(18,077)
Other	(20)	(564)	(1,123)	(1,758)	(1,374)
Operating Expenses	(52,056)	(50,828)	(49,316)	(69,613)	(97,085)
Expenses on Personnel and Severance Pay Provisions	(32,235)	(30,039)	(30,838)	(41,324)	(67,286)
General Administrative Expenses	(18,661)	(20,671)	(18,378)	(27,798)	(29,799)
Other	(1,160)	(118)	(100)	(491)	-
Other Operating Income/ Expenses (net)	45,511	35,595	92,015	64,292	45,923
Interest Collected from Banks	160	1,945	691	1,850	9,638
Interest Collected from Securities	-	-	1,689	6,006	-
Capital Markets Operations Profit (Net)	-	-	345	180	-
Profit/Loss from Derivative Transactions (Net)	24,441	2,705	5,287	4,005	-
Profit/Loss from Foreign Exchange Transactions (Net)	19,564	21,423	72,329	28,503	19,953
Other	1,346	9,522	11,674	23,748	16,332
Provision Expenses	(176,568)	(65,701)	(97,990)	(47,251)	(63,390)
Gross Profit/Loss	(69,068)	31,031	64,671	167,026	464,499
Tax Expenditure for the Period	11,692	(6,593)	(14,521)	(35,090)	(113,757)
Net Profit for the Period	(57,376)	24,438	50,150	131,936	350,742

Financial Situation and Performance Assessment in 2022

Having 11 branches across Türkiye, Garanti BBVA Factoring gave guarantee, collection and financing services to 8,712 customers in 2022



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

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

Having 11 branches across Türkiye, Garanti BBVA Factoring gave guarantee, collection and financing services to 8,712 customers in 2022.

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

Standing out with an extensive branch network, Garanti BBVA Factoring renders export factoring service to numerous customers. According to the data from FCI, the most competent body of export factoring with approximately 400 factoring company members in 90 countries, the Company has a market share of 16.61% among 15 companies in Türkiye in correspondent guaranteed export factoring in 2022.

With its high quality service, innovative products and achievements, Garanti BBVA Factoring received 96.70 points among all service quality, correspondent network and export volume criteria in FCI's evaluation and was named "World's Third Best Export Factoring Company."

Garanti BBVA Factoring targets boosting the number of customers in correspondent guaranteed export factoring transactions and keeping enhancing its service quality to existing customers also in 2023.

Digitalization and Mobile

In 2023, the Company aims to transfer its current operational activities to digital environment to raise the number and volume of transactions, primarily for SME companies, and to offer more effective and faster solutions to customer demands. The Garanti BBVA Factoring Mobile application, testing of which was completed in the first half of 2019, is expected to increase the number and volume of transactions, especially in the SME segment, in 2023.

Garanti BBVA Factoring also plans to continue making capital investments in systems infrastructure and human resources.

The Company targets improving operational efficiency while striving to realize its set performance objectives.

A pioneer among 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 website was published to serve as an application channel. Via the Garanti BBVA internet branch, customers can see the products in their accounts and details on these products. Besides, checks can be sent over the internet branch for factoring through the internet branch. In this way, it is possible to shorten the process times and to increase the efficiency in internal processes in the digital environment.

Collection Guarantee

"Collection Guarantee", a safe instrument for the companies which want to acquire new customers and enter into new markets, drew great interest in both domestic and export transactions also in 2022.

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

Financial Situation and Performance Assessment in 2022

In 2022, Garanti BBVA Factoring has a market share of 7.13% with a total asset size of TL 9.67 billion.

Financing Opportunity Under Favorable Conditions

Garanti BBVA Factoring, internationally well-known for its strong relations management skills, provided cost-effective funding in the current volatile environment in 2022 by diversifying 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 Faktoring raised the number of its partner banks and deepened its relations, while providing 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 2022, Garanti BBVA Factoring issued discount bonds with a three to six-month maturity and total nominal value of TL 2,674 million offered exclusively to qualified investors via private placement. The Company also amortized bonds with a total nominal value of TL 2,782 million.

Despite a volatile interest and foreign exchange rate environment, the Company plans to pursue its current business strategy and prioritize bond issues in 2023 as well.

Factoring Receivables

In 2022, Garanti BBVA Factoring has a market share of 7.44% with factoring receivables of TL 9.47 billion.

Asset Size

In 2022, Garanti BBVA Factoring has a market share of 7.13% with a total asset size of TL 9.67 billion.

Transaction Volume

- In 2022, Garanti BBVA Factoring has a market share of 7.82% in the industry with a total transaction volume of TL 31.6 billion (USD 1.9 billion).
- For the year, the company has recorded a domestic transaction volume of TL 23.4 billion (USD 1.3 billion); an export transaction volume of TL 7.1 billion (USD 386 million); and an import transaction volume of TL 997 million (USD 54 million).

Number of Customers

Having 11 branches across Türkiye, Garanti BBVA Factoring gave guarantee, collection and financing services to a total of 8,712 customers in 2022.



Financial Situation and Performance Assessment in 2022

Garanti BBVA Factoring's Transaction Volume and Factoring Receivables on Industrial Basis as of the year-end 2022 (TL million)

SERVICE INDUSTRY	18,258
Wholesale and Retail Trade Mot. Veh. Services	13,040
Transportation, Warehousing, and Communication	1,875
Real Estate Agency, Leasing and Business Administration Activities	1,012
Other Public, Social and Private Services	782
Construction	713
Financial Institutions	608
Hotels and Restaurants (Tourism)	206
Healthcare and Social Services	16
Defense and Public Administration Compulsory Social Security Institutions	3
Training	3
MANUFACTURING INDUSTRY	13,146
Textile and Textile Products Industry	4,047
Nuclear Fuels, Petroleum and Coal Products Industry	2,413
Main Metal Industry and Processed Material Manufacturing	1,573
Electrical and Optical Devices	936
Transportation Vehicles Industry	722
Machinery and Equipment Industry	684
Rubber and Plastic Products Industry	492
Food, Beverage and Tobacco Industry	490
Chemistry and Chemical Products and Artificial Fiber Industry	434
Wood and Wood Products Industry	282
Paper Raw Material and Paper Products Printing Industry	278
Manufacturing Industry of Not Elsewhere Classified	247
Extraction of Non-Energy Minerals	243
Other Mines Excluding Metals	219
Leather and Leather Products Industry	68
Electrical Gas and Water Resources	15
Extraction of Energy Minerals	3
AGRICULTURAL INDUSTRY	186
Agriculture, Livestock, Forestry	179
Fishery	7
GRAND TOTAL	31,590

Industrial Distribution of Factoring Receivables (TL million)

SERVICE INDUSTRY	5,399
Wholesale and Retail Trade Mot. Veh. Services	3,346
Transportation, Warehousing, and Communication	555
Financial Institutions	539
Other Public, Social and Private Services	382
Real Estate Agency, Leasing and Business Administration Activities	324
Construction	192
Hotels and Restaurants (Tourism)	61
MANUFACTURING INDUSTRY	4,011
Nuclear Fuels, Petroleum and Coal Products Industry	1,513
Textile and Textile Products Industry	661
Transportation Vehicles Industry	531
Electrical and Optical Devices	250
Main Metal Industry and Processed Material Manufacturing	176
Chemistry and Chemical Products and Artificial Fiber Industry	161
Rubber and Plastic Products Industry	136
Food, Beverage and Tobacco Industry	117
Machinery and Equipment Industry	106
Wood and Wood Products Industry	90
Paper Raw Material and Paper Products Printing Industry	69
Other Mines Excluding Metals	68
Manufacturing Industry of Not Elsewhere Classified	53
Extraction of Non-Energy Minerals	46
Leather and Leather Products Industry	34
AGRICULTURAL INDUSTRY	49
Agriculture, Livestock, Forestry	49
OTHER	8
GRAND TOTAL	9,467

Information on GARFA Shares

In the January-December 2022 period, GARFA stock reached 26.82 - the highest closing price - while the transaction volume totaled TL 839 million during the same period.

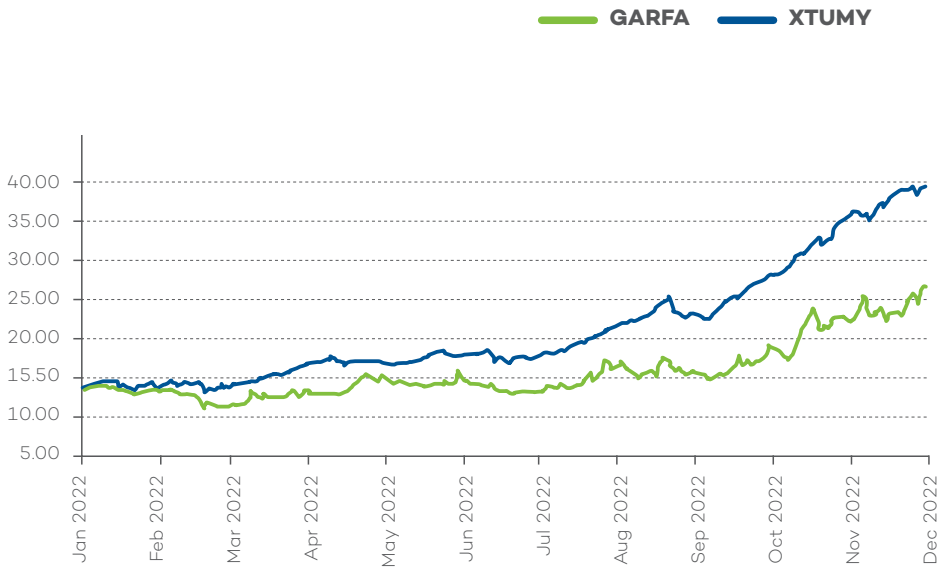
Garanti BBVA Factoring shares have been listed on Borsa Istanbul (BIST) since 1993, under the ticker symbol "GARFA." Borsa Istanbul A.Ş. As per the decision of the Board of Directors dated 10/09/2020 and the Capital Markets Board (CMB) dated 14/09/2020, some amendments have been made, to be effective 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. Upon the amendment in ratio of the free float shares, "GARFA" shares started to be traded on SubMarket.

In the January-December 2022 period, GARFA stock reached 26.82 – the highest closing price – while the transaction volume totaled TL 839 million during the same period.



Share Performance

BISTTUM closing prices are indexed to GARFA price.



Lowest price for the year 2022 10.80

Highest price for the year 2022 27.48

Closing price for the year 2022 was realized as 26.82.

Credit Ratings

Garanti Faktoring A.Ş. The Company receives rating service from the international credit rating company Fitch Ratings.

Fitch Ratings updated the Company's grades and outlook on July 26, 2022 as follows.

Foreign Currency

Long Term	B- / Negative Outlook
Short Term	B

Turkish Lira

Long Term	B- / Negative Outlook
Short Term	B

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

Corporate Governance Principles Compliance Rating

CMB Corporate Governance Principles Compliance Rating of Garanti BBVA Factoring defined as 9.47 indicates that the Company complies with the Corporate Governance Principles to a great extent and considerably deserves to be listed in the BIST Corporate Governance Index.

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 factoring industry. The Company's "Corporate Governance Principles Compliance Rating" study for 2022 was completed on August 17, 2022.

In consequence of the rating study performed by KOBIRATE A.Ş., the Company's CMB Corporate Governance Principles Compliance grade for the period August 17, 2022 - August 17, 2023 was revised as 9.47.

This figure shows that Garanti BBVA Factoring complies with the Corporate Governance Principles published by the Capital Markets Board, to a great extent and considerably deserves to be listed in the BIST Corporate Governance Index.

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

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

Board of Directors

Recep 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 the Executive Vice President of Commercial Banking and Consumer Finance. After assuming various duties in the Board of Directors for one of the largest industrial groups of Türkiye for a brief period, on September 6, 2019, Mr. Baştuğ was appointed as Board Member, General Manager and CEO at Garanti BBVA. Mr. Baştuğ also serves as Chairman of the Board at Garanti BBVA International NV., Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Leasing and Garanti Payment Systems, and as Board Member of Garanti Holding B.V. and G Netherlands B.V. In addition to these roles, Mr. Baştuğ holds office as a Board Member of The Banks Association of Türkiye and as a Member of the Board of Trustees of the Teachers Academy Foundation. Mr. Baştuğ has 32 years of experience in banking and business administration.

Murat Atay

Vice Chairman of the Board of Directors

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

Corporate and Commercial Credits Structuring; Risk Planning, Observation and Reporting, Regional Credits Coordination, Risk Projects and Credit Risk Management Advanced Analytics within the Consumer and SME Credits Risk Management Group.

Aydın Güler

Board Member

Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti BBVA Fund Management Department in 1990. After working at different Head Office departments for 10 years, he was appointed Senior Vice President responsible for Risk Management and Management Reporting in 2000. Between 2001 and 2013, Mr. Güler served as the Unit Manager responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was assigned as the Executive Vice President of Finance and Treasury. He is also the Board Member of Garanti BBVA Fleet, Garanti BBVA Leasing, Garanti BBVA Mortgage, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Securities and Garanti BBVA Pension and Provident Fund Foundation, and the Member of the Board of Trustees of the Teachers Academy Foundation. Having 31 years of work experience in banking and business administration, Mr. Güler is responsible for Investor Relations, Financial Management, Cost Management and Efficiency, Financial Data Performance Management and Budget Planning, Financial Reporting and Accounting, Tax Management, Assets & Liabilities Management, Finance Projects, Finance Operational Risk and Control Expertise, Purchasing, Credit Cards and Member Merchant Coordination.

Kaya Yıldırım

General Manager/Board Member

Kaya Yıldırım graduated from Istanbul University the Department of Economics in 1987 and joined Garanti BBVA in 1989. After being appointed to several units and branches of Garanti BBVA, he served in regional manager positions after 2004. Since August 1, 2018, Mr. Yıldırım has served as a Board Member and General Manager of Garanti BBVA Factoring. He also held office as a Board Member of the Association of Financial Institutions from August 1, 2018 to July 5, 2019. Yıldırım has been working as a member of the Factoring Industry Representative Board since May 2022.

Osman Bahri Turgut**Board Member/Corporate Governance Member**

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

Cemal Onaran**Board Member**

Cemal Onaran graduated from the Middle East Technical University Department of Public Administration in 1990 and started his career as Assistant Auditor in Garanti BBVA at the Audit Committee in the same year. Between 2000 and 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 as General Manager at Garanti BBVA Mortgage. After serving as the General Manager at Garanti BBVA Pension & Life as from 2012, Mr. Onaran was assigned as the Executive Vice President of Garanti BBVA SME Banking on January 17, 2017. He started to hold office as the Executive Vice President in Charge of Commercial Banking in February 2021. Mr. Onaran is the Vice Chairman of the Board of Garanti BBVA Mortgage; a Board Member of Garanti BBVA S.A. (Romania), Garanti BBVA Leasing, Garanti BBVA Factoring and Garanti BBVA Pension and Provident Fund Foundation; and a member of the Board of Trustees of the Teachers Academy Foundation. With 31 years of experience in banking and business administration, Onaran is in charge of Commercial Banking Istanbul Marketing and Commercial Banking Anadolu Marketing.

Sibel Kaya**Board Member**

Graduated from the Middle East Technical University Architecture Faculty City and Regional Planning Department, Sibel Kaya started her career in 1997 as Manager Candidate in Garanti BBVA. She served

in management positions in Commercial Banking division from 1998 to 2005, Branch Manager and Commercial Branch Manager in various branches from 2005 to 2016, Aegean Regional Manager from 2016 to 2018 and Human Resources Director from 2018 to 2021. She was assigned as the Executive Vice President of Garanti BBVA SME Banking on February 2 2021. Kaya is the Vice Chairman of the Board of Garanti BBVA Payment Systems; a Board Member of Garanti BBVA Pension & Life, Garanti BBVA Leasing, Garanti BBVA Fleet, Garanti BBVA Factoring and Garanti BBVA Pension and Provident Fund Foundation; and a member of the Board of Trustees of the Teachers Academy Foundation. Having 24-year work experience in banking and business administration, Kaya is responsible for SME Banking Marketing and SME Banking Field and Performance Management.

Nihat Karadağ**Independent Board Member**

Nihat Karadağ graduated from Ankara University Faculty of Political Sciences Department of Economics – Finance and obtained his Master's degree from Istanbul University Faculty of Economics, Department of Money and Banking. Nihat Karadağ started his career as an Auditor at T.C. Ziraat Bank and served as the 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 at Akdeniz Kimya San. ve Tic. A.Ş., Ereğli Demir ve Çelik Fabrikaları T.A.Ş., İskenderun Demir ve Çelik Fabrikaları A.Ş., Hektaş Ticaret T.A.Ş., Oyak Yatırım Menkul Değerler A.Ş., Tukaş Gıda San. Ve Tic. A.Ş., Halk Leasing Finansal Kiralama A.Ş., Atterbury SA (Luxembourg), Chemson Polymer Additives AG (Austria), Almativ B.V. (Netherlands) and Orfin Finansman A.Ş. Mr. Karadağ is currently the General Manager and Board Member of Quick Finansman A.Ş. and a member of the Finance Managers Foundation. He also holds an Independent Accountant and Financial Advisor License.

Serkan Çankaya**Independent Board 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 started his academic career at Kadir Has University, currently serves as the Manager of the Finance Institute at Istanbul Commerce University, as the 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, Çankaya also lectures in Financial Mathematics, Investment Analysis and Asset Management, and conducts research activities in the area of Sustainable Finance.

Committees and Attendance at Committee Meetings

Audit Committee

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

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

The tasks of the Committee are as follows:

Internal Control System:

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

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

Financial Reporting and Independent External Audit:

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

Compliance with the Law, Regulation and Code of Ethics

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

The Audit Committee convened 8 (eight) times in 2022. 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 (EY) – regarding the Company's financial data dated 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022, 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.

Committees and Attendance at Committee Meetings

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 2022.

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 2022. 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.

Committees Established under the Board of Directors

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 2022, the Committee was convened 48 (forty eight) 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.



Committees and Attendance at Committee Meetings

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 2022.

In the meeting held in 2022, the Committee evaluated the ongoing projects and the projects with deadlines. Open projects with no planning are discussed to determine their priorities.

Corporate Assurance Committee

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

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

The Corporate Assurance Committee is in charge of ensuring standardization and top-level coordination for the development requirements of the internal control system with a focus on the risks and controls that needs ultimate monitoring, and providing the

necessary coordination in case of a need for the contribution from different departments. Furthermore, it discusses the internal control issues/problems within its agenda and area of responsibility, and tracks mitigation of risks to a desired level by assessing the proposed measures and actions and examining the action plans.

In 2022, the Committee convened 4 (four) times under the chairmanship of the General Manager to discuss and assess the specified issues.

Risk Management Committee

Risk Management Committee is constituted by Executive Vice Presidents and unit managers of Treasury and Financial Institutions, Financial Planning and Analysis, General Accounting and Credit Risk Monitoring and Reporting.

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

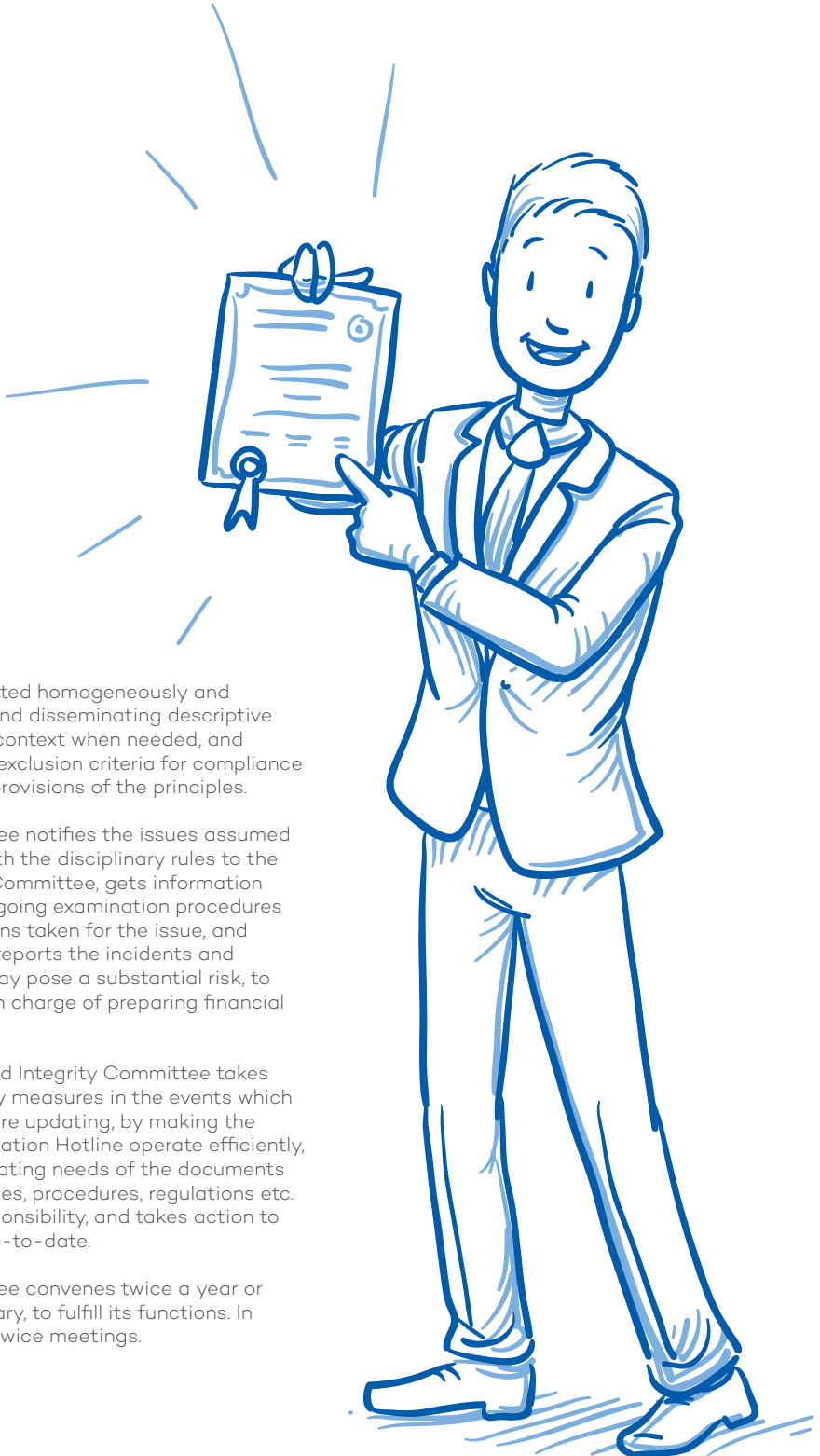
Risk Management Committee convened 12 (twelve) times monthly under chairmanship of the Executive Vice President of Finance and Other Executive Vice President in 2022.

Ethics and Integrity Committee

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

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

The Committee is responsible for encouraging and monitoring the efforts for creating a shared culture of ethics and integrity within the Company, tracking that the Principles of Ethics and Integrity



are implemented homogeneously and formulating and disseminating descriptive notes in this context when needed, and applying the exclusion criteria for compliance with certain provisions of the principles.

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

The Ethics and Integrity Committee takes the necessary measures in the events which seem to require updating, by making the Ethics Notification Hotline operate efficiently, monitors updating needs of the documents such as policies, procedures, regulations etc. under its responsibility, and takes action to keep them up-to-date.

The Committee convenes twice a year or when necessary, to fulfill its functions. In 2022, it held twice meetings.

Senior Management



Kaya Yıldırım

General Manager and Member of the Board of Directors

His resume is on page 38.



Şule Firuzment Bekçe

Executive Vice President

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



Gülçin İşcan

Executive Vice President

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



Osman Bilgin

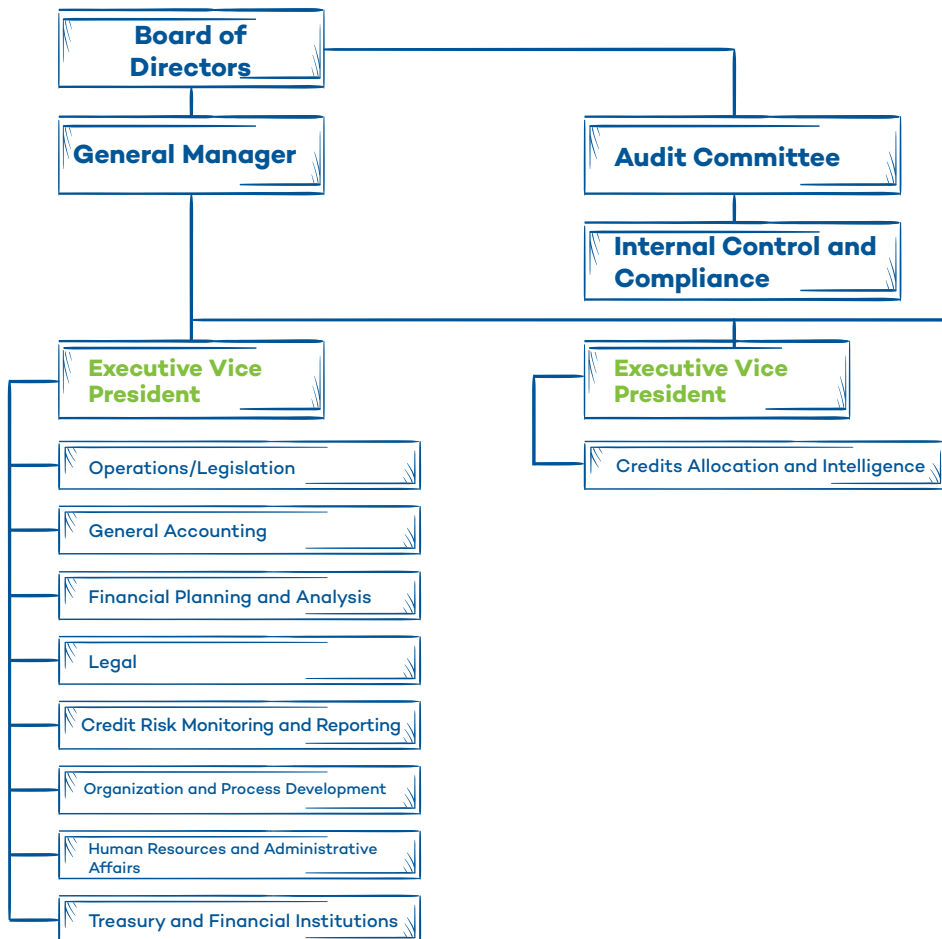
Executive Vice President

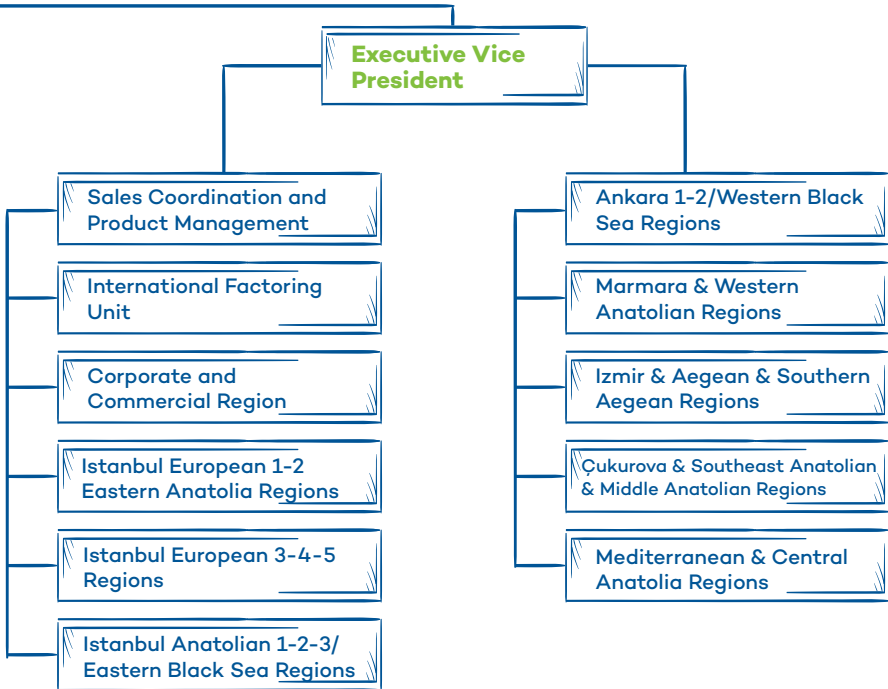
Osman Bilgin graduated from Atatürk University, Department of Economics. In his career, starting as Teller Assistant at Garanti BBVA in 1996, he has served mainly in commercial marketing teams in Branch Sales/Marketing points, and was appointed as Branch Manager in 2003. After Branch Manager experience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

Organizational Structure and Organizational Structure Changes

Changes to the Organizational Structure

There was no change in the organizational structure between Friday, January 1, 2022 and December 31, 2022.

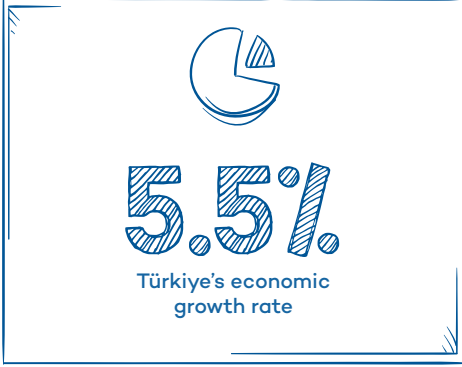




Chairman's Assessment

Maintaining its uninterrupted support to the real sector and the economy, the factoring industry continued to play a large role in domestic commerce as well as in export financing.





Esteemed Stakeholders,

The global economy suffered through a number of uncertainties and challenges in 2022. Economic policies changed abruptly, and financial volatility increased across the world during this period. High inflation, tightening financial conditions in many regions, the war between Russia and Ukraine, and the lingering effects of the COVID-19 pandemic continued to weigh on the economic outlook.

Economic growth stalled

As the central banks across the globe began tightening monetary policy in an attempt to combat inflation at record levels, risks of recession and slowdown became more pronounced particularly in the developed economies.

According to the IMF's report on the world economic outlook, the world's economic growth slowed to 3.4% in 2022 after growing 6% in 2021. Economic growth is projected to slow further to 2.9% in 2023.

Türkiye grew, inflation rose

Global dynamics as well as domestic developments created challenging conditions particularly for price stability in Türkiye. As inflation climbed to record-breaking levels, the policy rate was lowered to single digits, reflecting the priority to maintain robust growth. After growing 7.5% in the first half of the year, Türkiye's economy is projected to end 2022 with 5.5% growth as a result of the slowdown in the second half of the year.

The government implemented extensive macroprudential measures due to the rising risks related to high inflation as well as the expanding current account deficit. These measures determined the fundamental dynamics for the banking industry. As a result of the actions to restrict and redirect credit growth, the growth in corporate credit stalled particularly in the second half of the year.

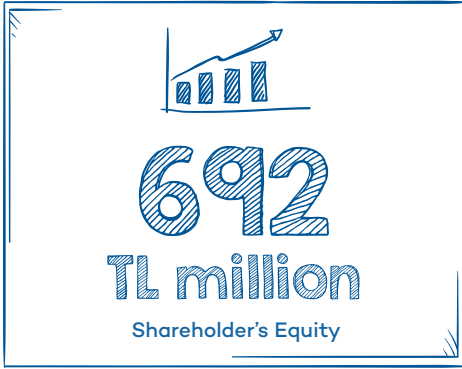
Transaction volume increased in the industry

A glance at the year 2022 from the industry's lens reveals that the total factoring transaction volume jumped by more than 100% annually as a reflection of high inflation and strong demand for financing. Maintaining its uninterrupted support to the real sector and the economy with an emphasis on SMEs, the factoring industry continued to play a large role in domestic commerce as well as in export financing and grew its transaction volume substantially, mostly in the second half of the year. However, despite this increase in transaction volume, the share of the factoring industry's receivables represent less than 1% of the overall financial sector inclusive of the banking industry. This statistic alone demonstrates the significant growth potential of the industry.

As Garanti BBVA Factoring, we registered strong growth in assets within the scope of our existing credit and risk policies in 2022 while successfully maintaining our return on equity. With a focus on disciplined and sustainable growth without regard to the changes in market conditions, we continued to contribute to Türkiye's economy by continuously serving real sector customers in every segment and industry, led by SMEs.

Chairman's Assessment

As Garanti BBVA Factoring, we registered strong growth in assets within the scope of our existing credit and risk policies in 2022 while successfully maintaining our return on equity.



As a result of its broad-based growth strategy focusing on and prioritizing SMEs that has been in effect since 2018, the Company increased its SME segment factoring receivables more than five-fold in the last five years.

As Garanti BBVA Factoring, as in the previous years, we also continue to maintain our market share acquire new customers in the export factoring segment. Guarantee products, in addition to financing and collection solutions, are key for SMEs that are engaged in exports. Thanks to the extensive overseas correspondent network of Garanti BBVA Factoring, which is a member of the Netherlands-based Factors Chain International (FCI) that has a presence in approximately 90 countries across the globe, businesses are able to procure nearly 100% protection against collection risk particularly in the overseas markets which they entered for the first time.

Digital transformation continues

Similar to all other financial products, digital transformation is continuously shaping the factoring industry. Digitalization is substantially increasing the completion speed of the transactions offered to customers. Garanti BBVA Factoring has positioned digitalization as the focal point of its strategy for many years. Thanks to its deep-seated experience and constantly improving customer experience, the Company continued to pioneer the non-bank financial sector and differentiate itself in 2022.

In 2023 Garanti BBVA Factoring continues to aim to maintain its broad-based, strong asset growth with a focus on SMEs, and to introduce more customers to our factoring services with contributions from our direct sales staff, existing digital channels, and our investments in this segment.

Our employees and stakeholders deserve the biggest praise for our attainment of our goals through steady and strong growth. I would like to take this opportunity to thank all of them.

Respectfully,

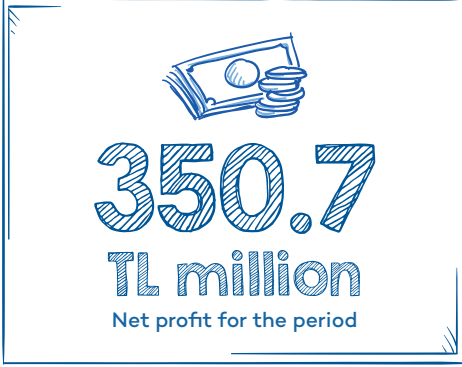
Recep Baştuğ
Chairman of the Board of Directors

Note: We are deeply saddened, as the entire country, by the earthquakes that devastated 11 provinces while we are in the process of putting together this annual report. As Garanti BBVA and its subsidiaries, we acted quickly with the awareness of our responsibility in this matter. While trying to supply all possible support to our citizens and employees in the region, we also took quick action to continue rendering our services without interruption. While we wish that we never experience such a disaster again, we will continue to work and provide support tirelessly with the understanding that we have a long process ahead of us to heal these wounds.

General Manager's Assessment

As Garanti BBVA Factoring, we grew our total assets by 122%, our factoring receivables by 128.2%, and our transaction volume by 82.2% in 2022.





Esteemed Stakeholders,

The global economy experienced fluctuations in 2022, which represented a period of normalization in the post-pandemic world. While the rising demand due to the lessening effects of the pandemic led to supply chain disruptions, it also combined with regional conflicts and energy crises to trigger inflationary pressures across the globe. The tightening of monetary policy, driven by the need to fight rising inflation, prompted a slowdown in the global economy.

In this general economic environment driven by inflation, Garanti BBVA Factoring continued to stand by its customers and support Türkiye's economy despite all of this uncertainty in 2022 with its robust infrastructure, institutional approach that prioritizes digitalization, and skilled employees.

A year full of striking accomplishments

The Company had a very successful year in which it continued to strengthen its equity structure. As Garanti BBVA Factoring, we reached TL 9.7 billion in total assets and TL 9.5 billion in factoring receivables as of end-2022. Our shareholders' equity stands at TL 692 million. We ended the year with net period profit of TL 350.7 million, 5.97% return on assets, and 69.88% return on equity while raising our annual transaction volume to TL 31.6 billion. These figures correspond to 122% growth in total assets, 128.2% growth in factoring receivables, and 82.2% increase in transaction volume.

As in the previous years, this robust growth in assets and return on equity was due primarily to uninterrupted increase in transaction volume throughout the year in all segments led by SMEs, minimal additions to the impaired receivables portfolio in line with our existing risk policies, and optimum resource cost management.

Processes got even more efficient

As we had a successful year in terms of growth and profitability ratios, we increased the efficiency of our processes thanks to the investments we made in an attempt to further our success. We continuously reviewed our business flows, led by lending and sales processes, and continued to make progress in operational efficiency.

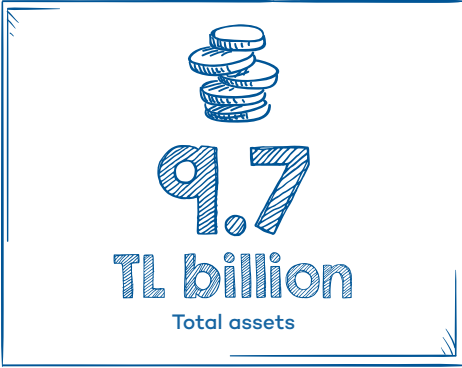
The Company's investments are centered on our digitalization initiatives. Digitalization is the focal point of Garanti BBVA Factoring's forward-looking strategies and objectives. To this end, we are frantically continuing our efforts automate our processes as much as possible and moving our sales channels to digital platforms in accordance with the regulations.

The trend toward digital channels is accelerating

As a result, the share of digital channels in total number of transactions is increasing with each passing day. Supported by the regulation concerning remote customer acquisition that took effect recently, the trend of moving from the traditional branch sales channels to digital applications is projected to continue at an accelerating pace in the coming years.

General Manager's Assessment

As part of our ongoing scholarship fund project with TOG (Foundation of Society Volunteers), we supported the education of 13 students.



As another important component of the digitalization strategy, the scope of utilization of the Supplier Financing System platform, which was launched in an effort to enable suppliers to monetize their receivables more quickly and practically under affordable cost structures, is expanding by the day.

Success crowned with international awards

Garanti BBVA Factoring's accomplishments draw attention and admiration not just in Türkiye, but also on international platforms. To this end, in 2022 we earned the distinction of "World's Third Best Export Factoring Company" by receiving 96.70 points based on service quality, correspondent network, and export volume criteria from Factors Chain International (FCI). The fact that we were recognized with this respected international award once again demonstrates the significance of our uninterrupted and steady support for the real economy.

Contributions to community are as important as financial objectives

While fulfilling its corporate responsibilities, Garanti BBVA Factoring also continued to carry out its social responsibilities with the same utmost sensitivity. We heed and prioritize our initiatives in this field at least as much as our financial objectives.

Within this scope, we continued to undertake social responsibility projects in 2022. As part of our ongoing scholarship fund project with TOG (Foundation of Society Volunteers), the Company supports the education of 13 students. The support for the “Hopeful Boxes” Project, conducted for many years with KACUV (Hope Foundation for Children with Cancer), also continues.

High expectations from 2023

In 2023, Garanti BBVA Factoring will focus on sustainable and strong asset growth that exceeds inflation projections. We aim to support our steady growth trajectory with the new customer portfolio that we will acquire thanks to the broad-based, SME-focused growth strategy that we have been pursuing for five years and our continuous investments in digital channels.

As always, we will give priority to strong asset growth and return on equity in 2023. We will continue to grow without sacrificing asset quality through effective risk policies, as we have done in previous years. In parallel to Türkiye’s inherent potential, increasing export factoring transaction volume and customer count will be another priority for us in 2023.

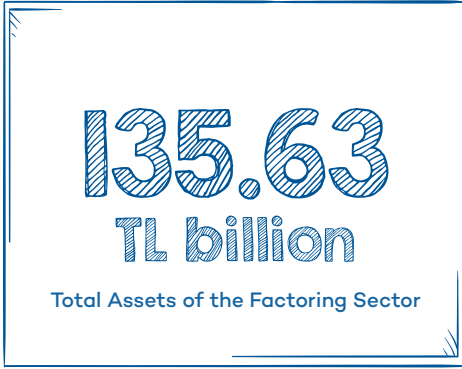
I would like to thank our employees and stakeholders for making us the sector’s leading, powerful and innovative company. I hope to attain our goals altogether in the period ahead.

Respectfully,

Kaya Yıldırım
General Manager

Factoring Sector Overview

Factoring sector in Türkiye grew annually by an average of 18% in the last 20 years.



Factoring in Türkiye

Factoring transactions in Türkiye began in the 1980s and were initially conducted by banks. Today, factoring companies are regulated by the Financial Leasing, Factoring and Financing Companies Law No. 6361 published in Official Gazette No: 28496 on December 13, 2012, and the "Regulation on the Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies No: 28627 issued by the Banking Regulation and Supervision Agency ("BRSA") on 24 April 2013. Based on the data for December 31, 2022 published by the Banking Regulation and Supervision Agency (BRSA), asset size of the sector reached TL 135.63 billion. In the sector, 49 factoring companies provided service to 73,931 customers with 4,008 employees.

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

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

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

Factoring Worldwide

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

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

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

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



Research and Development

The Company kicked off the activities for developing credit offer input screens and processes in 2022.

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 2022, 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.

It is aimed to replace the credit screens and processes, which have been utilized for a very long time, with a new technological infrastructure to renew both the technology and the user experience and enhance operational efficiency. As part of this, studies commenced to develop credit offer input

screens and processes as the next stage of the activities on credit offer processes completed by the end of 2021.

Company's web site was renewed to be in tune with the current digital technology. Its new version was introduced to public in October 2022.

In 2023, it is targeted to perform transactions of a new product, "Refactoring" via the system. In this regard, the studies for the scope got started. Besides, the systemic activities required to perform remote transactions with customers electronically will begin as part of the Regulation on Remote Identification Procedures To Be Used By Financial Leasing, Factoring, Financing and Savings Finance Companies and Establishment of Contractual Relations In Electronic Environment which was published in the official gazette in January 2022.

Investments

In 2022, Garanti BBVA Factoring purchased intangible assets (software) of TL 6.6 million.



Risk Management Policies

Market risks are managed via derivative transactions and risk-mitigating positions in line with treasury transaction limits approved by the Board.

The Risk Management Committee meets regularly during the year in accordance with the working principles.

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.

Risk Management Policies

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.

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

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

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.

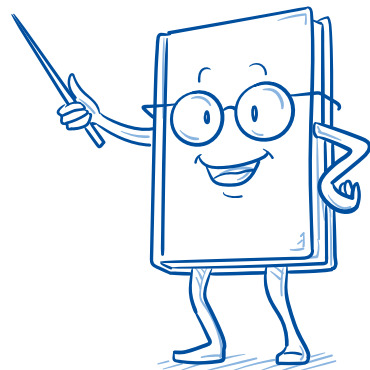
Garanti BBVA Factoring builds the risk management system as an essential part of its risk management strategy. The Risk Management Committee considers the Company's situation, and the global economy and legal environment while achieving its defined objective.

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:



Risk Management Policies

At Garanti BBVA Factoring, operational risks are managed with a triple line of defense.

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

Operational Risk

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

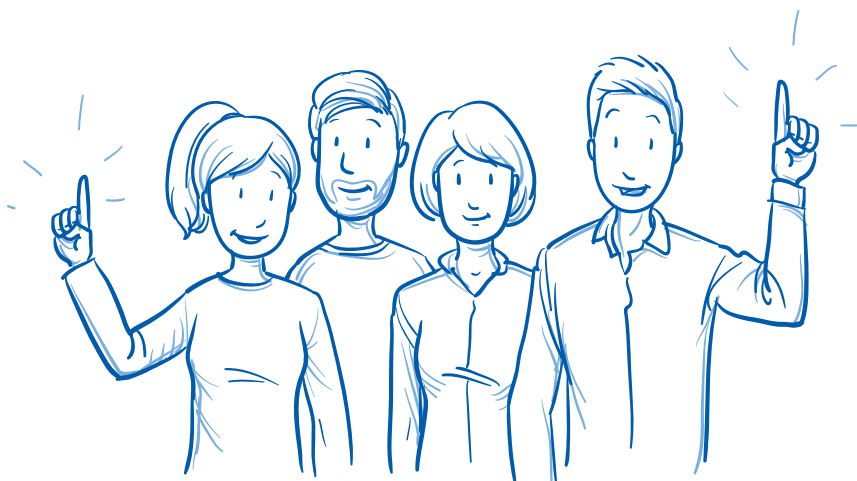
To establish an efficient internal control system, the Company conducts the required organizational arrangements, implements viable communication and information systems, and establishes the supervisory function. In the Company, operational risks are managed with a triple line of defense. The first line 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 2022, 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 2022, 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 2023, 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, 2022.

Information on Acquired Shares

As of December 31, 2022, 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 2022.

Lawsuits Filed Against Garanti Faktoring A.Ş

During fiscal year 2022, 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

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

Previous Period Budget and Performance Assessment

While the Factoring Receivables of the industry rose by 113.8% in 2022 and reached TL 127.3 billion, the total receivables of Garanti BBVA Factoring went up by 128.2%.

Garanti BBVA Factoring's year-over-year total asset balance increased by 122% with the effect of the growth policy which expands in the base, and growth of TL items by 186% while year-over-year total assets in the industry climbed by 108.8%.

By the end of 2022, coverage ratio and non-performing loans ratio corresponded to 115% (stage 1, 2 and 3 factoring receivables) and 0.72%, respectively.

Despite the uncertainties in global trade arising from the war economy and the volatility increases in domestic markets experienced in 2022, Garanti BBVA Factoring keeps boosting its productivity thanks to its strong financial structure, suitable funding composition and active risk management policies.



Assets (TL million)	2021	2022
Cash and Banks	153	109
Factoring receivables	4,147	9,467
Other	55.4	94
Total Assets	4,356	9,670

Liabilities (TL million)	2021	2022
Funds Borrowed	3,350	8,304
Bond Issuance	584	495
Other	77	179
Shareholders' Equity	345	692
Total Liabilities	4,356	9,670

Net Profit (TL thousand)	2021	2022
Net Interest Income	211,484	559,552
Other Revenues	(9,935)	(111,725)
Operating Expenses	(69,613)	(97,085)
Net Profit	131,936	350,742

Profitability Ratios (%)	2021	2022
Average Return on Assets	3.62	5.97
Average Return on Equity	47.48	69.88
Operating Income/Average Assets	17.5	22.9
Operating Expenses/Average Assets	1.91	1.66
Net Interest Margin	4.85	5.66
NPL Coverage Ratio	86	89
NPL Ratio	1.63	0.72

Growth Rates (%)	Garanti BBVA Factoring	Factoring Industry
Average Assets	61.3	70.6
Average Factoring Receivables	63.0	73.0
Average Equity	80.6	31.9
NPL Balance	0.5	16.1
Number of Factoring Employees	2.5	-0.4

Donations and Aid Granted in 2022 - Social Responsibility Projects

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

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

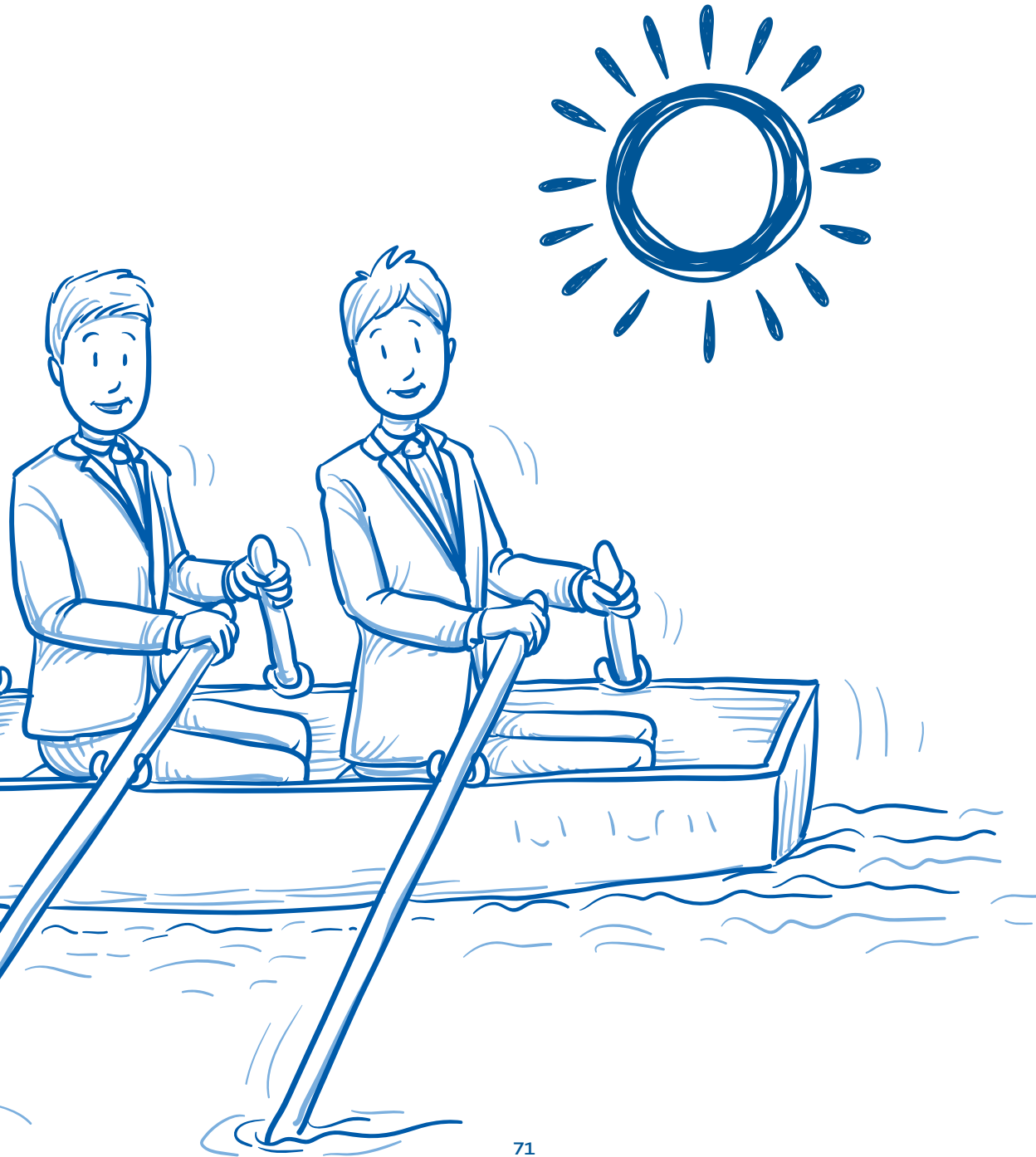
In compliance with the Financial Leasing, Factoring and Financing Companies Law No. 6361, Donations and Aids Policy principles and the governing legislation codes, the Company submits all donations and aid for the relevant period to the General Assembly Meeting within the relevant year as a separate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

Garanti BBVA Factoring donated a total of TL 125,000. Of those funds, TL 106,600 was donated to the Community

Volunteers Foundation, TL 17,750 to the Hope Foundation for Children with Cancer (KAÇUV) and TL 650 to the Turkish Educational Foundation.

In 2022, the Company also provided scholarships to 13 students via the Garanti BBVA Factoring Scholarship Fund, formed within the Community Volunteers Foundation.





Information on Group Companies

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

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

The Commercial activities with the controlling and affiliated companies are explained starting from page 164 of this report with the footnote n.23 of the Financial Statements of Garanti Faktoring A.Ş. as of December 31, 2022.

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 2022.

Regulations on Factoring Legislation

The legal regulations regarding factoring industry adopted for the period January 1 - December 31, 2022 are as follows;

- Details regarding the Regulation on Remote Identification Procedures To Be Used By Financial Leasing, Factoring, Financing and Savings Finance Companies and Establishment of Contractual Relations In Electronic Environment which was published in the Official Gazette dated January 11, 2022 no. 31716 are given below.

The regulation regulates the procedures and principles for the remote identification procedures which can be used by financial leasing, factoring, financing and savings finance companies to acquire new customers, and for the services to be rendered after identification of customers as well as the establishment of contractual relations through any information or electronic communication device, whether distanced or not, in a way that substitutes the written form or at a distance.

The person to be subjected to remote identification and allowed to establish contractual relations as part of the regulation is "real person or merchant as real person" Legal persons are not within the scope of the regulation.

- Article 32 of the "Law on Certain Amendments to Utilization of Immovable Properties Belonging to the Treasury and to the Law on Certain Amendments to Value Added Tax Law and to the Law on Amendments to Certain Laws and Statutory Decrees" which was published in the Official Gazette dated April 15, 2022 no. 31810 is as follows.

The following sentence was added to the first paragraph of article 8 of the Law on Financial Leasing, Factoring, Financing and Savings Finance Companies dated November 21, 2012 no. 6361:

Subject to the Board's decision on its scope, procedures and principles, transactions conducted by the companies or the received services through information technologies do not constitute a breach of this provision.

- Article 1 of the Communiqué (No. 2022-32/66) ("Amending Communiqué") about the amendment of the Communiqué (No. 2008-32/34) on the Decree No. 32 regarding

the Protection of the Value of the Turkish Currency which was published in the Official Gazette dated April 19, 2022 no. 31814 is given below.

In the Communiqué (No. 2008-32/34) on the Decree No. 32 regarding the Protection of the Value of the Turkish Currency which was published in the Official Gazette dated February 28, 2008 no. 26801, "However, it is obligatory to fulfill and accept the contractual payment obligations in Turkish currency" was added to the end of the ninth paragraph of article 8. Moreover, the statement "it is possible to decide" in paragraph 15 was replaced with the statement "it is possible to decide, pay and accept".

As part of the press release of RoT the Ministry of Treasury and Finance dated April 21, 2022, within the performance of the movable sales contracts concluded between the persons residing in Türkiye, before April 19, 2022, the condition of fulfilling and accepting payment obligations in Turkish currency within the scope of foreign currency denominated securities entered circulation before effective date of the Communiqué no. 2022-32/66 shall not be required; instead, the condition of fulfilling and accepting payment obligations in Turkish currency shall be required for the transactions to be performed after the said date (April 19, 2022).

- With the Banking Regulation and Supervision Agency's (BRSA) decision dated 07.07.2022 and no. 102265, the use of Commercial Cash Loans denominated in TL by the commercial enterprises subject to independent audit, above certain limits was stipulated.

As per the Decree Law no. 660 and related regulations, it was decided that the companies other than banks and financial institutions subject to an independent audit (Company) will not be able to borrow new cash commercial loans denominated in TL under the following conditions: TL equivalent of the Company's foreign exchange (FX) cash assets exceeds TL 10 million; and TL equivalent of the Company's FX cash assets exceeds either 5% of the Company's total assets or the net sales revenue of the last year, whichever is higher, based on the most actual financial statements (including the temporary tax periods) prepared and submitted to tax office pursuant to Tax Procedure Law (TPL) and related regulations.

Important Events that Occurred after the End of the Operating Year

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

Remuneration of Board Members and Key Executives

The net payment amount provided/to be provided to the key managers of Garanti BBVA Factoring in the fiscal period expired on December 31, 2022 is TL 7,138 (thousand).

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

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

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

There is no privilege in Company's profit distribution. Without applying 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 is no regulation in the Company's Articles of Association which stipulates the distribution of advance dividends.

In case the Board of Directors makes a proposal to the General Assembly not to distribute any profit, information regarding the reasons for this situation and the method to use the non-distributed profit is included in the agenda item on profit distribution and is submitted to the shareholders' approval at the General Assembly Meeting. Such 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 Director's decision and reasons regarding this amendment are publicly announced within the framework of the regulations of the Capital Markets Board Communiqué on "Disclosure of Material Matters" on the Company's website.

According to the Company's financial statements for the period January 1, 2021 - December 31, 2021, prepared under Capital Markets Board's (CMB) "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 formats imposed by the CMB, and audited by KMPG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and the Banking Regulation and Supervision Agency's (BRSA) Decision dated January 21, 2022 no. 10056, within the scope of paragraph 1 of article 15 of the Law on Financial Leasing, Factoring, Financing and Savings Finance Companies dated November 21, 2012 no. 6361;

Considering that adverse impacts of the new variants in Covid-19 pandemic on real economy and financial markets may continue also in 2022, the cautious policies for ensuring the strength of equity structures of companies will be maintained, and within this framework, taking into account that the profit to be obtained in 2021 and the profit and reserves which were gained before 2021 and kept under shareholders' equity rather than being distributed will not be distributed to shareholders in a way that will cause cash outflow;

In accordance with the principle of "determining and distributing profit" in the Company's Articles of Association, it was decided to set aside the tax provisions from the 2021 profit of TL 167,025,768.30 and transfer the remaining net period profit of TL 131,936,417.30 to the legal and extraordinary profit reserves account, taking into consideration also the impact of net deferred tax of TL 35,089,351.00 that was calculated from the 2021 period profit, and to keep it within the Company.

Transactions with Related Parties

Garanti BBVA Factoring's related party transactions are specified in footnote no. 23 of the financial statements of Garanti BBVA Faktoring as of December 31, 2022 on page 164 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-171 and adopts the principle of implementing the non-compulsory Corporate Governance Principles that would not have an impact on our Company's competitive power, trade secrets and on the information that will create opportunity inequalities between the shareholders and stakeholders.

The annual agreement with KOBİRATE A.Ş. (Kobirate International Credit Rating and Corporate Governance Services Inc.) was signed on June 21, 2022, to register our

Company's practices regarding compliance with the Corporate Governance Principles. In consequence of the tenth term rating study performed by KOBİRATE A.Ş., our Company's CMB Corporate Governance Principles Compliance grade for the period August 17, 2022 - August 17, 2023 was revised as 947 (the same with the previous year).

This figure shows that the Company complies with the Corporate Governance Principles published by the Capital Markets Board, to a great extent and considerably deserves to be listed in the BIST Corporate Governance Index.

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

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

		1 st Period	2 nd Period	3 rd Period	4 th Period	5 th Period	6 th Period	7 th Period	8 th Period	9 th Period	10 th Period	11 th Period
CMB 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	94.71
Shareholders	25%	81.94	86.54	87.70	92.02	92.02	92.70	92.70	92.70	92.70	92.70	93.85
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	98.64
Stakeholders	15%	84.62	88.42	88.90	90.90	90.90	92.93	94.95	96.98	96.98	96.98	94.84
Board of Directors	35%	80.33	85.12	86.86	87.74	90.01	90.52	90.52	90.52	91.22	92.10	92.34

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

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

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

On the Partial Compliance Principles;

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

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

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

There is partial compliance with the principle 4.3.9. There is one female member (ratio 11%) in the Board. With respect to raising the ratio of female members to at least 25%, Executive Vice Presidents and General Managers of our principal shareholder, T. Garanti Bankası A.Ş. who serve in the fields related to the activities of Garanti BBVA Factoring are also chosen as the Board Member of our company. Also in the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy and the target policy will be set.

There is partial compliance with the principle 4.6.5. The annual wages paid to the Independent Board Members are detailed in the annual report. The Members of the Board of Directors are not given any honorarium. The wages paid to the Board Members and the executives with managerial responsibilities are shared as a cumulative sum in the general assembly meetings and annual reports.

Corporate Governance Principles Compliance Report

Within the scope of Garanti BBVA Factoring Sustainability Compliance Framework;

As part of the Communiqué (II-171.a) on the Amendment of the "Corporate Governance Communiqué (II-171.1)" published in the Official Gazette dated October 02, 2020, our company, which carries out its policies and procedures regarding sustainability in parallel with T. Garanti Bankası A.Ş. which is a pioneer in this field, started its Environmental, Social and Corporate Governance studies.

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

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

Building on the Bank's core values, Garanti BBVA Factoring defines sustainability as a commitment to build a strong and successful business 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.

Within the Sustainability Principles Compliance framework;

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).

Operating in buildings belonging to Garanti BBVA; Garanti BBVA Factoring 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 97%.

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

A. RELATIONS WITH SHAREHOLDERS

Company Capital and Shareholding Structure

As of December 31, 2022, 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:

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

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

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

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

General Assembly Meetings

General Assembly Meetings are held in conformity with the regulations specified in the Company's Articles of Association and "Garanti BBVA Factoring Incorporation Internal Directive on General Assembly's Working Principles and Procedures" that entered into effect upon the approval of the Ordinary General Assembly Meeting held on March 29, 2016.

The 2021 Ordinary General Assembly Meeting of Garanti BBVA Factoring was held electronically on April 4, 2022 in the Company Headquarters located at Çamçeşme Mahallesi Tersane Caddesi No: 15 Pendik/İstanbul in accordance with Turkish Commercial Code, regulation of the Banking Regulation and Supervision Agency, communiqués of the Capital Markets Board and the announcement and invitation procedures of the Company's Articles of Association.

The Ordinary General Assembly meeting was held with the participation of T. Garanti Bankası A.Ş. and Türk İhracat Kredi Bankası A.Ş. (Turkish Export Credit Bank Inc.) by proxy. The meeting quorum was 91.64%. Other shareholders and media did not attend the meeting.

General Assembly meetings were held with the decision of the Board of Directors. 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.

Corporate Governance Principles Compliance Report

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

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

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

Right to Dividend

There are no privileges in profit sharing. Profit distribution methods and processes are stipulated in the Turkish 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-191).

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

Garanti Faktoring A.Ş. Profit Distribution Policy;

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

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

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

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

In case the Board of Directors makes a proposal to the General Assembly not to distribute any profit, information regarding the reasons for this situation and the method to use the non-distributed profit is included in the agenda item on profit distribution and is submitted to the shareholders' approval at the General Assembly Meeting. In case of any amendment to the profit distribution policy, the policy will be submitted to the approval of the shareholders at the General Assembly Meeting.

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

Profit Share Distribution Chart

It was decided in the ordinary General Assembly meeting for the year 2021 held on April 4, 2022 that according to our Company's financial statements for the period January 1, 2021 -

December 31, 2021, prepared under Capital Markets Board's (CMB) "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 formats imposed by the CMB, and audited by KMPG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and the Banking Regulation and Supervision Agency's (BRSA) Decision dated January 21, 2022 no. 10056, within the scope of paragraph 1 of article 15 of the Law on Financial Leasing, Factoring, Financing and Savings Finance Companies dated November 21, 2012 no. 6361; considering that adverse impacts of the new variants in Covid-19 pandemic on real economy and financial markets may continue also in 2022, the cautious policies for ensuring the strength of equity structures of companies will be maintained, and within this framework, taking into account that the profit to be obtained in 2021 and the profit and reserves which were gained before 2021 and kept under shareholders' equity rather than being distributed will not be distributed to shareholders in a way that will cause cash outflow; in accordance with the principle of "determining and distributing profit" in the Company's Articles of Association, it was decided to set aside the tax provisions from the 2021 profit of TL 167,025,768.30 and transfer the remaining net period profit of TL 131,936,417.30 to the legal and extraordinary profit reserves account, taking into consideration also the impact of net deferred tax of TL 35,089,351.00 that was calculated from the 2021 period profit, and to keep it within the Company.

Investor Relations Department

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

Authorized persons are listed in the table below:

Full Name	Title	License Number/Type	Telephone	E-Mail
Şule Firuzment Bekçe	Executive Vice President	-	+90 (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	+90 (216) 625 40 22	SCakir@garantibbvafactoring.com
Ümit Yıldız	Supervisor	-	+90 (216) 625 40 23	UYildiz@garantibbvafactoring.com
Müge B. Güngörmez	Supervisor	525739/Capital Markets Activities Level 1 License	+90 (216) 625 40 21	MGungormez@garantibbvafactoring.com

Corporate Governance Principles Compliance Report

Main responsibilities of the department:

- To answer the written and verbal information requests of shareholders and investors,
- To carry out relations with shareholders and investors, keeping records of the written and verbal information requests and documents up-to-date and secure,
- As per the Capital Markets Board Communiqué on Material Matters, to fulfill the obligation making public disclosure by announcing the information (that must be publicly disclosed) via Public Disclosure Platform (www.kap.gov.tr) and on www.garantibbvafactoring.com in the "Investor Relations" section,
- To prepare and issue financial reports in conformity with the Capital Markets Board Communiqué on Capital Markets' Financial Reporting Principles (II-14.1) published in the Official Gazette n.28676 (Date: 13 June 2013), and to announce them via Public Disclosure Platform (www.kap.gov.tr) and on the 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.garantifactoring.com,
- To publish the information on the website www.garantibbvafactoring.com under the "Investors Relations" section as part of the Capital Markets Board Communiqué on Corporate Governance, and also publishing in the "Information Society Service" section within the scope of the Ministry of Customs and Trade's "Regulation on the Websites of the Capital Companies" and keeping it up to date,
- To make 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,

- To coordinate ratings activities and relations with rating companies,
- To perform Company's capital increase transactions and to enable shareholders & investors to use rights offering and scrip issue arising from capital increase,
- To make changes to the Company Articles of Association in conformity with the relevant legislation,
- To carry out profit distribution transactions in accordance with article 26 of the Articles of Association in case the General Assembly decides to distribute profit,
- To prepare and revise policies and procedures within the scope of Capital Markets Board Communiqués and other regulations in order to increase the Company's compliance with the corporate governance principles,
- To keep track of and reporting stock price and volume movements, and presenting reports to the top management,
- To present reports to the Corporate Governance Committee and the Board of Directors.

Investor Relations Activities

In 2022, interviews were made with fifty three shareholders via telephone and e-mail, and their requests for information were met. Information presentations were prepared for the Qualified Investors in Borsa Istanbul as part of bond issue transactions. Sixty five special circumstances and other points were disclosed. These disclosures were published on the Company's website at www.garantibbvafactoring.com under the "Investor Relations" section. "Corporate Governance Principles Compliance Rating" activities were carried out eleventh time this year between our Company and Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (KOBIRATE 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 comprehensively 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 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

Informing the Stakeholders

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

Garanti 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 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 timeframes 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 to receive 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.

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

Corporate Governance Principles Compliance Report

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

Stakeholders' Participation in the Management

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

Human Resources Policy

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

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

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

There is no human resources representative appointed to carry out relations with the employees. Because of being a medium scale

subsidiary and having 123 staff members in Türkiye, 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 the Company employees on the company web portal while employees are informed about their performances. Policies and regulations about promotion, job rotation and EVA premium systems that will be associated to performance results, are announced on the company web portal (intranet).

Code of Ethics and Social Responsibility

"Garanti BBVA Faktoring A.Ş. Code of Ethics and Rules" policy document is shared with the public under the section "Corporate Governance" on www.garantibbvafactoring.com.

com. Within the policy, the Garanti BBVA Factoring Ethics and Integrity Committee was established as an internal body that operates in line with the provisions of the Ethics and Integrity Principles (Ethical Principles) approved by the Board of Directors.

In line with its vision, mission and strategic targets, Garanti BBVA 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 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 to see if they meet the social and environmental standards necessitated by the Garanti BBVA Factoring policies and legislation. 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.

Social responsibility projects and the aids and donations granted for 2022 are detailed on page 70 of this report under the title "Donations and Aids Granted in 2022 - Social Responsibility Projects".

Environmental Practices

To support recycling within the Company, garbage bins were removed from the desks in the Head Office and separate waste bins for paper, plastic and other wastes were placed at specific 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. In 2022, Campus Garanti BBVA was granted a total of seven awards by TEGEP and BrandonHall.

Promoting continuous learning culture, Garanti BBVA kept enriching its training and platforms in line with the global learning trends also in 2022.

The Company carried on including new features in the digital learning platform redesigned in 2021. Details about these features are as follows;

- Training-based note taking feature on campus portal will allow the employees to keep their personal notes via a single portal,
- With the video acceleration feature, every employee will be able to have learning experience based on his/her own speed,
- Smart suggestion system featuring rule-based running will enable employees to have access to the new training suggestions according to the training they completed,
- With the Ask Development Consultant feature, employees will be able to contact their Development Consultants at any time.

In addition to the inclusion of these new features in the digital training platform, training sessions of Campus Garanti BBVA were integrated into the Connect, the mobile application for Garanti BBVA employees.

In 2022, 145 new digital training packages were added to the portal. A total of 215 people attended 141 GETSinif (Webinar) Training Sessions.

In 2023, it is aimed to gamify the digital training platform further.

Corporate Governance Principles Compliance Report

The new e-book portal was incorporated into the digital training platform in 2022. On the portal, two different e-book platforms that provide both Turkish and English sources were launched for the employees.

In 2022, 60% of the employees willingly chose digital training on the portal. Performance of the training on Connect mobile app which was launched in September 2022 made the employees complete the training sessions, using also their mobile phones.

Orientation Program was renewed in 2022. Development of each newly-hired Garanti BBVA Factoring employee was supported from the first day.

To support equal opportunity for development in English & Spanish for all employees, the Company continued to present GETLingo portal content to the employees.

A total of 15 Let's Talk live broadcasts were held by experts throughout the year.

GETCulture training sessions of various content such as "Tips for a Sustainable Life in City", "A New Glance at Chess" and "World's Train Journeys" that bring different perspectives and new skills to employees and contributes to the consolidation of their personal development and customer relations by blending their areas of interest with their jobs were carried on for the employees. Such training received highly feedback from the employees.

As part of the societal gender equality-focused EşitBiz Project, The GETCourse training "I'm Aware of Equality" was assigned to all employees.

To empower the culture of learning from each other within the company, the Company kept holding the event "Let's Ask Someone Who Saw It". In 2023, it is aimed to raise the experiences of learning from each other and customized learning experience.

Within Garanti BBVA's strategic priority of Data and Technology, Data Training programs went on also in 2022.

Optional training sessions were offered to the employees to bolster them up also as part of their functional, upskilling, reskilling and cultural transformation as well as their specific existing tendencies.

As part of the sustainable development upskilling development, all employees were promoted with digital training and the optional training which can be attended throughout the year. Training sessions regarding our individual habits were planned for a sustainable world on the "Sustainability Day" which is celebrated synchronously in BBVA's all countries of operation.

In 2022, an employee attended the "Talent Development Programs" of the field and headquarters which were renewed in 2021.

Leadership Development Programs which were introduced under three different programs in 2021 and graded by the experience period, and "Leadership Knows No Distance" Programs continued also in 2022.

Career Maps

Fundamental human resources policy of Garanti BBVA Factoring is to assign managerial staff from within the Company by prioritizing internal promotion. In 2022, all the promotions at manager level were drawn from the Company's own employees.

As well, the Company created Career Roadmaps, based on objective and transparent criteria, to determine optimal career paths for employees that match their skills, experiences, expectations and goals. Since that time, these roadmaps have guided employees on their individual career paths.

In performance evaluation system of Garanti BBVA, performance of the employees, to what extent the targets were achieved and to what extent it sustained values in the path to these targets.

With the performance evaluation and 360° Feedback process shaped in parallel with the strategies of BBVA Group and Garanti BBVA Factoring, targets, values and competencies

are assessed based on the objective criteria. Employees' sustainable performance and competency outcomes will serve as input in terms of remuneration, career and development.

Rewarding Nine 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 an awareness of excellence across the organization. In this regard, eight employees received awards in various categories in 2022. Additionally, one of our employees who deserved to join the skill pool of our Group received the award set within the program.

Distribution of employees by gender (%)

Male	46
Female	54

Average age of employees

Male	40
Female	39

Education level (%)

Primary school	1
High school	3
Associate degree	12
Bachelor's degree	91
Postgraduate	16

D. BOARD OF DIRECTORS

Board of Directors' Structure and Formation

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

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

In case a member position in the Board of Directors becomes vacant, the Board of Directors elects a legally qualified temporary

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

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

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

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

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

In the 2021 Ordinary General Assembly meeting held on April 4, 2022, the decision on the continuation of the Board Members' duties for three years was approved.

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

- Chairman of the Board of Directors is Recep Baştuğ; Vice Chairman of the Board of Directors is Murat Atay.
- Board of Directors' independent members, Nihat Karadağ and Associate Prof. Serhan Çankaya are members of the Audit Committee.
- Within the scope of Capital Markets Board Communiqué on Corporate Governance Principles; a Corporate Governance Committee was established within the structure of the Board of Directors.
- Our Board of Directors did not establish a Nomination Committee or a Compensation Committee, and thus the tasks of these committees are carried out by the Corporate Governance Committee.

Corporate Governance Principles Compliance Report

- As per the Capital Markets Board's Communiqué on Corporate Governance Principles, and the Turkish Code of Commerce n.6102, the Early Risk Detection Committee was established within the structure of Board of Directors. Committee Members are Nihat Karadağ and Assoc. Prof. Serkan Çankaya who are the Independent Board Members. Mr. Nihat Karadağ is the Chairman of the Committee.

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

Resumes of the Members of the Board of Directors and tasks assumed outside the company are included on pages 38 and 39 of the annual report.

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

08/03/2022

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

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

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

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

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

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

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

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

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

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

ğ) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies

controlled by the shareholders who control the management of the Company and in more than a total of five of the companies publicly traded in Borsa Istanbul,

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

I hereby declare the above-mentioned matters.

Nihat Karadağ

Serkan Çankaya

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

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

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

Responsibilities and Activities of the Board of Directors

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

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

Board of Directors decisions taken as a result of the discussions made at the Board of Directors Meetings, are recorded in the Board of Directors Decision Book. As per the relevant Article of the New Turkish Commercial Code, Board of

Directors’ Decision Book openings and closings shall be notarized and completed within the specified timeframes.

In 2022, 23 (twenty-three) 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, 45 (forty five) pages of meeting minutes were issued. The Board of Directors took 43 (forty-three) decisions by either making meetings or by reviewing files. At the meetings held throughout the period, there were no issues that included opposition of any of the Board Members that would need to be recorded in the decision minutes. The Board Members do not have a weighted right to vote and/or negative veto rights.

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

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

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

Information on the Committees and attendance to committee meetings can be found on pages 40, 41, 42, 43, 44 and 45 of the annual report.

Corporate Governance Principles Compliance Report

E. RISK MANAGEMENT AND INTERNAL CONTROL

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

As per the Board of Directors' Decision No. 2014/15 dated 07.04.2014, Garanti BBVA 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, characteristics, and complexity of the Company activities; (ii) Complying with international and local legal regulations; (iii) Protecting the financial strength by monitoring and controlling risks to limit the impacts of potential adverse market conditions on the capital and revenues; (iv) Creating a risk culture within the Company by creating transparency and risk awareness.

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

Via Audit Committee, the Internal Audit Unit functions under the Board of Directors. Within the scope of the annual audit plan prepared

according to risk assessments, Internal Audit Unit audits the effectiveness and efficiency of the internal control and risk management systems in a manner covering the entire Company.

F: STRATEGIC OBJECTIVES OF THE COMPANY

The strategic targets of Garanti BBVA Factoring can be found on page 25 of the annual report.

G: FINANCIAL RIGHTS

The remuneration policy issued and approved by the Board of Directors regarding all kinds of rights, benefits and wages provided to the members of the Board of Directors and senior executives and the criteria used in their determination and the principles of remuneration are publicly disclosed under the "Investor Relations> Corporate Governance" section of the website 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 May 21, 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 annual gross amount of TL 240,000 and a monthly gross amount of TL 20,000 be paid for each independent board member as an attendance fee for 2022.

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 Board Members and senior executives in accordance with the Corporate Governance Principles, a total of TL 7,138 thousand of benefits and salaries has been provided, as stated in our financial reports for the 2022 fiscal year.

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.

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1-Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2-The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7-Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Assembly Meeting.					X	
1.3.8-Members of the Board of Directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Assembly Meeting.	X					
1.3.10-The agenda of the General assembly meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11- The General Assembly Meeting was held open to the public, including the stakeholders, without having the right to speak.			X			
1.4. VOTING RIGHT						
1.4.1 - There is no restriction or practice preventing shareholders from exercising their voting rights.	X					
1.4.2 - The Company does not have shares that carry privileged voting rights.	X					
1.4.3 - The Company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
1.5. MINORITY RIGHTS						
1.5.1- The Company pays maximum diligence to the exercising of minority rights.	X					
1.5.2 - The Articles of Association extend the exercising of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.		X				<p>There is the following provision in Article No. 17 of the Articles of Association:</p> <p>"The minority rights shall be exercised by the shareholders holding at least one-twentieth of the capital.</p> <p>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."</p> <p>All shareholders are equally informed without any discrimination; and investor relations practices are equally conducted.</p>
1.6. DIVIDEND RIGHT						
1.6.1- The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2- The Dividend Distribution Policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3- The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4- The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the Company.	X					
1.7. TRANSFER OF SHARES						
1.7.1- There are no restrictions preventing shares from being transferred.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
2.1. CORPORATE WEBSITE						
2.1.1-The Company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
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 website at least every 6 months.	X					
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.	X					
2.2. ANNUAL REPORT						
2.2.1-The Board of Directors ensures that the annual report represents a true and complete view of the Company's activities.	X					
2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fide principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the corporate website.		X				Some parts of the policies and procedures on the rights of the stakeholders are published on the corporate website of the Company under the Investor's Relations/Corporate Governance section.
3.1.4 - A whistleblowing programme is in place for reporting illegal and unethical issues.	X					
3.1.5-The Company addresses conflicts of interest among stakeholders in a balanced manner.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in the management.			X			
3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		X				Garanti Faktoring, every year organizes a General Manager presentation and vision meetings with the participation of all company employees. With periodical regional budget and performance meetings and weekly assets/liabilities committee meetings, information on Company's progress is provided, suggestions are communicated and developments are followed.
3.3. HUMAN RESOURCES POLICY						
3.3.1-The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3-The Company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4-Meetings have been organized to inform employees on the financial status of the Company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
3.3.6 - Job descriptions and performance criteria have been prepared for all employees in detail, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment at the Company.	X					
3.3.8-The Company ensures freedom of association and supports the right for collective bargaining.					X	
3.3.9- A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1- The Company measured customer satisfaction, and operated to ensure unconditional customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3-The Company complies with the quality standards with respect to its products and services.	X					
3.4.4-The Company has adequate controls in place to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. CODE OF ETHICS AND SOCIAL RESPONSIBILITY						
3.5.1-The Board of the Company has adopted a code of ethics and disclosed on the corporate website.	X					
The company has been mindful of its social responsibility. Has adopted measures to prevent corruption and bribery.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors has ensured that strategy and risks do not threaten the long-term interests of the Company, and an effective risk management is in place.	X					
4.1.2- The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategic targets, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. BOARD OF DIRECTORS' PRINCIPLES OF ACTIVITY						
4.2.1 - The Board of Directors documented its activities and reported to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the Board of Directors are disclosed in the annual report.	X					
4.2.3-The Board has ensured the Company has an internal control framework adequate for its size and complexity of activities.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5-The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes between the Company and shareholders and communicating with shareholders.	X					
4.2.8-The Company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital with respect to the loss caused by the fault of its members during their assignment.	X					The Main Shareholder, T. Garanti Bankası procured a Directors' Liability Insurance with a coverage of USD 100 million in respect of the Company including its subsidiaries.

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The Board of Directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				As for the determination of the members for the Company's board of directors; the members of the Board consist of the related Executive Vice Presidents and General Manager of the principal shareholder, namely, T. Garanti Bankası A.Ş. Therefore, the senior managers of T. Garanti Bankası A.Ş., who are in charge of the selections and changes of the Company's board members, are also designated as the member of the Company's board. This is the Company policy as for the determination of the Board Members. In the upcoming period, the selection of the members of the Board will be shaped in accordance with this policy as well. There is one female member among our Board of Directors members.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS						
4.4.1-Each Board Member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all Board Members.	X					
4.4.3-The opinions of Board Members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.4.4-Each member of the board has one vote.	X					
4.4.5-The Board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of Board Members. Shareholders are informed of board members' external commitments at the General Assembly Meeting.	X					
4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS						
4.5.5-Board Members serve in only one of the Board's committees.			X			Each member of the Board is assigned to more than one committee due to the number of the Board members.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	X					
4.5.8-Minutes of all committee meetings are kept and reported to the Board Members.	X					

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

Corporate Governance Information Form

	Description 1	Description 2	Description 3
1. SHAREHOLDERS			
1.1. Facilitating the Exercise of Shareholders Rights			
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	0		
1.2. Right to Obtain and Examine Information			
The number of special auditor requests	0		
The number of special auditor requests that were accepted at the general assembly meeting	0		
1.3. General Assembly			
The link of the announcement made in the Public Disclosure Platform (PDP) that includes the information requested under the principle 1.31 (a-d)	https://www.kap.org.tr/tr/Bildirim/1015394		
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously	No		
The links of the announcements made on PDP associated with the transactions that are not approved by the majority of independent members or by unanimous votes of present Board Members in the context of Principle 1.39.	-		
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-171)	https://www.kap.org.tr/tr/Bildirim/1105979		
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-171)	https://www.kap.org.tr/tr/Bildirim/1105979		
The heading of the section on the corporate website that contains the policy regarding donations and aids	Investor Relations / Corporate Governance/ Donations and Aids Policy		
The link of the announcement made on PDP with the minutes of the General Assembly Meeting where the donation and aid policy has been approved	https://www.kap.org.tr/tr/Bildirim/1015394		
The number of the article in the Articles of Association governing stakeholders' attendance at the general assembly	Article 17		
Information regarding the stakeholders who attend general assemblies	-		
1.4. Voting Rights			
Whether there are any privileged voting rights	N/A		
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.			
Shareholding rate of the majority shareholder	81.84%		
1.5. Minority Rights			
Whether the scope of minority rights is expanded (in terms of content or percentage) in the Articles of the Association	Yes		
If yes, specify the relevant article number of the articles of association.	Article 17		

	Description 1	Description 2	Description 3
1.6. Dividend Right			
The heading of the section on the corporate website that includes the policy on dividend 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	To be resolved at the Ordinary General Assembly Meeting for 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 (I14.1), 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., in line with the Banking Regulation and Supervision Agency's decision (dd. 21.01.2022, nr.10056), and the first (1) article of the 15 th item of the the Financial Leasing, Factoring and Financing Companies Law No. 6361, considering that the negative reflections of the new variants of the Covid-19 epidemic on the real economy and therefore on the financial markets may continue in 2022, the prudent policy of keeping the equity structures of the companies is continued, and 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 2021 profit of TL 167,025,768.30 and transfer the remaining net period profit of TL 131,936,417.30 to the legal and extraordinary profit reserves account, taking into consideration the impact of net deferred tax of TL 35,089,351.00 that was calculated from the 2021 period profit, and to keep it within the Company is to be submitted to the General Assembly.		
The link of the announcement made on PDP with relevant general assembly meeting minutes in case the Board proposed to the general assembly not to distribute profit		https://www.kap.org.tr/Bildirim/1015394	
General Assembly Meetings			
General Assembly Date		04.04.2022	
The number of information requests received by the company regarding the clarification of the agenda of the general assembly		0	
Shareholder participation rate to the general assembly meeting		91.64%	
Percentage of shares directly present		0	

Corporate Governance Information Form

	Description 1	Description 2	Description 3
Percentage of shares represented by proxy	91.62%		
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	https://www.kap.org.tr/tr/Bildirim/1015394		
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Investor Relations/General Assembly Meetings		
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	-		
The number of people who have the privilege to access shareholding information upon notification of the Board (the Insider List)	77		
The PDP link of the general assembly notification	https://www.kap.org.tr/tr/Bildirim/1015394		

2. 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/tr/yatirimci-iliskileri
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/tr/yatirimci-iliskileri/ortaklik-yapisi
Languages in which the corporate website is presented	Turkish, English	

2.2. Annual Report

The page numbers or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	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	
e) 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	N/A	

	Description 1	Description 2	Description 3
g) Page number or heading of the section in the annual report which includes information on cross holding cases where direct shareholding exceeds 5%	N/A		
h) Page number or heading of the section that provides information on employees' benefits and professional training, as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts	Goals, Values and Strategic Priorities		
3. STAKEHOLDERS			
3.1. Company Policy Concerning the Stakeholders			
The heading of the section on the corporate website that includes the policy on compensation	Investor Relations/Severance and Notice Pay Policy		
The number of final court verdicts against the Company that result from 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 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) 212 286 77 03, both of which are under the responsibility of the Internal Control Compliance Unit.		
3.2. Encouraging Stakeholder Participation in the Management of the Company			
The heading of the section on the corporate website that includes internal regulations on employees' participation in the managerial bodies of the Company	N/A		
Corporate bodies where employees are represented	N/A		
3.3. Human Resources Policy of the Company			
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	N/A		

Corporate Governance Information Form

	Description 1	Description 2	Description 3
	<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>The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.</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 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>		
<p>Whether the company provides an employee stock ownership programme</p>			N/A

	Description 1	Description 2	Description 3
	Our employees act, so as to create a professional working environment, with respect and courtesy towards each other.		
	Employees do not have another employee do their personal work in breach of their duties, powers and responsibilities.		
	Employees do not verbally attack or say cursing words to each other and avoid any form of ill-treatment, such as physical assault and violence inside or outside the workplace.		
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also, provide a summary of relevant parts of the human resource policy.	Regardless of their position, each of our employees maintains their relationship with each other in a way that will not be perceived as sexual harassment, discrimination or ill-treatment inside or outside the workplace, and behave in a way that does not disrupt the working climate.		
	The managers take the necessary measures in order to prevent any acts of ill-treatment, discrimination or sexual harassment in the workplace, and notify the Human Resources Department in case of suspicion. Our employees also report their complaints on this matter to their senior managers or directly to the Human Resources Department. Such complaints are not used against the complainant and they are processed and concluded in a serious manner. The Company imposes severe sanctions in respect of all forms of ill-treatment, discrimination or sexual harassment as well as attempts to conceal such acts.		
The number of definitive convictions the company is subject to in relation to health and safety measures		N/A	

Corporate Governance Information Form

	Description 1	Description 2	Description 3
3.5. Ethical Rules 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 name of the section on the company website that demonstrates 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	Investor Relations/Corporate Governance. In all its transactions, Garanti Faktoring pays utmost attention to environmental and social awareness, and makes sure that its business relations' environmental impacts and customer requests are clearly evaluated. All transactions and customer activities within this scope are monitored to see if they meet the social and environmental standards necessitated by the Company policies and legislations. Garanti Faktoring does not finance activities that are prohibited and restricted by national legislation and international conventions to which Türkiye is a party and, regardless of the amount, any activities/projects covering the following topics without carrying out environmental and social impact assessments.		
Any measures combating any kind of corruption including embezzlement 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			
Date of the last board evaluation conducted	N/A		
Whether the board evaluation 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	
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	6		

	Description 1	Description 2	Description 3
The name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Committees and Attendance at Committee Meetings		
Name of the Chairman	Recep Baştuğ		
Name of the Chief Executive Officer/General Manager	Kaya Yıldırım		
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-		
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 name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-		
The number and ratio of woman directors	1	11%	

Structure of the Board of Directors

Name/Surname of the Board Member	Executive or Not	Independent Member or Not	Date of Initial Election to the Board of Directors	Link to PDP Notification that Includes the Declaration of Independence	Whether the Independent Director Considered by the Nomination Committee	Whether a Member Ceased to Qualify as an Independent Member or Not	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	28.02.2022	https://www.kap.org.tr/tr/Bildirim/1015394	Considered	No	Yes
Serkan ÇANKAYA	No	Yes	28.02.2022	https://www.kap.org.tr/tr/Bildirim/1015394	Considered	No	Yes

Corporate Governance Information Form

	Description 1	Description 2	Description 3
4. BOARD OF DIRECTORS-II			
4.4. Format of the Board Meetings			
The number of physical board meetings involving members attending in person in the reporting period	23		
Average attendance rate at board meetings	100%		
Whether the board uses an electronic portal to support its work or not	No		
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3		
The name of the section on the corporate website that demonstrates information about the board charter	None		
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None		
4.5. Committees Established Under the Board of Directors			
Page numbers or section names of the annual report where information about the board committees are presented	Committees and Attendance at Committee Meetings		
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/224354		

Committees of the Board of Directors-I

Board of Directors Committees	Name of Committee Designated as "Other" in the first column	Committee Members' Name/Surname	Committee Chair or Not	Board Member or Not
Audit Committee	-	Nihat Karadağ	Yes	Board member
		Serkan Çankaya	No	Board member
		Nihat Karadağ	Yes	Board member
Corporate Governance Committee		Osman Bahri Turgut	No	Board member
		Serap Çakır	No	Not a board member
Early Detection of Risk Committee	-	Nihat Karadağ	No	Board member
		Serkan Çankaya	No	Board member

	Description 1	Description 2	Description 3
4. BOARD OF DIRECTORS-III			
4.5. Committees Established under the Board of Directors-II			
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Investor Relations/Committees		
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations/Committees		
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations/Committees/ Corporate Governance Committee		
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations/Committees		
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations/Committees/ Corporate Governance Committee		
4.6. Financial Rights Provided to the Board Members and Executive Directors			
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Previous Period Budget and Performance Assessment		
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Remuneration Policy		
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Compensation and Benefits Granted to Board Members and Executives with Management Responsibility		

Committees of the Board of Directors-II

Names of the Board Committees	Committee Defined as "Other" in the First Column	Ratio of Non-Executive Members :	Ratio of Independent Members	The Number of Meetings Held in Person	The Number of Reports Presented to the Board by the Committee on its Activities
Audit Committee	-	100	100	8	-
Corporate Governance Committee	-	100	33	5	-
Early Detection of Risk Committee	-	100	100	6	6

Statement of Responsibility Related to Acceptance of the Financial Tables

Istanbul, 30/01/2023

BORSA ISTANBUL A.Ş. DIRECTORATE
Istinye / ISTANBUL

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
RESOLUTION DATE: 30/01/2023
RESOLUTION NUMBER: 2023/02

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

a) We have reviewed Garanti Faktoring A.Ş.'s (Company) financial tables prepared as of 31.12.2022.

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

c) Within the framework of the information we obtained as part of our tasks and responsibilities at the Company, we do declare that the financial statements and annual report prepared and issued as per the Communiqué on Financial Reporting Principles in Capital Markets (II-14.1) accurately reflect the facts, the progress and the performance of the business and the financial status of the Company, together with the important risks and uncertainties.

Kind regards,

Annexes:

1- Independently Audited Financial Statements as of December 31, 2022

Şule FİRUZMENT BEKÇE
Executive Vice President

Kaya YILDIRIM
CEO

Nihat KARADAĞ
Audit Committee Member

Serkan ÇANKAYA
Audit Committee Member

GARANTİ FAKTORİNG A.Ş.

Financial Statements As and for the Year Ended 31 December 2022 With Independent Auditors' Review Report

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

GARANTI FAKTORING A.Ş.

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

ASSETS	FootNotes	Audited 31 December 2022			Audited 31 December 2021		
		TL	FC	Total	TL	FC	Total
		I. CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	3	71.011	38.065	109.076	130.623
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	-	20	20	-	15	15
III. DERIVATIVE FINANCIAL ASSETS	-	-	-	-	-	-	-
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	-	-	-	-	-	-	-
V. FINANCIAL ASSETS AT AMORTISED COST (Net)	5	8.442.028	1.014.408	9.456.436	2.837.932	1.308.255	4.146.187
5.1 Factoring Receivables	5.1	8.451.417	1.015.401	9.466.818	2.838.707	1.309.190	4.147.897
5.1.1 Discounted Factoring Receivables (Net)	-	4.196.518	327.479	4.523.997	1.695.813	354.997	2.050.810
5.1.2 Other Factoring Receivables	-	4.254.899	687.922	4.942.821	1.142.894	954.193	2.097.087
5.2 Savings Finance Receivables	-	-	-	-	-	-	-
5.2.1 From Savings Fund Pool	-	-	-	-	-	-	-
5.2.2 From Equity	-	-	-	-	-	-	-
5.3 Financial Loans	-	-	-	-	-	-	-
5.3.1 Consumer loans	-	-	-	-	-	-	-
5.3.2 Credit Cards	-	-	-	-	-	-	-
5.3.3 Installment Commercial Loans	-	-	-	-	-	-	-
5.4 Leasing Transactions (Net)	-	-	-	-	-	-	-
5.4.1 Finance lease receivables	-	-	-	-	-	-	-
5.4.2 Operating Lease Receivables	-	-	-	-	-	-	-
5.4.3 Unearned Income (-)	-	-	-	-	-	-	-
5.5 Other Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-
5.6 Non Performing Receivables	5.2	41.271	27.785	69.056	49.136	19.567	68.703
5.7 Allowance For Expected Credit Losses / Specific Provisions (-)	5.3	(50.660)	(28.778)	(79.438)	(49.911)	(20.502)	(70.413)
VI. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	-	-	-	-	-	-	-
6.1 Investments in Associates (Net)	-	-	-	-	-	-	-
6.2 Investments in Subsidiaries (Net)	-	-	-	-	-	-	-
6.3 Jointly Controlled Partnerships (JointVentures) (Net)	-	-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	6	5.483	-	5.483	6.921	-	6.921
VIII. INTANGIBLE ASSETS AND GOODWILL (Net)	7	10.978	-	10.978	11.058	-	11.058
IX. INVESTMENT PROPERTY (Net)	-	-	-	-	-	-	-
X. CURRENT TAX ASSETS	-	-	-	-	-	-	-
XI. DEFERRED TAX ASSET	8	67.812	-	67.812	28.591	-	28.591
XII. OTHER ASSETS	9	19.343	895	20.238	9.407	777	10.184
SUBTOTAL	-	8.616.655	1.053.388	9.670.043	3.024.532	1.331.366	4.355.898
XIII. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	-	11	-	11	11	-	11
13.1 Held for Sale	-	11	-	11	11	-	11
13.2 Non-Current Assets From Discontinued Operations	-	-	-	-	-	-	-
TOTAL ASSETS	-	8.616.666	1.053.388	9.670.054	3.024.543	1.331.366	4.355.909

GARANTI FAKTORING A.Ş.

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

LIABILITY AND EQUITY ITEMS	FootNotes	Audited 31 December 2022			Audited 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. LOANS RECEIVED	10	7.342.351	961.197	8.303.548	2.052.733	1.297.214	3.349.947
II. FACTORING PAYABLES	5.1	2.676	28.965	31.641	2.163	16.038	18.201
III. PAYABLES FROM SAVINGS FUND POOL		-	-	-	-	-	-
IV. LEASE PAYABLES	11	5.797	-	5.797	6.807	-	6.807
V. MARKETABLE SECURITIES (Net)	12	494.963	-	494.963	583.768	-	583.768
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VIII. PROVISIONS	13	48.172	11.566	59.738	20.573	5.349	25.922
8.1 Provision for Restructuring		-	-	-	-	-	-
8.2 Reserves For Employee Benefits	13.1	26.705	-	26.705	15.158	-	15.158
8.3 General Loan Loss Provisions		-	-	-	-	-	-
8.4 Other provisions	13.2	21.467	11.566	33.033	5.415	5.349	10.764
IX. CURRENT TAX LIABILITIES	8	61.716	-	61.716	17.179	-	17.179
X. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI. SUBORDINATED DEBT		-	-	-	-	-	-
XII. OTHER LIABILITIES	14	19.991	586	20.577	7.467	1.512	8.979
SUBTOTAL		7.975.666	1.002.314	8.977.980	2.690.690	1.320.113	4.010.803
XIII. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held For Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. EQUITY	15	692.074	-	692.074	345.106	-	345.106
14.1 Issued capital		79.500	-	79.500	79.500	-	79.500
14.2 Capital Reserves		-	-	-	-	-	-
14.2.1 Equity Share Premiums		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserves		-	-	-	-	-	-
14.3 Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		(5.364)	-	(5.364)	(1.590)	-	(1.590)
14.4 Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5 Profit Reserves		267.196	-	267.196	135.260	-	135.260
14.5.1 Legal Reserves		15.900	-	15.900	13.354	-	13.354
14.5.2 Statutory Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		251.296	-	251.296	121.906	-	121.906
14.5.4 Other Profit Reserves		-	-	-	-	-	-
14.6 Profit or Loss		350.742	-	350.742	131.936	-	131.936
14.6.1 Prior Years' Profit or Loss		-	-	-	-	-	-
14.6.2 Current Period Net Profit Or Loss		350.742	-	350.742	131.936	-	131.936
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8.667.740	1.002.314	9.670.054	3.035.796	1.320.113	4.355.909

GARANTI FAKTORING A.Ş.

OFF-BALANCE SHEET ITEMS AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

	OFF-BALANCE SHEET ITEMS	Foot Notes	Audited			Audited		
			31 December 2022			31 December 2021		
			TP	YP	Total	TP	YP	Total
I.	IRREVOCABLE FACTORING TRANSACTIONS		2.450.989	1.010.311	3.461.300	978.398	1.171.565	2.149.963
II.	REVOCABLE FACTORING TRANSACTIONS		2.164.725	119.615	2.284.340	1.543.465	107.550	1.651.015
III.	SAVINGS FINANCE CONTRACTS TRANSACTIONS		-	-	-	-	-	-
IV.	COLLATERALS RECEIVED	24.1	241.336	74.660.588	74.901.924	171.098	57.902.601	58.073.699
V.	COLLATERALS GIVEN	24.2	1.314.202	-	1.314.202	620.150	85	620.235
VI.	COMMITMENTS		-	-	-	-	-	-
6.1	Irrevocable Commitments		-	-	-	-	-	-
6.2	Revocable Commitments		-	-	-	-	-	-
6.2.1	Lease Commitments		-	-	-	-	-	-
6.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
7.1	Derivative Financial Instruments Held For Hedging		-	-	-	-	-	-
7.1.1	Fair Value Hedges		-	-	-	-	-	-
7.1.2	Cash Flow Hedges		-	-	-	-	-	-
7.1.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
7.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
7.2.1	Forward Buy or Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Purchases or Sales		-	-	-	-	-	-
7.2.3	Option Purchases or Sales		-	-	-	-	-	-
7.2.4	Futures Purchases or Sales		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	ITEMS HELD IN CUSTODY	24.3	3.478.272	571.319	4.049.591	1.852.969	425.624	2.278.593
	TOTAL OFF-BALANCE SHEET ITEMS		9.649.524	76.361.833	86.011.357	5.166.080	59.607.425	64.773.505

GARANTİ FAKTORİNG A.Ş.

STATEMENT OF PROFIT OR LOSS AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

Statement of Profit or Loss	Foot Notes	Audited 1 January 2022- 31 December 2022	Audited 1 January 2021- 31 December 2021
I. OPERATING INCOME	16	1,347,849	638,775
FACTORIZING INCOME		1,347,849	638,775
1.1 Factoring Interest Income		1,300,626	621,491
1.1.1 Discounted		733,172	354,499
1.1.2 Other		567,454	266,992
1.2 Factoring Fee and Commission Income		47,214	17,284
1.2.1 Discounted		25,428	4,962
1.2.2 Other		21,786	12,302
INCOME FROM FINANCING LOANS		-	-
1.3 Interest Income From Financing Loans		-	-
1.4 Fee and Commission Income From Financing Loans		-	-
LEASE INCOME		-	-
1.5 Finance Lease Income		-	-
1.6 Operational Lease Income		-	-
1.7 Fee and Commission Income From Lease Operations		-	-
SAVINGS FINANCE INCOME		-	-
1.8 Profit Share on Savings Finance Receivables		-	-
1.9 Fees and Commissions Received From Savings Finance Operations		-	-
II. FINANCE COST (-)	17	(768,789)	(419,177)
2.1 Profit Share Expense on Savings Fund Pool		-	-
2.2 Interest Expenses on Funds Borrowed		(566,176)	(320,305)
2.3 Interest Expenses On Factoring Payables		-	-
2.4 Lease Interest Expenses		(1,199)	(1,171)
2.5 Interest Expenses on Securities Issued		(183,162)	(95,800)
2.6 Other Interest Expense		(175)	(387)
2.7 Fees and Commissions Paid		(18,077)	(1,314)
III. GROSS PROFIT (LOSS)		579,061	219,598
IV. OPERATING EXPENSES (-)	18	(97,885)	(69,613)
4.1 Personnel Expenses		(65,480)	(39,872)
4.2 Provision Expense for Employment Termination Benefits		(1,806)	(1,452)
4.3 Research and development expense		-	-
4.4 General Operating Expenses		(29,799)	(27,798)
4.5 Other		0	(491)
V. GROSS OPERATING PROFIT (LOSS)		481,176	149,985
VI. OTHER OPERATING INCOME	19	61,345	111,127
6.1 Interest Income on Bank		9,638	1,850
6.2 Interest Income on Marketable Securities Portfolio		-	6,006
6.3 Dividend Income		-	-
6.4 Gains Arising From Capital Markets Transactions		-	443
6.5 Derivative Financial Transactions' Gains		-	4,005
6.6 Foreign Exchange Gains		35,102	75,074
6.7 Other		16,605	23,749
VII. PROVISION EXPENSES		(63,390)	(47,251)
7.1 Specific Provisions		-	-
7.2 Allowances For Expected Credit Losses		(37,023)	(41,321)
7.3 General Loan Loss Provisions		-	-
7.4 Other		(26,367)	(5,930)
VIII. OTHER OPERATING EXPENSES (-)	21	(15,422)	(46,835)
8.1 Impairment in Value of Securities		-	-
8.2 Impairment in Value of Non-Current Assets		-	-
8.3 Capital Market Transactions Losses		-	(263)
8.4 Loss Arising from Derivative Financial Transaction		-	-
8.5 Foreign Exchange Losses		(15,149)	(46,571)
8.6 Other		(273)	(1)
IX. NET OPERATING PROFIT (LOSS)		464,499	167,026
X. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI. PROFIT (LOSS) FROM COMPANIES ACCOUNTED FOR USING EQUITY METHOD		-	-
XII. NET MONETARY POSITION GAIN (LOSS)		-	-
XIII. PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		464,499	167,026
XIV. TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	8	(112,557)	(35,098)
14.1 Current Tax Provision		(151,588)	(19,915)
14.2 Expense Effect of Deferred Tax		-	(15,175)
14.3 Income Effect of Deferred Tax		37,831	-
XV. NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS		350,742	131,936
XVI. INCOME ON DISCONTINUED OPERATIONS		-	-
16.1 Income on Assets Held for Sale		-	-
16.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3 Other Income on Discontinued Operations		-	-
XVII. EXPENSES ON DISCONTINUED OPERATIONS (-)		-	-
17.1 Expense on Assets Held for Sale		-	-
17.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3 Other Expenses on Discontinued Operations		-	-
XVIII. PROFIT (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX		-	-
XIX. TAX PROVISION FOR DISCONTINUED OPERATIONS (+/-)		-	-
19.1 Current Tax Provision		-	-
19.2 Expense Effect of Deferred Tax		-	-
19.3 Income Effect of Deferred Tax		-	-
XX. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS		-	-
XXI. NET PROFIT OR LOSS FOR THE PERIOD		350,742	131,936
Profit per Share from Continuing Operations	22	4,411849	1,659572

GARANTI FAKTORING A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Foot Notes	Audited 1 January 2022- 31 December 2022	Audited 1 January 2021- 31 December 2021
I. CURRENT PERIOD PROFIT/LOSS		131.936	131.936
II. OTHER COMPREHENSIVE INCOME		(420)	(420)
2.1 Other Comprehensive Income that will not be Reclassified to Profit or Loss		(3.774)	(420)
2.1.1 Gains (Losses) on Revaluation of Property, Plant and Equipment		-	-
2.1.2 Gains (Losses) on Revaluation of Intangible Assets		-	-
2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans		(5.164)	(525)
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss		-	-
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		1.390	105
2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss		-	-
2.2.1 Exchange Differences on Translation		-	-
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income		-	-
2.2.3 Income (Losses) from Cash Flow Hedges		-	-
2.2.4 Income (Losses) on Hedges of Net Investments in Foreign Operations		-	-
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss		-	-
2.2.6 Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		-	-
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)		346.968	131.516

GARANTI FAKTORING A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Foot Notes	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss						Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Current Period's Profit/Loss	Total Shareholders' Equity		
		Reserves	Share Premium	Other Capital Reserves	1	2	3	4	5	6			Profit/Reserves	Prior Years' Profit/(Loss)
Prior Period														
1 January - 31 December 2021														
Audited														
I. Equity at beginning of period	15	79,500	-	-	-	-	-	-	-	-	85,110	-	50,150	213,590
II. Increase or Decrease Required by TASF 8		-	-	-	-	(11,700)	-	-	-	-	-	-	-	-
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect Of Changes In Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance		79,500	-	-	-	(11,700)	-	-	-	-	85,110	-	50,150	213,590
IV. Transfers To Reserves		-	-	-	-	(430)	-	-	-	-	-	-	131,936	131,506
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase Through Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Issuance of Shares		-	-	-	-	-	-	-	-	-	-	-	-	-
X. Profit (decrease) through other changes, equity		-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distributions		-	-	-	-	-	-	-	-	-	50,150	-	(50,150)	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	50,150	-	(50,150)	-
11.2 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.4 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.5 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.6 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.7 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.8 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.9 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.10 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.11 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.12 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.13 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at end of period (31 December 2021) (III+IV+.....+XIII)		79,500	-	-	-	(12,130)	-	-	-	-	85,110	-	131,936	345,106
Current Period														
1 January - 31 December 2022														
Audited														
I. Equity at beginning of period	15	79,500	-	-	-	-	-	-	-	-	135,260	-	131,936	345,106
II. Increase or Decrease Required by TASF 8		-	-	-	-	(1,500)	-	-	-	-	-	-	-	-
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect Of Changes In Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance		79,500	-	-	-	(1,500)	-	-	-	-	135,260	-	131,936	345,106
IV. Transfers To Reserves		-	-	-	-	(3174)	-	-	-	-	-	-	350,742	346,568
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase Through Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Issuance of Shares		-	-	-	-	-	-	-	-	-	-	-	-	-
X. Profit (decrease) through other changes, equity		-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distributions		-	-	-	-	-	-	-	-	-	131,936	-	(131,936)	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	131,936	-	(131,936)	-
11.2 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.4 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.5 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.6 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.7 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.8 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.9 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.10 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.11 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.12 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
11.13 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
Equity at end of period (31 December 2022) (III+IV+.....+XIII)		79,500	-	-	-	(4,674)	-	-	-	-	267,196	-	350,742	692,174

1. Revaluation surplus on tangible and intangible assets
2. Defined Benefit Plans' Actuarial Gains/Losses
3. Other comprehensive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and
4. Other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and
5. Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI
6. Other Profit/Loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on

GARANTI FAKTORING A.Ş.

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

STATEMENT OF CASH FLOWS	Foot Notes	Audited	
		1 January - 31 December 2022	1 January - 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit/Loss Before Changes in Operating Assets and Liabilities		789.789	282.970
1.1.1 Interest Received / Profit Share Received / Lease Income		1.402.146	575.497
1.1.2 Interest Paid / Profit Share Paid / Lease Payments		(474.088)	(314.433)
1.1.3 Dividends received		-	-
1.1.4 Fees and Commissions Received		54.094	15.521
1.1.5 Other Gains		-	-
1.1.6 Collections from Previously Written Off Loans and Other Receivables		8.123	6.753
1.1.7 Cash Payments to Personnel and Service Suppliers		(77.950)	(61.783)
1.1.8 Taxes Paid	8	(90.089)	(2.736)
1.1.9 Other		(32.447)	64.151
1.2 Changes in Operating Assets and Liabilities		(673.846)	(83.812)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(5.414.932)	(1.349.196)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Receivables From Leasing Transactions		-	-
1.2.4 Net (Increase) Decrease in Savings Finance Receivables		-	-
1.2.5 Net (Increase) Decrease in Other Assets		(35.443)	4.801
1.2.6 Net Increase (Decrease) in Factoring Payables		13.440	14.915
1.2.7 Net Increase (Decrease) in Savings Fund Pool		-	-
1.2.8 Net Increase (Decrease) in Lease Payables		2.248	5.876
1.2.9 Net Increase (Decrease) in Funds Borrowed		4.771.533	1.254.625
1.2.10 Net Increase (Decrease) in Matured Payables		-	-
1.2.11 Net Increase (Decrease) Other Liabilities		(10.692)	(14.833)
I. Cash flows from (used in) operating activities		115.943	199.158
B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
2.3 Tangible And Intangible Asset Purchases	6	(10)	(54)
2.4 Sale of Tangible Intangible Assets		75	17
2.5 Cash Paid for Purchase of Financial Assets At Fair Value Through Other Comprehensive Income		-	-
2.6 Cash Obtained from Sale of Financial Assets At Fair Value Through Other Comprehensive Income		-	-
2.7 Cash Paid for Purchase of Financial Assets At Amortised Cost		-	-
2.8 Cash Obtained from Sale of Financial Assets At Amortised Cost		-	-
2.9 Other	7	(6.595)	(6.854)
II. Net cash flows from (used in) investing activities		(6.530)	(6.891)
C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
3.1 Cash Obtained from Loans and Securities Issued		2.421.248	1.900.675
3.2 Cash Outflow Arised From Loans and Securities Issued		(2.604.565)	(1.994.731)
3.3 Equity Instruments Issued		-	-
3.4 Dividends paid		-	-
3.5 Payments of lease liabilities		(3.258)	(3.941)
3.6 Other		-	-
III. Net cash flows from (used in) financing activities		(186.575)	(97.997)
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		9.298	8.486
V. Net Increase (decrease) in cash and cash equivalents (I+II+III+IV)		(67.864)	102.756
VI. Cash and Cash Equivalents at Beginning of the Period		114.602	11.846
VII. Cash and Cash Equivalents at End of the Period (V+VI)	2.5	46.738	114.602

GARANTİ FAKTORING A.Ş.

PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2022

Presentation Currency : Thousands of Turkish Lira (TL)

	Foot Notes	Audited	
		1 January - 31 December 2022	1 January - 31 December 2021
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)			
1.1 CURRENT PERIOD PROFIT		464.499	167.026
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	8	113.757	35.090
1.2.1 Corporate tax (income tax)		113.757	35.090
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties		-	-
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		350.742	131.936
1.3 ACCUMULATED LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVES (-)		-	2.546
1.5 OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]		350.742	129.390
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1 To owners of ordinary shares		-	-
1.6.2 To owners of privileged shares		-	-
1.6.3 To owners of redeemed shares		-	-
1.6.4 To profit sharing bonds		-	-
1.6.5 To holders of profit and loss sharing certificates		-	-
1.7 DIVIDENDS TO PERSONNEL (-)		-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1 To owners of ordinary shares		-	-
1.9.2 To owners of privileged shares		-	-
1.9.3 To owners of redeemed shares		-	-
1.9.4 To profit sharing bonds		-	-
1.9.5 To holders of profit and loss sharing certificates		-	-
1.10 STATUS RESERVES (-)		-	-
1.11 EXTRAORDINARY RESERVES		-	-
1.12 OTHER RESERVES		-	129.390
1.13 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1 APPROPRIATED RESERVES		-	-
2.2 SECOND LEGAL RESERVES (-)		-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.2.1 To owners of ordinary shares		-	-
2.2.2 To owners of privileged shares		-	-
2.2.3 To owners of redeemed shares		-	-
2.2.4 To profit sharing bonds		-	-
2.2.5 To holders of profit and loss sharing certificates		-	-
2.3 DIVIDENDS TO PERSONNEL (-)		-	-
2.4 DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF ORDINARY SHARES (per TL'000 face value each)		-	1,659,572
3.2 TO OWNERS OF ORDINARY SHARES (%)		-	165,96
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES (per TL'000 face value each)		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Decision regarding to the 2022 profit distribution will be made at general assembly meeting.

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

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

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

	31 December 2022	Shareholding (%)	31 December 2021	Shareholding (%)
Türkiye Garanti Bankası A.Ş.	65.066	81,84	65.066	81,84
Türkiye İhracat Kredi Bankası A.Ş.	7.773	9,78	7.773	9,78
Publicly Traded	6.661	8,38	6.661	8,38
Capital	79.500	100,00	79.500	100,00

The shareholding of T. Garanti Bankası A.Ş. as of 31 December 2022 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 123 employees as at 31 December 2022 (31 December 2021: 120).

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 30 January 2023 and numbered 02. The General Assembly has the authority to change the financial statements.

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period.

TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country.

However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, financial statements as of December 21, 2022, in accordance with TFRS 9 are not adjusted for inflation (TAS 29 is not applied).

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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.

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 5 –	Factoring receivables, Non-performing Receivables
Note 6 –	Tangible Assets
Note 7 –	Intangible Assets
Note 8 –	Tax Assets and Liabilities
Note 13 –	Provisions

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

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

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.4 The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows (continued)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

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

Annual Improvements – 2018–2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41. Amendments to TAS 1 address the following:

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

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided.

TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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

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

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

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

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

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

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

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

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

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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)

2.4 The new standards, amendments and interpretations (continued)

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

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

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

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

2.5 Summary of Significant Accounting Policies

(a) Revenue

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

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

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

(b) Financial Instruments

Classification and measurement

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

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

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

GARANTİ FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

Classification and measurement (continued)

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

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

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

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

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

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

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

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

GARANTI FAKTORING A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

Classification and measurement (continued)

Factoring Receivables and Other Receivables

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

Disclosures on impairment of financial assets

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

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

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

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

Calculation of expected credit losses

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

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

Forward-looking macroeconomic information

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

Significant increase in credit risk

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

Qualitative assessment:

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

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

Quantitative assessment:

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

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

Low credit risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Calculation of expected credit losses (continued)

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

Explanations on write down policy

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

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

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

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

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

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

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

	31 December 2022		31 December 2021	
	TP	YP	TP	YP
Deregistration of Factoring Receivables	12.792	-	86.299	-
	12.792	-	86.299	-

While the follow-up rate was 0,89% before the list, it regressed to 0,74% after the registration (31 December 2021: The follow-up rate, which was 4,29% before the registration, decreased to 1,63% after the registration).

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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

Cash and Cash Equivalents

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

Derivative Financial Instruments

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

Financial Liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Financial Liabilities at Fair Value Through Profit or Loss

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

(c) TFRS 16 Leases

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

Definition of Leasing

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

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

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

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

As a lessee

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

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

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

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

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

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(c) TFRS 16 Leases (continued)

On June 5, 2020, the KGK 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

(e) Intangible Assets

Intangible Fixed Assets Acquired

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

Computer Software

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

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

Intangible Assets	Estimated useful lives (Year)
Rights	3-5
Software	3-5

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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)

(f) Impairment of Assets

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

(g) Capital Increase

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

(h) Retirement Pay Provision

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

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

(i) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

(j) Borrowing Costs

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

(k) Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Company as of 31 December 2022 and 31 December 2021 are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
USD	18,5920	13,0930
EUR	19,8710	14,8480
GBP	22,4530	17,6930

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

(l) Earnings per Share

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

(m) Events after the reporting period

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

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

(n) Segment Reporting

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

(o) Income Tax

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

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

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(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)

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

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

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

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

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

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

((o) Statement of Cash Flows)

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

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

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

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

Cash and Cash Equivalents:

	31 December 2022	31 December 2021
Case / effective	1	1
Cash and cash equivalents (*)	109.847	153.286
Blocked Deposits	(63.110)	(38.685)
	46.738	114.602

(*)Expected credit loss amount TL 772 has not been presented as net (31 December 2021: TL 345).

3 CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as of 31 December 2022 and 31 December 2021 are as follows::

	31 December 2022		31 December 2021	
	TP	FC	TP	FC
Cash and cash equivalents	8.459	38.279	2.665	22.379
Time deposits(*)	63.110	-	128.243	-
Expected credit losses	(558)	(214)	(285)	(60)
	71.011	38.065	130.623	22.319

(*) TL 63.110 is held as collateral for Takasbank Monetary Market transactions (31 December 2021: TL 38.685).

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

As of 31 December 2022 and 31 December 2021, financial assets measured at fair value through profit or loss consist of equity securities not listed on exchange.

	31 December 2022		31 December 2021			
	Carrying Value	% Share Rate	Carrying Value	% Share Rate		
	TP	FC	TP	FC		
Factors Chain International (FCI)	-	20	1,72	-	15	1,72
	-	20	-	15		

5 FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)

5.1 Factoring Receivables and Payables

Factoring Receivables

Details of factoring receivables as at 31 December 2022 and 31 December 2021 are as follows:

Financial assets at amortised cost (net)	31 December 2022		31 December 2021	
	TP	FC	TP	FC
Discounted Factoring Receivables (Net)	4.196.518	327.479	1.695.813	354.997
Other Factoring Receivables	4.254.899	687.922	1.142.894	954.193
Non Performing Receivables	41.271	27.785	49.136	19.567
Expected Credit Losses (-)	(50.660)	(28.778)	(49.911)	(20.502)
Stage 1	(17.121)	(993)	(10.492)	(935)
Stage 2	(12)	-	(35)	-
Stage 3	(33.527)	(27.785)	(39.384)	(19.567)
Factoring receivables	8.442.028	1.014.408	2.837.932	1.308.255

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

5.1 Factoring Receivables and Payables (continued)

Factoring Receivables (continued)

Stage 2 overdue receivables of the company are TL 96 (31 December 2021 : TL 554) and the delay periods are as follows:.

<i>Stage 2</i>	31 December 2022		31 December 2021	
	TP	YP	TP	YP
Overdue 1 month	96	-	499	-
Overdue 1-3 months	-	-	55	-
	96	-	554	-

In addition, there is a factoring receivable of TL 869, which is not overdue, followed up in the second stage (31 December 2021: TL 3.885).

Factoring Payables

Details of short-term factoring payables as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TP	FC	TP	FC
Factoring payables	2.676	28.965	2.163	16.038
	2.676	28.965	2.163	16.038

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

5.2 Non-Performing Receivables

Details of the Company’s non-performing factoring receivables as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TP	YP	TP	YP
Non-performing factoring receivables	41.271	27.785	49.136	19.567
Non-performing factoring receivables	41.271	27.785	49.136	19.567

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

5.3 Expected Credit Losses

Details of the Company’s expected credit losses for factoring receivables as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TP	YP	TP	YP
Expected credit losses	(50.660)	(28.778)	(49.911)	(20.502)
Expected credit losses	(50.660)	(28.778)	(49.911)	(20.502)

The movements of expected credit losses for factoring receivables for 31 December 2022 and 2021 are as follows::

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance 1 January	70.413	137.722
<i>Expected credit loss of the period</i>		
Stage 1	13.514	8.282
Stage 2	23	35
Stage 3	22.661	32.215
<i>Collections/reversals of the period;</i>		
Stage 1	(6.827)	(7.373)
Stage 2	(46)	(7.642)
Stage 3	(7.274)	(6.393)
<i>Deducted receivables provision cancellations;</i>		
Stage 3	(13.026)	(86.433)
	79.438	70.413

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

6 TANGIBLE ASSETS

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

	1 January 2022	Additions	Disposals	31 December 2022
Acquisition Cost				
Furniture and fixtures	4.431	-	(160)	4.271
Vehicles	19	-	-	19
Leasehold improvements	2.002	10	-	2.012
Right-of-use				
Leased buildings	4.181	1.260	(783)	4.658
Right-of-use				
Vehicles	4.960	-	-	4.960
	15.593	1.270	(943)	15.920
		Depreciation		
	1 January 2022	for the period	Disposals	30 December 2022
Accumulated Depreciation				
Furniture and fixtures	4.262	58	(154)	4.162
Vehicles	19	-	-	19
Leasehold improvements	1.582	98	-	1.680
Leased buildings	1.860	1.186	(715)	2.331
Vehicles	949	1.296	-	2.245
	8.672	2.638	(869)	10.437
Net book value	6.921			5.483

As of 31 December 2022, the insurance amount on tangible assets are TL 939 (31 December 2021: TL 939) and the insurance premium amount is TL 5 (31 December 2021: TL 4).

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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6 TANGIBLE ASSETS (continued)

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

	1 January 2021	Additions	Disposals	31 December 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		Depreciation for the period	Disposals	31 December 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

7 INTANGIBLE ASSETS

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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7 INTANGIBLE ASSETS (continued)

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		Charge for the period	Disposals	31 December 2021
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

As at 31 December 2022 and 31 December 2021, the Company has not any intangible asset that is generated within the company.

8 TAX ASSETS AND LIABILITIES

Corporate Tax

The corporate tax rate has been increased in institutions operating in the field of finance such as banks, financial leasing, factoring, financing and savings financing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, insurance companies within the scope of Law No. 6361. These companies will pay 25% tax from the second provisional tax period of 2022. Since the regulation is not a temporary but a permanent regulation, a high corporate tax rate has been passed for banks and financial institutions. It was calculated with 25% ratios for the parts.

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 non-resident legal entities in Turkey are subject to 10% 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.

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 founding certificates of the real estates (immovables) owned for the same period of time, the usufruct shares and the preference rights, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with the 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. The Company is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the period.

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

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8 TAX ASSETS AND LIABILITIES (continued)

Income Tax Withholding

There is a withholding tax liability on dividend distributions, and this withholding 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 of the Income Tax Law No. In the application of withholding tax rates on profit distributions to limited taxpayer institutions and real persons, The withholding tax rates in the relevant Double Taxation Agreements are also taken into account. The addition of retained earnings to the capital is not considered as profit distribution, so it is not subject to withholding tax.

Deferred Tax

Deferred tax liability or asset is determined by calculating the tax effects over the “temporary differences” between the values of assets and liabilities shown in the financial statements and the amounts considered in the legal tax base calculation in accordance with TAS 12 – Income Taxes standard. According to the tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities on the acquisition date are excluded from this calculation. The deferred tax asset and liability can be shown net if the taxable entity has a legal right to offset and is related to the income tax of the same taxable entity.

If the gains or losses resulting from the valuation of the related financial assets are recognized in the income statement, the current period corporate tax or deferred tax income or expense related to them is also recognized in the income statement. If the gains or losses resulting from the valuation of the related financial assets are recognized directly in the equity accounts, the related tax effects are also recognized directly in the equity accounts.

Transfer Pricing

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

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8 TAX ASSETS AND LIABILITIES (continued)

Corporate Tax (continued)

Income Withholding Tax

The details of tax income / (expense) for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Current tax expense	464.499	167.026
Calculated tax on reported profit	(116.125)	(41.757)
Cancellation of corporate tax provision for previous years	2.805	8.112
Deferred tax income/(expense)	(252)	(1.540)
Others	(185)	95
Tax income/(expense)	(113.757)	(35.090)

Corporate tax payable as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Temporary tax paid in current period	151.805	19.915
Withholding income tax	(89.601)	(2.646)
Current period payment	(488)	(90)
Current Period Tax Receivable/ (Payable)	61.716	17.179

As of 31 December 2022, no provisional tax has arisen. There is TL 488 income tax withheld (As of 31 December 2021, no provisional tax has been incurred. There is TL 90 income tax withheld).

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8 TAX ASSETS AND LIABILITIES (continued)

Deferred tax asset and liability

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

Recognition of deferred tax asset and liability

As of 31 December 2022 and 31 December 2021, deferred tax asset and liabilities calculated on the following items:

	31 December 2022	31 December 2021
Temporary Differences		
Unearned factoring interest income	195.713	91.998
Litigation and expense rediscount provisions	31.812	5.595
Factoring provisions for receivables (1st and 2nd stages)	18.126	11.462
Prepaid commissions	12.955	638
Premium provisions	9.369	7.018
Severance pay provision-actuarial loss/gain	7.151	1.987
Leave provisions	5.533	2.557
Credits received bmv rediscount	5.431	1.377
Provision for severance pay	4.652	3.596
TFRS16 depreciation expense	2.482	2.595
Factoring provisions for receivables (3rd stage)	2.117	5.099
TFRS16 interest expense	1.199	1.171
Factoring receivables interest rediscount valuation differences	1.145	202
Time/demand deposit provisions	772	345
Fc exchange rate valuation	150	-
Provisions for expense rediscounts	78	3.931
Temporary differences related to deferred tax assets	298.685	139.571
Commission rediscounts for other factoring receivables	16.307	1.202
Prepaid loans and letter of guarantee commissions	3.187	3.893
Temporary differences on tangible and intangible assets	2.878	3.849
Loans received valuation differences	1.724	409
Vehicle rental expense	1.657	2.105
Building rental expense	1.593	1.685
Bond valuation differences	93	316
Fc exchange rate valuation	-	100
Temporary differences related to deferred tax liabilities	27.439	13.559

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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8 TAX ASSETS AND LIABILITIES (continued)

	31 December 2022	31 December 2021
Temporary Differences		
Unearned factoring interest income	48.928	21.160
Litigation and expense rediscount provisions	7.953	1.256
Factoring provisions for receivables (1st and 2nd stages)	4.532	2.636
Prepaid commissions	3.239	147
Premium provisions	2.342	1.567
Severance pay provision-actuarial loss/gain	1.788	398
Leave provisions	1.383	511
Credits received bmv rediscount	1.358	317
Provision for severance pay	1.163	719
TFRS16 depreciation expense	621	597
Factoring provisions for receivables (3rd stage)	529	1.022
TFRS16 interest expense	300	269
Factoring receivables interest rediscount valuation differences	286	46
Time/demand deposit provisions	193	79
Fc exchange rate valuation	38	-
Provisions for expense rediscounts	20	904
Temporary differences related to deferred tax assets	74.671	31.629
Commission rediscounts for other factoring receivables	(4.077)	(276)
Prepaid loans and letter of guarantee commissions	(797)	(895)
Temporary differences on tangible and intangible assets	(720)	(805)
Loans received valuation differences	(431)	(94)
Vehicle rental expense	(414)	(484)
Building rental expense	(398)	(388)
Bond valuation differences	(23)	(72)
Fc exchange rate valuation	-	(23)
Temporary differences related to deferred tax liabilities	(6.860)	(3.038)
Deferred tax assets (net)	67.812	28.591

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8 TAX ASSETS AND LIABILITIES (continued)

Movements of deferred tax assets are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
1 January	28.591	43.661
Deferred tax income / loss	37.831	(15.175)
Unpaid tax income / (expense)	1.390	105
Balance at the end of the period	67.812	28.591

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

9 OTHER ASSETS

Details of other assets as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Receivables from BITT accruals	16.916	833	8.097	334
Previous years provisional tax receivables	1.857	-	1.222	129
Other	570	62	88	314
	19.343	895	9.407	777

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10 FUNDS BORROWED

Details of funds borrowed as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Funds borrowed	7.342.351	961.197	2.052.733	1.297.214
	7.342.351	961.197	2.052.733	1.297.214

Interest rates are the higher and lower rate interval for the variable and fixed rate loans as at 31 December 2022 and 31 December 2021.

	31 December 2022				31 December 2021			
	Original amount	Interest rate (%)	Up to 1 year	1 year and over	Original amount	Interest rate (%)	Up to 1 year	1 year and over
TL	7.342.351	17,23	7.071.986	270.365	2.052.733	19,75	2.052.733	-
USD	39.440	9,66	733.274	-	58.895	3,03	771.110	-
EUR	4.869	4,56	96.745	-	27.918	1,83	414.528	-
GBP	5.843	4,49	131.178	-	6.307	1,43	111.576	-
Toplam			8.033.183	270.365			3.349.947	-

TL 1.017.244 of the funds borrowed as at 31 December 2022 is borrowed from Takasbank Money Market (31 December 2021: TL 603.811). For the loans obtained from Takasbank Money Market, 63.110 TL collateral and 1.310,000 TL collateral were given (31 December 2021: 38.685 TL rental and 614.500 TL collateral list).

As at 31 December 2022 and 31 December 2021, the remaining funds borrowed are uncollateralized.

11 LEASE OBLIGATIONS (Net)

Details of lease obligations as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Nominal	7.496	-	9.131	-
Cost	(1.699)	-	(2.324)	-
Carrying Value	5.797	-	6.807	-

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12 MARKETABLE SECURITIES ISSUED

Details of marketable securities issued as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Bonds				
Nominal	503.140	-	610.740	-
Cost	474.560	-	569.072	-
Carrying Value	494.963	-	583.768	-

The Company issued discounted bonds only for qualified investors.

1 January - 31 December 2022				1 January - 31 December 2021			
Date of issue	Nominal value	Maturity	Interest rates (%)	Date of issue	Nominal value	Maturity	Interest rates (%)
07.09.2022	190.001	03.01.2023	20,25	19.10.2021	261.019,00	15.04.2022	18,25
21.09.2022	145.000	01.02.2023	21,00	05.11.2021	228.001,00	02.03.2022	16,40
20.12.2022	168.139	01.03.2023	21,00	22.12.2021	65.420,00	17.06.2022	21,50
				24.12.2021	56.300,00	24.03.2022	21,00
Total	503.140				610.740		

13 PROVISIONS

Details of provisions as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Provision for employee benefits	26.705	-	15.158	-
Provision for brokerage commissions	-	1.143	-	1.637
Provision for lawsuits	2.292	-	1.020	-
Other provisions	19.175	10.423	4.395	3.712
	48.172	11.566	20.573	5.349

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13 PROVISIONS (Continued)

13.1 Provision for Employee Benefits

Provision for employee benefits as at 31 December 2022 includes retirement pay provision amounting to TL 11.803 (31 December 2021: TL 5.583), unused vacation accrual amounting to TL 5.533 (31 December 2021: TL 2.557) and personnel bonus accrual amounting to TL 9.369 (31 December 2021: TL 7.018).

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose contract is terminated after one service year or who is entitled to a retirement at the age of 60 (58 for women) after 25 service years (20 for women) or who is called for military service or who is dead. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended as of 23 May 2002. The amount of compensation to be paid is equal to one month’s salary and this amount for the period 01 July – 31 December 2022 is TL 15.371,40 (full), (31 December 2021: TL 8.284,51 (full)). The amount of compensation to be paid is equal to one month’s salary for every and each year of employment.

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

Consequently, in the accompanying financial statements as at 31 December 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 14,36 % and a discount rate of 17,79% (31 December 2021: inflation rate of 15,80 %, discount rate of 19,10%).

Movement of retirement pay provision as at 31 December 2022 and 31 December 2021 are as follows

	1 January- 30 December 2022	1 January- 30 December 2021
Net liability at the beginning of the period	5.583	4.208
Severance indemnity paid in the period	(749)	(603)
Recognized under income statement	1.806	1.452
Retirement provision recognized under other comprehensive income	5.163	526
Net liability at the end of period	11.803	5.583

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

13 PROVISIONS (Continued)

13.1 Provision for Employee Benefits

Personnel Bonus Accrual

Movement of the personnel bonus provision as at 31 December 2022 and 31 December 2021 are as follows:

	1 January- 30 December 2022	1 January- 30 December 2021
Balance at 1 January	7.018	4.868
Paid in the period	(7.849)	(3.164)
Reversal	(367)	(136)
Accrual for the period	10.567	5.450
Balance at the end of the period	9.369	7.018

Unused Vacation Accrual

The movement of unused vacation provisions as at 31 December 2022 and 31 December 2021 are as follows:

	1 January- 30 December 2022	1 January- 30 December 2021
Balance at 1 January	2.557	1.682
Paid in the period	(300)	(300)
Reversal	(27)	-
Accrual for the period	3.303	1.175
Balance at the end of the period	5.533	2.557

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13 PROVISIONS (Continued)

13.2 Other Provisions

As at 31 December 2022, the Company has set aside TL 1.143 correspondent allowance provision, TL 2.292 continuing legal proceedings, TL 29.598 continuing legal proceedings. (31 December 2021: TL 8.107 is other wages to be paid to staff 1.637 TL is correspondent allowance provision. TL 1.020 continuing legal proceedings.)

The movement of other provision for the periods ended 31 December 2022 and 31 December 2021 are as follows::

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Balance at 1 January	5.415	5.349	1.667	737
Paid in the period	-	(1.637)	(945)	(737)
Accrual for the period	16.052	7.854	4.693	5.349
Balance at the end of the period	21.467	11.566	5.415	5.349

14 OTHER LIABILITIES

Details of other liabilities as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Taxes payable	12.615	-	5.072	-
Unearned income	6.428	-	638	-
Lenders to vendors	819	16	1.671	-
Temporary accounts payable	38	570	29	32
Remittances payable	59	-	-	1.469
Other creditors	32	-	57	11
Other liabilities	19.991	586	7.467	1.512

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15 SHAREHOLDERS' EQUITY

15.1 Paid-in Capital

As at 31 December 2022, the Company's share capital amounts to TL 79.500 (31 December 2021: TL 79.500). As at 31 December 2022, the Company has 7.950.000.000 (31 December 2021: 7.950.000.000) total registered shares consisting of 4.004.242.970 preferred shares and 3.945.757.030 ordinary shares with a par value of Kr 1 each (31 December 2021: Kr 1).

15.2 Capital Reserves

None (31 December 2021: None).

15.3 Other Comprehensive Income or Expense

As at 31 December 2022, TL (5.364) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss (31 December 2021: TL (1.590) includes actuarial gain/ losses of employee termination benefits and its deferred tax effect that will not be reclassified subsequently to profit or loss).

15.4 Accumulated Other Comprehensive Income or Expense

None (31 December 2021: None).

15.5 Profit Reserves

As at 31 December 2022, the Company's profit reserves comprise of the legal reserves amounting to TL 15.900 (31 December 2021: TL 13.354) and extraordinary reserves amounting to TL 251.296 (31 December 2021: TL 121.906).

15.6 Profit Distribution

Profit distribution statement approved at the General Assembly Meeting held on April 4, 2022 the is as follows.

Profit distribution table	31 December 2021
Net Profit for the year	131.936
Legal reserves (-)	2.546
Distributable net profit of the period	129.390
Distributable net profit of the period (with donations)	129.390
Extraordinary reserves	129.390

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16 OPERATING INCOME

The details of operating income for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Factoring interest income	1.300.626	621.491
Factoring fee and commission income	47.214	17.284
	1.347.840	638.775

17 FINANCE EXPENSES

The details of finance expenses for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Interest expenses on funds borrowed	566.176	320.305
Interest expenses on marketable securities issued	183.162	95.800
Fees and commissions given (net)	18.077	1.171
Leasing expenses	1.199	1.314
Other interest expense	175	587
	768.789	419.177

18 OPERATING EXPENSES

The details of operating expenses for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Personel expenses	65.480	39.872
IT maintenance and contract expenses	9.313	9.856
Depreciation and amortization charges	9.936	6.314
Provision for retirement pays	1.806	1.452
Consultancy expenses	2.095	1.885
Vehicle expenses	1.236	746
Communication expenses	1.043	741
Litigation expenses	1.628	1.466
Other	4.548	7.281
	97.085	69.613

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18 OPERATING EXPENSES (continued)

The details of personnel expenses classified under operating expenses for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Salaries and wages	40.427	26.916
Bonuses	10.567	5.450
Social security premium employer's share	6.016	3.397
Personnel food expenses	2.166	739
Insurance expenses	1.886	1.136
Business immortality	697	391
Other	3.721	1.843
	65.480	39.872

19 OTHER OPERATING INCOME

The details of other operating income for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange profits	35.102	75.074
Expected losses provision reversals	14.328	22.057
Interests received from banks	9.638	1.850
Interests received from securities	-	6.006
Profits on derivative financial transactions	-	4.005
Other	2.277	2.135
	61.345	111.127

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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20 PROVISIONS

The details of expected credit loss for the periods ended as at 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Stage 1 (*)	13.949	8.613
Stage 2	23	35
Stage 3 (**)	23.051	32.673
	37.023	41.321

(*) TL 57 expected loss provision is included for assets classified under Cash, Cash Equivalents and Central Bank (31 December 2021: TL 331 expected loss provision is included for assets classified under Cash, Cash Equivalents and Central Bank).

(**) Includes TL 7.998 increase in foreign currency exchange rate difference and TL 280 default interest provision (31 December 2021: TL 9.903 includes foreign currency increase in expected FX loss provision and TL 458 default interest provision).

21 OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange losses	15.149	46.571
Other	273	264
	15.422	46.835

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22 EARNINGS SHARE

Calculation of earnings per share for the periods ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Net profit for the period	350.742	131.936
Weighted average number of shares with 1 KR of nominal value (thousand)	7.950.000.000	7.950.000.000
Earnings per thousand shares (KR)	4,4118	1,6596

23 RELATED PARTY TRANSACTIONS

The details of receivables and payables due from and due to related parties as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Bank balances				
Türkiye Garanti Bankası A.Ş.	5.808	11.720	91.547	10.352
Demand deposits	5.808	11.720	1.989	10.352
Time deposit	-	-	89.558	-
Garantibank International NV	1	19.889	1	10.514
Demand deposits	1	19.889	1	10.514
	5.809	31.609	91.548	20.866

The amount of cheques and notes at custody of Türkiye Garanti Bankası A.Ş. related with factoring receivables as at 31 December 2022 is TL 3.701.339 (31 December 2021: TL 2.002.631).

The details of receivables and payables due from and due to related parties as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Factoring receivables				
Garanti Filo Yönetim Hizmetleri A.Ş.	538.477	-	-	-
	538.477	-	-	-

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Funds borrowed				
Türkiye Garanti Bankası A.Ş.	4.584.774	496.769	782.364	680.731
Garantibank International NV	-	167.660	-	240.923
	4.584.774	664.429	782.364	921.654

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23 RELATED PARTY TRANSACTIONS (continued)

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Indemnity bond				
Türkiye Garanti Bankası A.Ş.	2.102	-	2.912	-
	2.102	-	2.912	-

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Miscellaneous Payables				
Türkiye Garanti Bankası A.Ş.	645	-	795	-
	645	-	795	-

Income and expenses from related parties for the periods ended 31 December 2022 and 31 December 2021 are as follow :

	31 December 2022	31 December 2021
Interest income from factoring receivables and commissions		
Garanti Filo Yönetim Hizmetleri A.Ş.	33.780	-
	33.780	-

	1 January- 31 December 2022	1 January- 31 December 2021
Interest income on bank deposits		
Türkiye Garanti Bankası A.Ş.	1.685	424
	1.685	424

	1 January- 31 December 2022	1 January- 31 December 2021
Interest expenses on funds borrowed		
Türkiye Garanti Bankası A.Ş.	221.986	130.807
Garanti Bank International NV	5.511	923
	227.497	131.730

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23 RELATED PARTY TRANSACTIONS (continued)

	1 January- 31 December 2022	1 January- 31 December 2021
Fees and commissions given		
Garanti Yatırım Menkul Kıymetler A.Ş.	2.887	1.444
Türkiye Garanti Bankası A.Ş.	247	193
Garanti Bank International NV	515	115
	3.649	1.752

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

	1 January- 31 December 2022	1 January- 31 December 2021
Profits from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	-	2.332
	-	2.332
	1 January- 31 December 2022	1 January- 31 December 2021
Losses from Financial Derivatives		
Türkiye Garanti Bankası A.Ş.	775	-
	775	-

Salary and other benefits provided to board members and executives:

The net amount of salary and other benefits provided to board members and executives by the Company for the period ended 31 December 2022 is TL 7.138 (31 December 2021: TL 3.731).

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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24 CONTINGENT ASSETS AND LIABILITIES

24.1 Guarantees Received

Guarantees received for the Company's factoring receivables as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Sureties received (*)	-	55.202.443	-	45.498.193
Finance notes	2.200	19.139.299	2.300	12.006.677
Correspondent guarantees	-	233.838	-	263.461
Insurance coverage	206.127	85.008	134.789	52.606
Mortgage	281	-	281	81.664
Pledge of mortgage	32.280	-	33.280	-
Guarantee cheques	448	-	448	-
	241.336	74.660.588	171.098	57.902.601

(*)Sureties received consist of the sum of amounts signed by each guarantor for every contract within the context of the factoring contracts.

24.2 Guarantees Given

Guarantees given as at 31 December 2022 and 31 December 2021 consist of letters of guarantee given to the institutions below:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Takasbank (Note 10)	1.310.000	-	614.500	-
Courts	4.192	-	5.640	85
Other	10	-	10	-
	1.314.202	-	620.150	85

24.3 Safety Securities

The details of cheques and notes in collection as at 31 December 2022 and 31 December 2021 are as follows

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Cheques in collection	3.455.603	516.119	1.830.679	386.618
Notes in collection	22.669	55.200	22.290	39.006
	3.478.272	571.319	1.852.969	425.624

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

25.1 Financial Risk Management Purposes and Policies

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

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

25.1.1 Credit Risk

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

Under the credit allocation;

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

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

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

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

Credit monitoring phase;

In order to monitor the allocated credits an early warning system has been developed. Periodically, customer credibility assessments are performed. In this context, overdraft checks, overdue factoring receivables and invoices are monitored on a daily basis and, if deemed necessary, additional intelligence investigations about customers are made.

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

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

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.1 Financial Risk Management Purposes and Policies (continued)

25.1.2 Market Risk

The Company takes necessary precautions to safeguard itself according to the changing market conditions. The market risk is managed by taking the hedging positions and undertaking derivative transactions within the limits approved by the Board of Directors. The major cost element of the Company is the interest expenses from borrowings and it may be affected by the fluctuations in the market.

In this context, under the monitoring of the senior management, debt maturities are managed with respect to the interest expectations in the market. In addition, to manage the cash flow and liquidity risk, the maturity of factoring receivables, bank loans and deposit accounts is monitored. Daily status reports are prepared and end of day open treasury operations are reported to senior management.

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

25.1.3 Liquidity Risk

Liquidity Risk is managed by the Treasury and Asset Liability Committee within the framework of the risk management policies, in order to take the necessary measures timely and accurately to avoid the liquidity shortage due to the market conditions and the balance sheet structure.

Daily liquidity management is carried out by the Treasury Department. Treasury, while performing this task, considers early warning signals for possible liquidity shortages. Medium and long-term liquidity management is carried out by the Treasury in accordance with the Asset Liability Committee decisions.

The company policy for the liquidity management is designed to have the sufficient liquidity in order to, maintain funding, utilizing any investment opportunities, fulfilment of any credit demand and any possible liquidity shortage. The Company's funding is based on bank loans and bond issues. While constituting the asset structure to ensure efficient management of liquidity, following points are taken into consideration:

- Ease of liquidity,
- Ease of liquidity of collaterals received

The necessary diversification of assets and liabilities is provided in order to fulfil the payment obligations considering the related currencies. The Company monitors cash flows from assets and liabilities and predicts future liquidity needs in TL and FX liquidity management.

Early warning systems are established and monitored by taking into consideration of both the Company's own financial indicators as well as the Turkish capital market, macroeconomic data and global market indicators. The weight of the funding sources like borrowings and bonds in the liabilities, the counterparty transaction volume concentration and the maturity structure is monitored.

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.1 Financial Risk Management Purposes and Policies (continued)

25.1.4 Operational Risk

All operational risks are managed under the supervision of the Board of Directors and the Audit Committee in accordance with the framework that covers; risk identification, risk assessment, risk monitoring and risk control/mitigation. Each unit of the Company is responsible from their own operational risk monitoring, controlling and mitigating their operational risk by taking the necessary actions. The ultimate responsibility is on the relevant senior management.

In order to create an effective “internal control system”, the Company makes necessary organizational arrangements, establishes the appropriate communication and information systems and constitutes monitoring function.

Internal Audit Department is responsible from the audit of departments at headquarters and branches and investigation of any fraudulent activities performed by the staff or third parties. It is also responsible from creating a sound internal control environment and its coordination, and also carrying out of the Company’s operations within the legislation and regulations and in accordance with the Company management strategy and policy. In order to ensure compliance with national and international regulations, studies are carried out by the compliance officer in the scope of the strategy for the combat against the crime revenue and financing of terrorism.

The performance of the internal control system of the Company and the effectiveness of controlling operational risks is monitored regularly by the Internal Audit Department. In this context, system controls that constitute the internal control system, business cycle controls performed by the staff, organizational structure, segregation of duties, and basically general control environment are assessed.

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

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

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

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

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.1 Financial Risk Management Purposes and Policies (continued)

25.1.5 Reputation Riski

The Board of Directors and the whole staff of the Company is responsible from the protection of the reputation of the Company. Human Resources and Internal Audit Department determines the principles of the ethical rules and code of conduct of the Company and monitor the compliance of the employees to those rules.

The Company tries to avoid any kind of operation that would create a reputational risk in the eyes of regulators, its customers and other market participants and perform its maximum effort to be beneficial to the society, nature and humanity. The Company performs its all transactions and operations within the framework of compliance with the legislation, corporate governance principles, social, ethical and environmental principles.

In order to regulate the behavioural affairs of its employees and their business relationships, “Ethical Principles Procedure” and “Fraud and Unethical Behaviour Prevention Policy” documents are available as prepared by the Human Resources Department and Internal Audit Department. The Company is committed to the principles of corporate governance and shows maximum effort in the implementation of these principles. Annual report and website is regularly updated, within the framework of corporate governance principle.

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.2 Risk Management Disclosures

25.2.1 Credit Risk

31 December 2022	Factoring Receivables		Non-performing receivables			Other Assets	Cash Equivalents	Derivative financial-Assets held for trading
	Related Party	Others	Related Party	Others	Related Party			
Maximum net credit risk as at balance sheet date (A+B+C+D+E) -	536,486	8,912,206	-	7,744	-	-	109,076	20
A. Carrying value of financial assets that are not past due nor impaired	538,477	8,928,245	-	-	-	-	109,848	20
B. Net book value of financial assets whose terms are reassessed, if not accepted as past due nor impaired -	-	-	-	-	-	-	-	-
C. Financial assets that are past due but not impaired -	-	96	-	-	-	-	-	-
- carrying value	-	96	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	(1,991)	(16,135)	-	7,744	-	-	(772)	-
- Past due (gross carrying value)	-	-	-	69,056	-	-	-	-
- Impairment (-) (*)	(1,991)	(16,135)	-	(61,312)	-	-	(772)	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Off-balance sheet items that include credit risk	-	-	-	-	-	-	-	-

(*) Represents the expected loss provisions for factoring receivables in the first and second stages.

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.2 Risk Management Disclosures (continued)

25.2.1 Credit Risk (continued)

	31 December 2021		Factoring Receivables		Non-performing		Other Assets		Derivative Financial Assets held for trading	
	Related Party	Others	Related Party	Others	Related Party	Others	Related Party	Others		
Maximum net credit risk as at balance sheet date (A+B+C+D+E)	-	4.136.435	-	9.752	-	-	-	-	152.942	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	-	-	-	-	-	-	-	-	-	-

(*) Represents the expected loss provisions for factoring receivables in the first and second stages

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.2 Risk Management Disclosures (continued)

25.2.2 Liquidity risk

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

31 December 2022

Contractual Maturities	Carrying amount	Total expected cash inflows / outflows	Less than 3 months	3-12 months	1-5 years
Non-derivative financial liabilities	8.835.949	9.185.470	6.339.842	2.503.968	341.660
Funds borrowed	8.303.548	8.643.193	5.804.178	2.501.556	337.459
Securities issued	494.963	503.140	503.140	-	-
Factoring payable	31.641	31.641	31.641	-	-
Payable leasing transactions	5.797	7.496	883	2.412	4.201

31 December 2021

Contractual Maturities	Carrying amount	Total expected cash inflows / 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

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25 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

25.6 Explanations on Risk Management (continued)

25.6.3 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 2022 and 31 December 2021.

Foreign currency assets and liabilities as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
	(TL equivalent)	(TL equivalent)
A. Foreign currency monetary assets	1.053.388	1.331.236
B. Foreign currency monetary liabilities	(991.891)	(1.320.113)
Net foreign currency position (A+B)	61.497	11.123

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

25.6 Explanations on Risk Management (continued)

25.6.3 Market risk (continued)

Foreign currency risk (continued)

The table below summarizes the Company's foreign currency position in detail as at 31 December 2022 and 31 December 2021. Carrying amounts of the Company's foreign currency monetary assets and liabilities are presented with their original currencies:

31 December 2022	USD	EURO	GBP	Total
Assets				
Cash and cash equivalents	20.770	16.463	832	38.065
Financial assets at fair value through profit or loss	-	20	-	20
Factoring receivables (Net)	755.315	126.368	132.725	1.014.408
Other Assets	806	78	11	895
Total assets	776.891	142.929	133.568	1.053.388
Liabilities				
Funds borrowed	733.274	96.745	131.178	961.197
Factoring payables	14.682	10.909	3.374	28.965
Sundry creditors and other liabilities	420	1.169	140	1.729
Total liabilities	748.376	108.823	134.692	991.891
Net foreign currency position	28.515	34.106	(1.124)	61.497
Net position	28.515	34.106	(1.124)	61.497

(*) Foreign currency provision amounting to TL 10.423 has not been taken into account in the currency risk calculation.

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

25.6 Explanations on Risk Management (continued)

25.6.3 Market risk (continued)

Foreign currency risk (continued)

31 December 2021	USD	EURO	GBP	Total
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
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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25 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

25.2 Explanations on Risk Management (continued)

25.2.3 Market risk (continued)

Foreign currency sensitivity risk

10% decrease in the TL against the relevant foreign currencies for the periods ended 31 December 2022 and 2021 results in an increase in profit before tax for the period amounting to TL 6.151 (31 December 2021: TL 1.112 increase). This analysis is made with the assumption that the other variables were held constant for the periods ended 31 December 2022 and 31 December 2021.

TL 31 December 2022	Profit/(Loss)
USD	2.851
EURO	3.411
GBP	(112)
Toplam	6.150

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

Interest Rate Risk

Weighted average effective interest rates applied to financial instruments as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022				31 December 2021			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP (%)	TL (%)
Assets								
Term deposit	-	-	-	10,24	-	-	-	23,50
Factoring receivables	11,82	7,07	6,30	26,57	4,79	4,79	3,77	3,32
Credits received	9,66	4,56	4,49	17,23	3,03	1,83	1,43	19,75
Issued securities	-	-	-	20,72	-	-	-	21,50

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

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

25.2 Explanations on Risk Management (continued)

25.2.3 Market risk (continued)

Interest rate risk sensitivity analysis

The Company’s financial instruments that have interest rate sensitivity as at 31 December 2022 and 31 December 2021 are as follows:

	Carrying Value	
	31 December 2022	31 December 2021
Fixed Rate		
Factoring receivables	7.818.625	3.127.298
Time deposit	63.110	128.243
Funds borrowed	7.351.790	3.002.971
Issued securities	494.963	583.768
Variable Rate		
Factoring receivables	1.648.193	1.020.599
Credits received	951.758	346.976

If interest rates of the floating rate instruments denominated in USD and EURO were 100 basis points higher/lower at the date of reissue and all other variables were constant as at 31 December 2022, net income for the period would decrease/increase by TL 6.964 (31 December 2021: TL 6.736) as a result of higher/lower interest expense from floating interest rate financial instruments.

Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the profit through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings disclosed in Note 15.

It is shown by the management reviews the cost of capital and the risks associated with each class of capital. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and presents to the Board of Directors for approval.

The overall strategy of the Company did not differ materially from the prior period.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

26 FINANCIAL INSTRUMENT

Fair Value of Financial Instruments

The Company calculated fair values of financial instruments using available market information and appropriate valuation methodologies. However, as the judgment is necessary to interpret market data to determine the estimated fair value, the calculated fair values may not be fully reflective of the value that could be realized in the current circumstances. Management assumes that the fair values of financial assets and liabilities at amortized cost including cash and banks, factoring receivables and short-term bank loans denominated in TL approximate their carrying values due to their short term nature.

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 2022. The method for each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	20	-	-	20
	20	-	-	20
31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Net)	15	-	-	15
	15	-	-	15

27 EVENTS AFTER THE REPORTING PERIOD 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 2022	1 January- 31 December 2021
Independent audit fee	218	300
	218	300

28 EVENTS AFTER THE REPORTING PERIOD

None.

Garanti Faktoring A.Ş.

Contact Information

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