2019 Activity Report

KREDİ GARANTİ FONU

KREDİ GARANTİ FONU

YÖNETİM KURULU'NUN YILLIK FAALİYET RAPORUNA İLİŞKİN BAĞIMSIZ DENETÇİ RAPORU

Kredi Garanti Fonu A.Ş. Genel Kurulu'na

1. Görüş

Kredi Garanti Fonu A.Ş.'nin ("*Şirket*") 1 Ocak - 31 Aralık 2019 hesap dönemine ilişkin yıllık faaliyet raporunu denetlemiş bulunuyoruz.

Görüşümüze göre, Yönetim Kurulu'nun yıllık faaliyet raporu içinde yer alan finansal bilgiler ile Yönetim Kurulu'nun Şirket'in durumu hakkında denetlenmiş olan finansal tablolarda yer alan bilgileri kullanarak yaptığı irdelemeler, tüm önemli yönleriyle, denetlenen tam set finansal tablolarla ve bağımsız denetim sırasında elde ettiğimiz bilgilerle tutarlıdır ve gerçeği yansıtmaktadır.

2. Görüşün Dayanağı

Yaptığımız bağımsız denetim, Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu ("KGK") tarafından yayımlanan Türkiye Denetim Standartlarının bir parçası olan Bağımsız Denetim Standartları'na ("BDS") uygun olarak yürütülmüştür. Bu standartlar kapsamındaki sorumluluklarımız, raporumuzun Bağımsız Denetçinin Yıllık Faaliyet Raporunun Bağımsız Denetimine İlişkin Sorumlulukları bölümünde ayrıntılı bir şekilde açıklanmıştır. KGK tarafından yayımlanan Bağımsız Denetçiler için Etik Kurallar ("Etik Kurallar") ve bağımsız denetimle ilgili mevzuatta yer alan etik hükümlere uygun olarak Şirket'ten bağımsız olduğumuzu beyan ederiz. Etik Kurallar ve mevzuat kapsamındaki etiğe ilişkin diğer sorumluluklar da tarafımızca yerine getirilmiştir. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.

3. Tam Set Finansal Tablolara İlişkin Denetçi Görüşümüz

Şirket'in 1 Ocak - 31 Aralık 2019 hesap dönemine ilişkin tam set finansal tabloları hakkında 4 Mart 2020 tarihli denetçi raporumuzda olumlu görüş bildirmiş bulunuyoruz.

4. Yönetim Kurulu'nun Yıllık Faaliyet Raporuna İlişkin Sorumluluğu

Şirket yönetimi, 6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 514. ve 516. Maddelerine göre yıllık faaliyet raporuyla ilgili olarak aşağıdakilerden sorumludur:

a) Yıllık faaliyet raporunu bilanço gününü izleyen ilk üç ay içinde hazırlar ve genel kurula sunar. Yıllık faaliyet raporunu; Şirket'in o yıla ait faaliyetlerinin akışı ile her yönüyle finansal durumunu doğru, eksiksiz, dolambaçsız, gerçeğe uygun ve dürüst bir şekilde yansıtacak şekilde hazırlar. Bu raporda finansal durum, finansal tablolara göre değerlendirilir. Raporda ayrıca, Şirket'in gelişmesine ve karşılaşması muhtemel risklere de açıkça işaret olunur. Bu konulara ilişkin yönetim kurulunun değerlendirmesi de raporda yer alır.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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b) Faaliyet raporu ayrıca aşağıdaki hususları da içerir:

- Faaliyet yılının sona ermesinden sonra şirkette meydana gelen ve özel önem taşıyan olaylar,
- Şirketin araştırma ve geliştirme çalışmaları,
- Yönetim kurulu üyeleri ile üst düzey yöneticilere ödenen ücret, prim, ikramiye gibi mali menfaatler, ödenekler, yolculuk, konaklama ve temsil giderleri, ayni ve nakdî imkânlar, sigortalar ve benzeri teminatlar.

Yönetim kurulu, faaliyet raporunu hazırlarken Ticaret Bakanlığı'nın ve ilgili kurumların yaptığı ikincil mevzuat düzenlemelerini de dikkate alır.

5. Bağımsız Denetçinin Yıllık Faaliyet Raporunun Bağımsız Denetimine İlişkin Sorumluluğu

Amacımız, TTK hükümleri çerçevesinde yıllık faaliyet raporu içinde yer alan finansal bilgiler ile Yönetim Kurulu'nun denetlenmiş olan finansal tablolarda yer alan bilgileri kullanarak yaptığı irdelemelerin, Şirket'in denetlenen finansal tablolarıyla ve bağımsız denetim sırasında elde ettiğimiz bilgilerle tutarlı olup olmadığı ve gerçeği yansıtıp yansıtmadığı hakkında görüş vermek ve bu görüşümüzü içeren bir rapor düzenlemektir.

Yaptığımız bağımsız denetim, BDS'lere uygun olarak yürütülmüştür. Bu standartlar, etik hükümlere uygunluk sağlanması ile bağımsız denetimin, faaliyet raporunda yer alan finansal bilgiler ve Yönetim Kurulu'nun denetlenmiş olan finansal tablolarda yer alan bilgileri kullanarak yaptığı irdelemelerin finansal tablolarla ve denetim sırasında elde edilen bilgilerle tutarlı olup olmadığına ve gerçeği yansıtıp yansıtmadığına dair makul güvence elde etmek üzere planlanarak yürütülmesini gerektirir.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Sorumlu Denetçi

İstanbul, 9 Mart 2020

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AGENDA OF THE GENERAL ORDINARY ASSEMBLY MEETING OF KREDİ GARANTİ FONU A.Ş. DATED MARCH 26th, 2020

1. Opening and the formation of Meeting Council,
2. A moment of silence and national anthem,
3. Authorization of the Meeting Council to sign the minutes of meeting on behalf of the General Assembly,
4. Presentation, discussion and approval of the Annual Activity Report of the Board of Directors for the year 2019,
5. Presentation and discussion of the Independent Audit Report for the Accounting Period 2019,
6. Presentation, discussion and approval of the Balance Sheet and Income Statement for the year 2019,
7. Release of each and every Board Member from liability for Company's activities and accounts in 2019,
8. Approval of the General Assembly for temporary appointment of Board Members for seats vacated during 2019,
9. Selection of the Independent Audit Firm proposed by the Board of Directors for the activities in year 2020,
10. Determination of the amounts of wages and honorariums payable to the Chairman and members of the Board of Directors,
11. Expression of wishes and requests, and closing.

EVALUATION OF THE SENIOR MANAGEMENT

Faik Yavuz
Chairman of the Board of Directors

All around the world, SMEs are the most crucial building blocks of the real sector and essential for countries' development, equitable distribution of income, sustainable growth, employment and healthy economy, thus requiring protection and support. SMEs are faced with a number of obstacles of various kinds and scales, both visible and invisible. The main obstacle is access to finance.

SMEs play a significant role in the global economy due to their contribution to GDPs of individual countries as well as their direct impact on creating jobs and lowering unemployment rates. However, this inherent chain is only possible through a healthy and smoothly functioning financial system.

One of the most important features of a healthy financial system is its ability to ensure an effective distribution of resources to the real sector and their materialisation into investments.

Being of critical importance for investment, innovation, employment, and economic growth, SMEs - to a great extent - rely on bank loans as their main source of finance. Regrettably, their access to alternative financial resources is quite limited. In this respect, diversification of financing modalities alternative to bank loans as well as devising alternative methods for accessing bank loans are equally important to ensure that SMEs continue to play their vital role in the economy.

Just like the rest of the world, the biggest problem encountered by the real sector in Turkey when it comes to accessing finance is the issue of collateral. Collateral requirement, be it in the same amount of the financing requested or often several times higher than the financing amount requested, along with short-term financing instruments offered to firms become unmanageable in the long run, ultimately causing firms to cease their operations. Such consequences also bring along considerable damage not only to the financial sector but also to the national economy.

Right at this point, modern credit guarantee systems for accessing finance comes to the fore as a key point. Turkey was introduced to this system by Kredi Garanti Fonu, thanks to which the country has so far met the financing needs of hundreds of thousands of firms and paved the way for new investments, jobs, and sustainable growth.

Turkey is currently among the top 20 economies in the world. In order for Turkey to climb up ranks and join the top ten, both the real sector as well as the financial sector should continue to play their roles and take action. To this end, we must not only promote financial literacy in the real sector but also increase and diversify sources of finance.

As Turkey's credit guarantee agency, Kredi Garanti Fonu has been the biggest supporter of Turkish firms in the past 29 years of its operation. In 2020, KGF will continue to increase its support by adding new resources and projects into its portfolio.

TURKEY WILL GROW WITH KGF

KGF FOR SUSTAINABLE GROWTH

İsmet Gergerli
General Manager

The new economic order that emerged with the Industrial Revolution entailed new structures and new ways of doing business for the stakeholders in the economy as well as their constant change, evolution and development. Particularly, the Great Depression of 1929 in the aftermath of the World War I and the destruction caused by the World War II compelled even more radical changes.

One can observe such changes mostly in Europe, but also in other regions. In the wake of these changes, while building upon similar modalities, each country adopted different practices driven by their own dynamics.

Systems such as Cooperative Banking, Public Banking, Credit Guarantee Systems have been put into place in Europe, particularly in Germany, after being tailored to the needs of respective countries. There are also different variations of these systems in the Far East and Latin America.

The new world order that emerged after 1945 has brought along a bipolar model not only in Europe, but also in Asia. Generally speaking, Asian countries have been divided into two categories: Socialist countries that adopted the economic model of the Soviet system and other countries that espoused the economic system of the US with the support of the latter.

Meanwhile Korea was partitioned into two, one part remaining under Soviet influence, the other part embracing Western values with US backing. The Korean case is in fact the most tangible manifestation of the dichotomy between these economic systems. Today, South Korea is the world's tenth largest economy, with an economic performance that sets a very good example deserving detailed analysis and consideration.
Despite its small geographical size and population, South Korea could make this achievement through an outstanding economic system.

Although governed by socialist rule, China has made its mark in the last two decade, with its enormous population and successful integration into the global economic system.

India can be considered as another success story owing to its population advantage. Indonesia, Malaysia, Thailand and other Far Eastern countries are also among the examples that need to be analysed within the big picture.

Without a doubt, Japan is one of the most successful examples among these countries.

Due to our geographical proximity to Europe, we do follow and know the economic activities and products of other countries in Europe; however, we do not follow the Asian countries in the same light. That's why Credit Guarantee Systems captured the attention of our country only at later stages, and these systems were not used effectively in the initial years following their formation. However, when one looks into the economic chains of the above-mentioned countries, the significance of credit guarantee systems, the ways to enhance their functionality, their contribution to the overall economy, and their life jacket role in times of crisis do all become crystal clear.

Inspired by the successful models worldwide, in 2016 we developed a credit guarantee system that is completely tailored to our country, and we set the target to bring together all the stakeholders making up our economy. To this date, we have succeeding in eliminating the issue of collateral for hundreds of thousands of firms in Turkey, paving the way for their access to finance, and we have enabled the banks to extend loans with confidence.

By focusing our attention on the financing of tourism, export and manufacturing sectors, we have made a significant contribution to economic growth. As Kredi Garanti Fonu, we shelved the highly outdated mortgage-based system, and introduced a modern credit guarantee system to the Turkish economic literature.

And now is the time to bring in foreign resources to our country. We must materialise sustainable economic growth not only by supporting the real sector through our own means, but also through securing and channelling resources from abroad.

We have full faith and confidence in achieving this goal...

Board of Directors

1. FAİK YAVUZ
Chairman
2. CEVAHİR UZKURT
Vice Chairman
3. İSMET GERGERLİ
Member of the Board of Directors & General Manager
4. RECEP ALİ ERDOĞAN
Member of the Board of Directors
5. TEMEL TAYYAR YEŞİL
Member of the Board of Directors
6. MUTAFA DERYAL
Member of the Board of Directors
7. ASİLHAN ARSLAN
Member of the Board of Directors
8. MİKAİL HIDIR
Member of the Board of Directors
9. ERKİN AYDIN
Member of the Board of Directors

Biographies of Board Members

FAİK YAVUZ
Chairman of the Board of Directors

Born in 1953 in Şereflikoçhisar, Ankara, Faik Yavuz graduated from the Department of Mathematics, Faculty of Education at Gazi University. He serves as the Chairman of the Board of Directors of Ankara Commodity Exchange, Treasurer Member of TOBB Board of Directors, Vice Chairman of ICC, Member of TEPAV Board of Directors, and Member of TOBB ETÜ Board of Trustees.

CEVAHİR UZKURT
Vice Chairman of the Board of Directors

Born in Niğde in 1973, Cevahir Uzkurt graduated from the Department of International Business Administration, Faculty of Economics and Administrative Sciences at Marmara University in 1995. He obtained his master's degree in Social Policy at İstanbul University in 1997 and completed his PhD in Production Management and Marketing at Marmara University in 2002. Having started his professional career as a research assistant at Kırıkkale University's Faculty of Economics and Administrative Sciences between 1996 and 2000, Uzkurt worked as a research assistant at Eskişehir Osmangazi University's Faculty of Economics and Administrative Sciences between 2000 and 2003, and as an associate professor between 2009 and 2011. Having worked as an associate professor at Yıldırım Beyazıt University's Faculty of Management in 2011-2012, Uzkurt then became Professor of Business Administration at Kırıkkale University's Faculty of Economics and Administrative Sciences in 2015-2016. He started his career in bureaucracy on January 31st, 2012, serving as the General Director of Science and Technology at the Ministry of Science, Industry and Technology (2012-2015), and as the Deputy Undersecretary at the same Ministry (2015-2018). He also served as a member of TÜBİTAK Science Committee (2014-2018), member of Turkish Patent Institute Advisory Committee (2013-2018), and member of Energy Efficiency Coordination Board (2015-2017). Uzkurt has been the President of KOSGEB since July 7, 2017, and a Board Member of Technology Development Foundation of Turkey (TTGV) since 2017. He has many books and articles published in national and international journals.

İSMET GERGERLİ
Member of the Board of Directors & General Manager

Having graduated from the Department of International Relations of the Faculty of Political Sciences at Ankara University, Gergerli obtained his master's degree in Sociology from Ankara University. He began his banking career at Pamukbank. He worked at marketing and credit departments of corporate branches. He acted as the Manager of Entrepreneurial Loans Department. He held the offices of Head of Tradespeople Banking Department, Head of Tradespeople and Small Enterprise Banking Department, Head of SME Marketing Department, and Head of Training Department at Halkbank in 2005-2011. He worked as Halkbank's 3rd Regional Coordinator in Ankara and 1st Regional Coordinator in Istanbul between 2011 and 2015. He served as a Board Member of Kredi Garanti Fonu between 2008 and 2011.

He has been the General Manager of KGF since November 2015. In 2018, Gergerli was named the "Bureaucrat of the Year" at the Annual Business People Awards organized by the Ekonomist magazine. In addition to numerous articles he published, Gergerli also penned the book "Secret Power of the Japanese Economy" published by İş Kültür Yayınları. Gergerli continues to lecture in Banking at Anadolu University's Economic and Administrative Sciences Faculty.

MUSTAFA DERYAL
Member of the Board of Directors

Born in Bucak, Burdur in 1956, Deryal completed his primary and secondary education in Bucak and graduated from university in 1986. He started to work as a wholesaler of construction paints in 1987. Since 1996, he has been manufacturing construction and industrial paints at his company Kardelen Boya ve Kimya Sanayi. He was appointed as a Board Member representing the Union of Chambers and Commodity Exchanges of Turkey (TOBB) at the 44th General Assembly of MPM (National Productivity Centre). He was also elected as the Deputy Chairman by the 45th and 46th General Assemblies, finally, he was elected and served as MPM Chairman. He has also been working as a sector representative at ATO (Ankara Chamber of Commerce) Painting and Chemistry Committee for five terms. During this period, apart from being a Member of the Assembly, he also served as a Board Member and Acting Chairman of ATO. He is currently acting as the President of the Assembly of ATO, following his election to this post in 2018.

Note: Pursuant to the permission granted by the KGF General Assembly, Board Members have no activity - conducted either on their behalf or behalf of others - that is subject to prohibition of competition.

Biographies of Board Members

RECEP ALİ ERDOĞAN
Member of the Board of Directors

Born in Istanbul on July 1st, 1980, Erdoğan graduated from the Department of Public Administration at Anadolu University and obtained his master's degree in Business Administration. In 2002, he began his career at KOSGEB Technology Development Centre at Boğaziçi University and worked as SME Assistant Expert at the Budget and Performance Department of the Strategy Development and Financial Services Directorate at KOSGEB between 2007 and 2010. He served as the Director of Legal Affairs and In-Service Training respectively between 2010 and 2014. From 2014 to 2016, he served as the Head of Human Resources Department and the Head of SME Finance Department at KOSGEB. He has been the Vice Chairman of KOSGEB Administration since July 9th, 2017. Erdoğan is the President of the Association for the Cooperation and Solidarity Alliance for the Members of Small and Medium Scale Enterprises Development and Support and is a Board Member of the Federation of School Sports. He is married with two children.

MİKAİL HIDIR
Member of the Board of Directors

Born in 1979 in Kepsut, Balıkesir, Hıdır graduated from Ankara University's Faculty of Law.
After working as a practising lawyer for a while, he began his banking career at Vakıfbank as a Deputy Inspector in 2003. He later he served as the Head of Monitoring and Tracking Division, Compliance and Legislation Monitoring Division, Credit Monitoring and Tracking Department, and Internal Audit Department, respectively. He also served as the Deputy General Manager of Güneş Insurance A.Ş. and as a Board Member at Vakıfbank International AG-Vienna. He is currently acting as an advisor to the Ministry of Treasury and Finance.

TEMEL TAYYAR YEŞİL
Member of the Board of Directors

Born in 1971 in Samsun, Yeşil graduated from Erciyes University, Faculty of Economics and Administrative Sciences, Department of Economy. He started his career in banking at Pamukbank T.A.Ş in 1998, as an Assistant Expert. He later served at Halkbank's Credit and Project Appraisal divisions in the capacity of Authorized Officer and Manager. He continued his career at Halkbank as the Commercial Branch Manager in Kayseri between 2010 and 2012. He served as the Head of Credit Allocation and Management Division in 2012, and as the Regional Coordinator in 2016 at Ziraat Bankası. On July 18th, 2017 he was appointed as the Deputy General Manager in charge of Marketing at Ziraat Katılım Bankası A.Ş., a position he continues to hold today.

ERKİN AYDIN
Member of the Board of Directors

Born in 1975, Aydın obtained his bachelor's degree in Civil Engineering from Boğaziçi University, Faculty of Engineering and his MBA degree in Business Administration from the University of Michigan. He worked in the US for various projects as Business Development Engineer, Project Engineer and Project Manager. Having joined McKinsey&Company in Istanbul in 2002, Aydın provided consultancy services to leading financial institutions in Turkey and around the world on strategy, marketing, and mergers. In 2008, he joined Finansbank A.Ş as the Group Manager in charge of Mortgage and Consumer Loans. He was appointed as the Retail Marketing Coordinator in February 2010, and as the Executive Vice President for Retail Banking in May 2011. Having served in various positions, in September 2017, Aydın was appointed as the Executive Vice President for Retail and SME Banking, a position he continues to hold today.

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Biographies of Deputy General Managers

CANER TEBEROĞLU
Deputy General Manager

Born in Ankara in 1969, Teberoğlu graduated from the Middle East Technical University, Department of Mathematics in 1993. From the beginning of his career in 1993 to 2015, he held various offices and positions in corporate, commercial and SME marketing divisions of Demirbank, Pamukbank and Halkbank at corporate branches, regional offices and headquarters. He has been serving as the Deputy General Manager of Kredi Garanti Fonu since December 2015. He is married with a son and speaks English.

ŞEYDA YAVUZ
Deputy General Manager (acting)

Born in Diyarbakır in 1976, Yavuz graduated from Ankara Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration, after completing her secondary education at Ankara Gazi Anatolian High School. Having started her career in 1995 at Halkbank, Yavuz held managerial positions at External Transactions division at the headquarters in 1995-2011, and at SME and Retail Marketing divisions at the Regional Coordination Office in 2011-2016. She joined Kredi Garanti Fonu in April 2016, serving as the Head of Corporate Communication and Product Management Division. She has been serving as the acting Deputy General Manager of Kredi Garanti Fonu since September 16th, 2019. She is married with a daughter.

MEHMET AYSAL
Deputy General Manager

Born in Polatlı, Ankara in 1969, Aysal holds an undergraduate degree in Business Administration from Uludağ University. Between 1997 and 2015, he served at financial analysis, credit appraisal, loan allocation, risk monitoring, early warning systems, and non-performing loan management divisions of Halkbank branches, regional offices and headquarters. While being in charge of Loan Allocation & Management and Risk Monitoring Department of Halkbank Regional Office, he was appointed as the Deputy General Manager of Kredi Garanti Fonu in December 2015, a position he continues to hold today.

OUR MISSION

To provide strategic support to the growth and development of Turkey by facilitating the access to financing of all enterprises, especially those which are promising.

OUR VISION

To become an indispensable financial support institution for Turkey, ensuring access to credit of all SMEs and non-SMEs through its national and international cooperation.

1

General Information

A. TRADE REGISTRY DETAILS

Accounting Period
01.01.2019 – 31.12.2019

Commercial Title
Kredi Garanti Fonu Anonim Şirketi

Number of Employees
2018: 184
2019: 185

Mersis Central Registration System Number
0589005350800014

Trade Registry Number
83408

Tax Office / Tax ID Number
Maltepe Tax Office - 5890053508

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Dumlupınar Bulv. No: 252
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B. SHAREHOLDING STRUCTURE

ORTAKLARIMIZ	GRUBU	SERMAYE TUTARI (TL)	HİSSE ORANI (%)
TOBB - Union of Chambers and Commodity Exchanges of Turkey	A	145.196.894,76	28,2961%
KOSGEB - Small and Medium Enterprises Development Organization of Turkey	B	145.155.059,00	28,2879
TESK - Confederation of Turkish Tradesmen and Craftsmen	D	619.358,17	0,1207
TOSYÖV - Turkish Foundation for Small and Medium Businesses	D	40.015,94	0,0078
MEKSA - Foundation for the Promotion of Vocational Training and Small Industry	D	20.025,72	0,0039
AKBANK T.A.Ş.	C	7.658.719,86	1,4925
ALBARAKA TÜRK KATILIM BANKASI A.Ş.	C	7.658.719,86	1,4925
ALTERNATİFBANK A.Ş.	C	7.658.719,86	1,4925
ANADOLUBANK A.Ş.	C	7.658.719,86	1,4925
BURGAN BANK A.Ş.	C	7.658.719,86	1,4925
DENİZBANK A.Ş.	C	7.658.719,86	1,4925
FİBABANKA A.Ş.	C	7.658.719,86	1,4925
HSBC BANK A.Ş.	C	7.658.719,86	1,4925
ING BANK A.Ş.	C	7.658.719,86	1,4925
KUVEYT TÜRK KATILIM BANKASI A.Ş.	C	7.658.719,86	1,4925
NUROL YATIRIM BANKASI A.Ş.	C	7.658.719,86	1,4925
ODEABANK A.Ş.	C	7.658.719,86	1,4925
QNB FİNANSBANK A.Ş.	C	7.658.719,86	1,4925
ŞEKERBANK T.A.Ş.	C	7.658.719,86	1,4925
TURKLAND BANK A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRK EKONOMİ BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE GARANTİ BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE HALK BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE İŞ BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE VAKIFLAR BANKASI T.A.O.	C	7.658.719,86	1,4925
VAKIF KATILIM BANKASI A.Ş.	C	7.658.719,86	1,4925
YAPI VE KREDİ BANKASI A.Ş.	C	7.658.719,86	1,4925
ZİRAAT KATILIM BANKASI A.Ş.	C	7.658.719,86	1,4925
TÜRKİYE EMLAK KATILIM BANKASI A.Ş.	C	7.658.719,86	1,4925
PASHA YATIRIM BANKASI A.Ş	C	7.658.719,86	1,4925
		513.134.229,53	100,00

The company has no privilidged shares and does not have any repurchased shares.

C. LEGAL FRAMEWORK AND REGULATIONS GOVERNING THE COMPANY

Legal Framework Governing Our Company

Our Company was established on July 29th, 1991 with the name “Kredi Garanti Fonu İşletme ve Araştırma Anonim Şirketi”, and was renamed as “Kredi Garanti Fonu Anonim Şirketi” on June 28th, 2007. Our Company, which was decided to be established by International Treaty, is subject to the provisions of the Turkish Commercial Code.

Through the “Decree no. 2015/7715 dated May 13th, 2015 on the Amendment of the Decree on Principles and Procedures Concerning Treasury Support for Credit Guarantee Agencies”, published in the Official Gazette dated June 24th, 2015, the amount of support that may be provided by the Undersecretariat of Treasury to the Company was increased from TRY 1 billion to TRY 2 billion.

“Decree no 2017/9969 dated February 27th, 2017 on the Amendment of the Decree on Treasury Support for Credit Guarantee Agencies” took effect after being published in the Official Gazette dated March 10th, 2017, and increased the amount of support provided by the Undersecretariat of Treasury from TRY 2 billion to TRY 25 billion.

Under the “Regulation on the Principles and Procedures Governing the Classification of Loans and Provisions to be Made for These Loans”, the guarantees provided by our Fund with the support of the Undersecretariat of Treasury have been classified as Group-1 Collateral, and the guarantees provided without the support of the Undersecretariat of Treasury have been classified as Group-2 Collateral.

The Company’s Articles of Association were amended in 2019, and the Company’s registered equity ceiling was set as TRY 600 million. Furthermore, the paid-in capital of the Company was raised to TRY 513,134,229.53 upon the addition of internal resources to the capital, and two new banks becoming Company shareholders.

There is no lawsuit initiated against the company which would affect the company’s financial standing and operations quantitatively and qualitatively.

Main Field of Activity and the Company’s Position in the Sector

KGF was established in 1991 in order to help SMEs access finance. Since then, the Company has been working towards achieving its primary objective of providing guarantee and collateral support for SMEs which have credibility but cannot use loans due to lack of collateral.

Because we do know that SMEs are the heart of an economy. SMEs account for 99.8% of all enterprises in Turkey, providing 76.7% of total employment in the country. These figures are the most striking illustration of SMEs’ role and enormous significance to the national economy. In summary, the SMEs should be supported to strengthen the economy of Turkey.

It is necessary to improve the productivity of SMEs, support their integration into international markets, ensure that they get technical information and consultancy assistance in the fields of investment, production and marketing, and support their access to long-term and low-cost credit.

This is exactly where KGF steps in and provides guarantees to SMEs as well as non-SME enterprises following the most recent regulations.

Exemptions and Exceptions Applicable to Our Company

Our Company is exempt from corporate tax pursuant to Article 4 of the Corporate Tax Law No 5520.

Our Company is exempt from value added tax in its credit guarantee transactions pursuant to Article 17 of the Value Added Tax Law No 3065, which governs the exceptions for social, military and other purposes.

The documents issued in relation to the credit guarantees of our Company are exempt from the stamp duty pursuant to Article 9 of the Stamp Duty Law No 488.

Pursuant to Article 123 of Law No 492 on Legal Fees, the guarantees to issued by our Company for loans to be extended by banks as well as collateral transactions to be made for Public Agencies and Institutions (except for judicial fees/registration dues for the pledge of commercial enterprise are included in this group) are exempt from the legal fees stipulated in the Law.

Pursuant to Article 8 of the ”Law No 6745 on Supporting Investments on Project Basis and Amending Certain Laws and Decree Laws”, no deduction can be made from the interest incomes generated from the deposits of our Company.

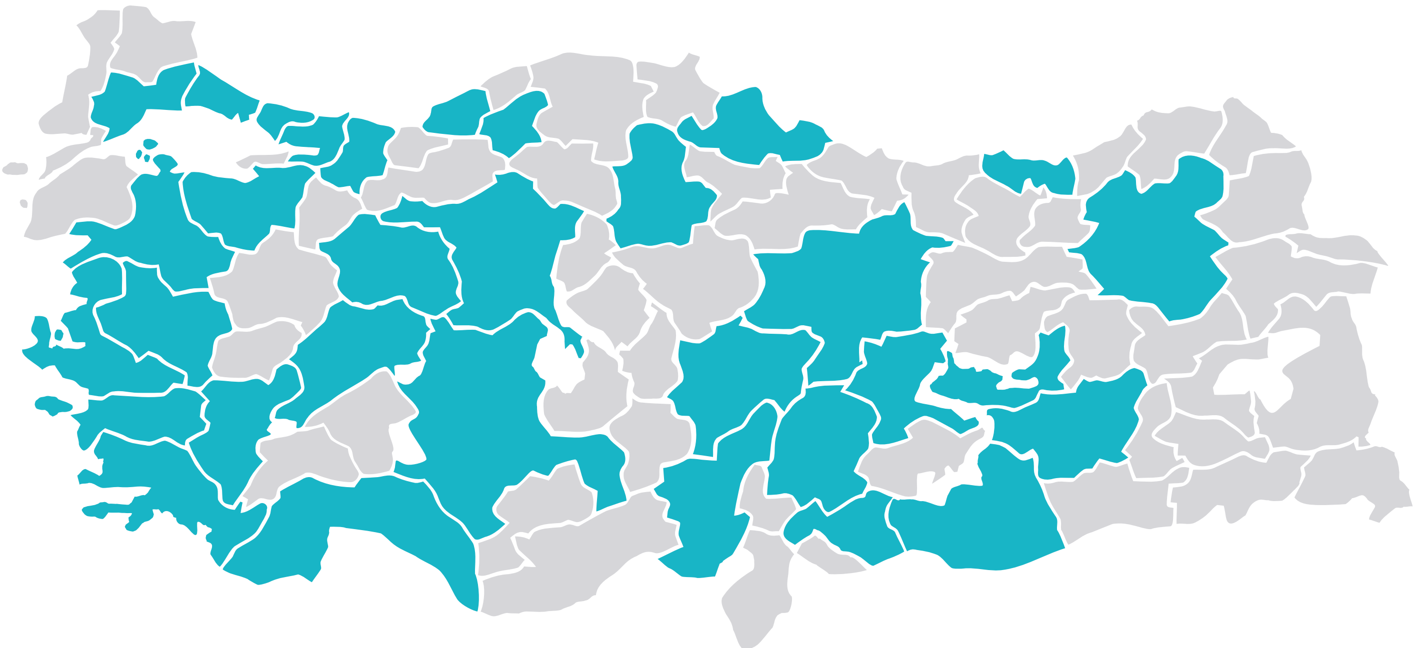
Financial Rights Provided to Board Members and Senior Managers

The total amount of benefits, wages, gratuities, SSI employer’s contributions, honorariums, allowances, travel, accommodation and representation expenses, cash and in-kind facilities, insurances and similar assurances provided for Board Members and Senior Managers in the years ending on December 31st, 2018 and December 31st, 2019 are listed below.

01 January - 31 December 2018	01 January - 31 December 2019
2.585.873,44 TL	3.297.694,37 TL

There is no administrative or judicial sanction imposed on the Company or Board Members on grounds of practices in breach of the legislation.

D. BRANCHES



- 1. Adana
- 2. Afyonkarahisar
- 3. Ankara / Kızılay
- 4. Ankara / Ostim
- 5. Antalya
- 6. Aydın
- 7. Balıkesir
- 8. Bursa
- 9. Çorum
- 10. Denizli
- 11. Diyarbakır
- 12. Elazığ
- 13. Erzurum
- 14. Eskişehir
- 15. Gaziantep
- 16. Gebze
- 17. İstanbul
- 18. İstanbul / İkitelli
- 19. İstanbul / Kadıköy
- 20. İzmir
- 21. Kahramanmaraş
- 22. Karabük
- 23. Kayseri
- 24. Kocaeli
- 25. Konya
- 26. Malatya
- 27. Manisa
- 28. Muğla / Bodrum
- 29. Sakarya
- 30. Samsun
- 31. Sivas
- 32. Şanlıurfa
- 33. Trabzon
- 34. Zonguldak / Ereğli

34 BRANCHES IN TOTAL

2

KGF in Numbers

A. DEVELOPMENTS IN OUR VOLUME OF GUARANTEES

GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TRY)

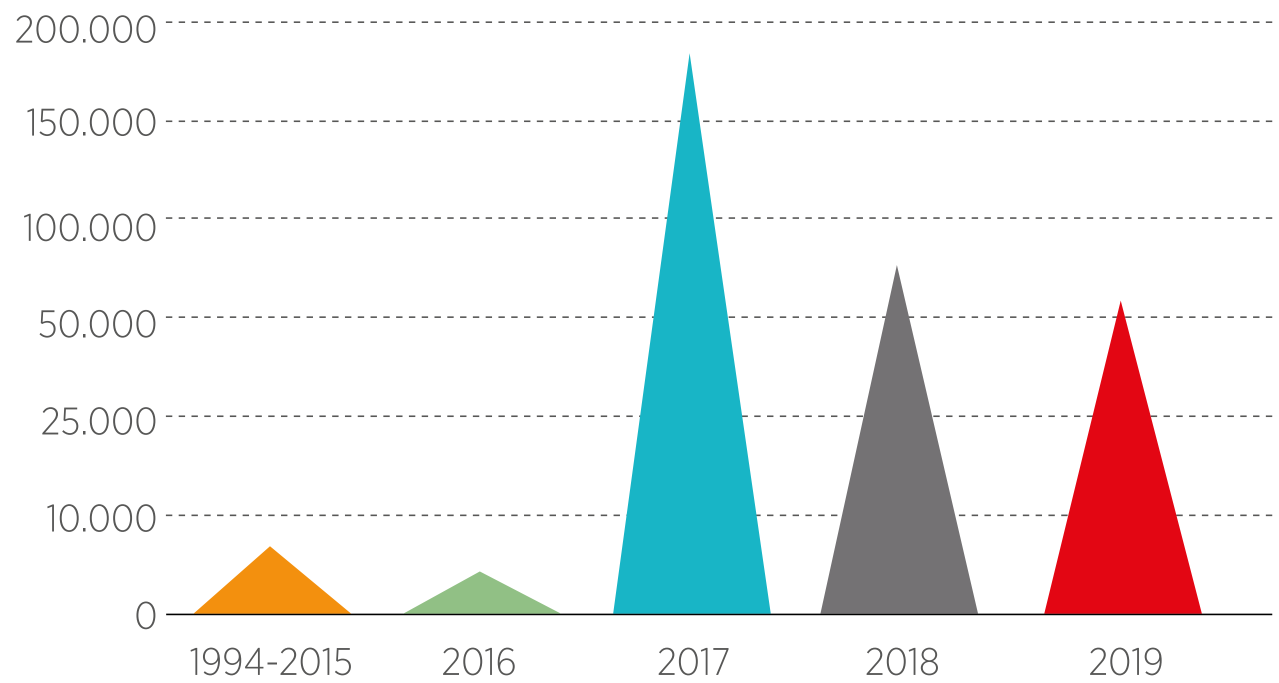
(Equity + Treasury, 1994-2019)

PERIOD	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	Number of Firms	Loan Amount	Guarantee Amount	Number of Firms	Loan Amount	Guarantee Amount	Number of Firms	Loan Amount	Guarantee Amount
1994-2015	35.408	25.310	18.695	24.085	15.054	10.913	17.674	9.660	7.189
2016	30.220	14.387	11.389	23.365	9.580	7.375	19.506	6.682	5.128
2017	321.321	323.101	290.873	314.239	264.982	238.774	297.682	208.116	187.499
2018	125.146	114.861	100.586	123.931	108.469	95.010	119.294	85.942	75.357
2019*	125.535	84.586	68.194	124.556	81.977	66.002	119.888	73.662	59.352
1994-2019*	606.813	699.999	609.028	579.782	512.041	447.695	544.785	403.985	353.006

The number of SMEs provided with guarantees issued between 2017 and 2019 (98.5%) is greater than those provided with guarantees issued between 1994 and 2016.

* 2019 year-end exchange rate has been used.

Guarantees Issued



BREAKDOWN OF GUARANTEES ISSUED BY SIZE OF ENTERPRISES (Million TRY)

(Equity + Treasury, 1994-2019)

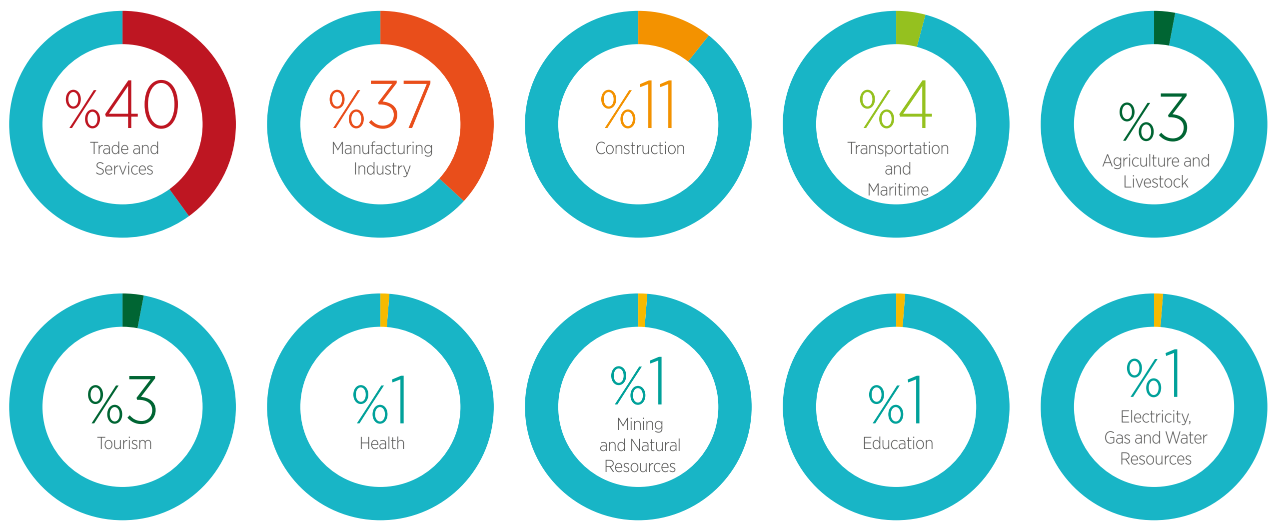
Segment	No of Transactions	Volume of loans Extended with Guarantees Issued	Guarantee Amount	Ratio
SME	530.843	301.178	261.413	74%
NON-SME	13.942	102.806	91.593	26%
TOTAL	544.785	403.985	353.006	100%

A. DEVELOPMENTS IN OUR VOLUME OF GUARANTEES

BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TRY)

(Equity + Treasury, 1994-2019)

Sectors	Number of Transactions	Guarantee Amount	Ratio
Trade and Services	265.892	140.674	40%
Manufacturing Industry	126.569	129.978	37%
Construction	53.453	37.804	11%
Transportation and Maritime	27.346	15.145	4%
Agriculture and Livestock	40.976	9.923	3%
Tourism	19.193	9.500	3%
Health	4.625	3.106	1%
Mining and Natural Resources	2.224	2.951	1%
Education	3.419	2.120	1%
Electricity, Gas and Water Resources	1.088	1.805	1%
TOTAL	544.785	353.006	100%

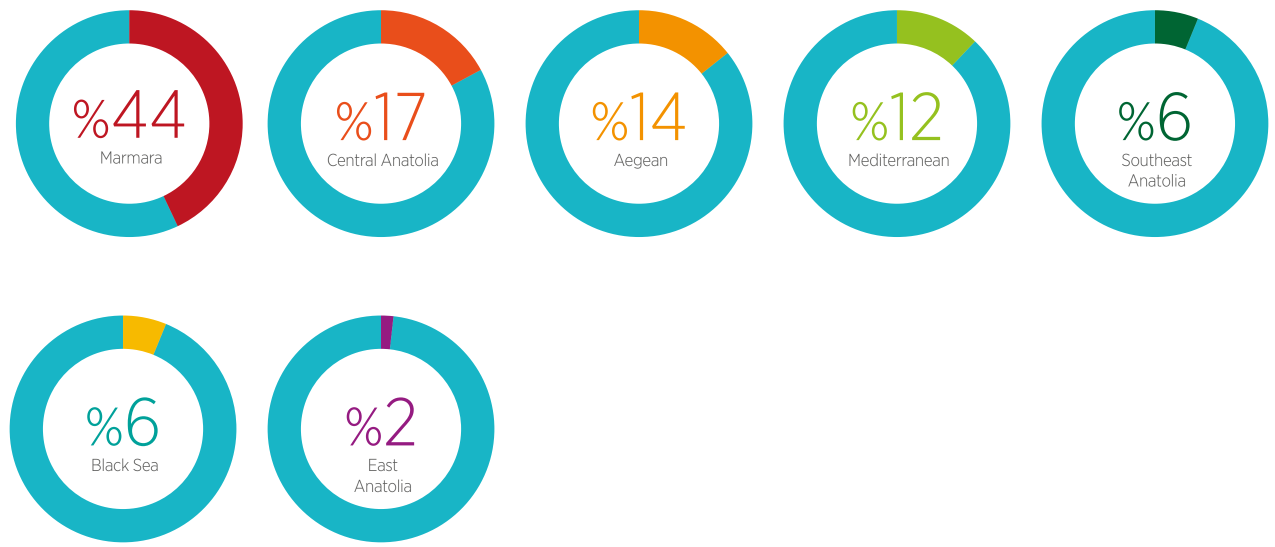


BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TRY)

(Equity + Treasury, 1994-2019)

Regions	Number of Transactions	Guarantee Amount	Ratio
Marmara	198.542	153.694	44%
Central Anatolia	94.053	58.307	17%
Aegean	83.912	48.344	14%
Mediterranean	66.136	42.888	12%
Southeast Anatolia	28.905	21.672	6%
Black Sea	51.555	19.842	6%
East Anatolia	21.682	8.259	2%
TOTAL	544.785	353.006	100%

In loans extended with KGF guarantee in 2019, Marmara Region ranked first with a share of 44% and guarantee amount of TRY 153,694 million.
At the transaction level, Marmara Region had the highest average amount of issued guarantees with TRY 774 thousand, while East Anatolia Region had the lowest average amount of issued guarantees with TRY 381 thousand.



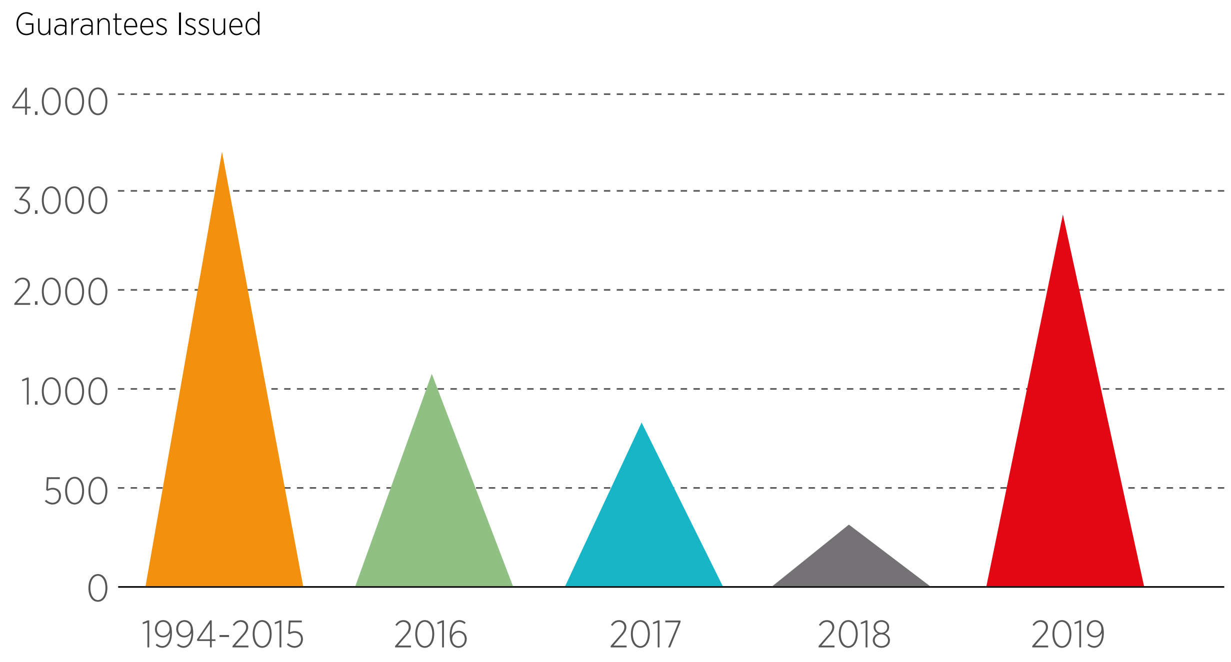
B. BANK LOANS PROVIDED TO SMEs WITH KGF EQUITY-BACKED GUARANTEES

GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TRY)

(Equity, 1994-2019)

PERIOD	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	No. of Firms	Loan Amount	Guarantee Amount	No. of Firms	Loan Amount	Guarantee Amount	No. of Firms	Loan Amount	Guarantee Amount
1994-2015	22.473	13.707	10.492	14.273	7.467	5.645	9.963	4.220	3.290
2016	6.154	4.564	3.931	4.446	2.392	2.057	3.170	1.199	1.033
2017	10.001	5.446	4.656	6.888	2.381	2.076	5.701	1.008	886
2018	1.562	1.111	1.019	1.120	568	499	802	291	269
2019*	11.635	5.188	4.187	11.194	4.414	3.488	10.389	3.520	2.838
1994-2019*	52.240	36.450	29.481	38.299	18.749	15.020	30.355	11.334	9.234

* 2019 year-end exchange rate has been used.



Thanks to significant innovations and transformations undertaken in 2019, KGF has reached out to far greater number of SMEs providing them with equity-backed guarantees issued with the support of European Investment Fund, becoming the prime institution in SMEs' access to finance.

In 2019, SMEs were provided with guarantees worth TRY 2,838 million for the loans they used through the banking system that amounted to TRY 3,520 million.

From 1994 to 2019 year-end, applications from a total of 52,240 SMEs have been evaluated; as a result KGF provided guarantees worth TRY 9,234 million, enabling SMEs to use loans totalling TRY 11,334 million.

SME AND NON-SME BREAKDOWN OF GUARANTEES ISSUED (Million TRY))

(Equity, 1994-2019)

Size	No. of Firms	Volume of Loans Extended With Guarantees Issued	Guarantee Amount	Ratio
Micro Enterprises (1-9)	20.154	4.349	3.562	39%
Small Enterprises (10-49)	7.704	4.278	3.499	38%
Medium-Size Enterprises (50-249)	2.497	2.707	2.173	23%
TOTAL	30.355	11.334	9.234	100%

As of 2019, the share of Micro Enterprises in total guarantees issued increased to 39%, while Small Enterprises had a share of 38% with average guarantee amount of TRY 454 thousand. The share of Medium-Size Enterprises declined to 24%, with average guarantee amount of TRY 2.173 million.

B. BANK LOANS PROVIDED TO SMEs WITH KGF EQUITY-BACKED GUARANTEES

BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TRY)

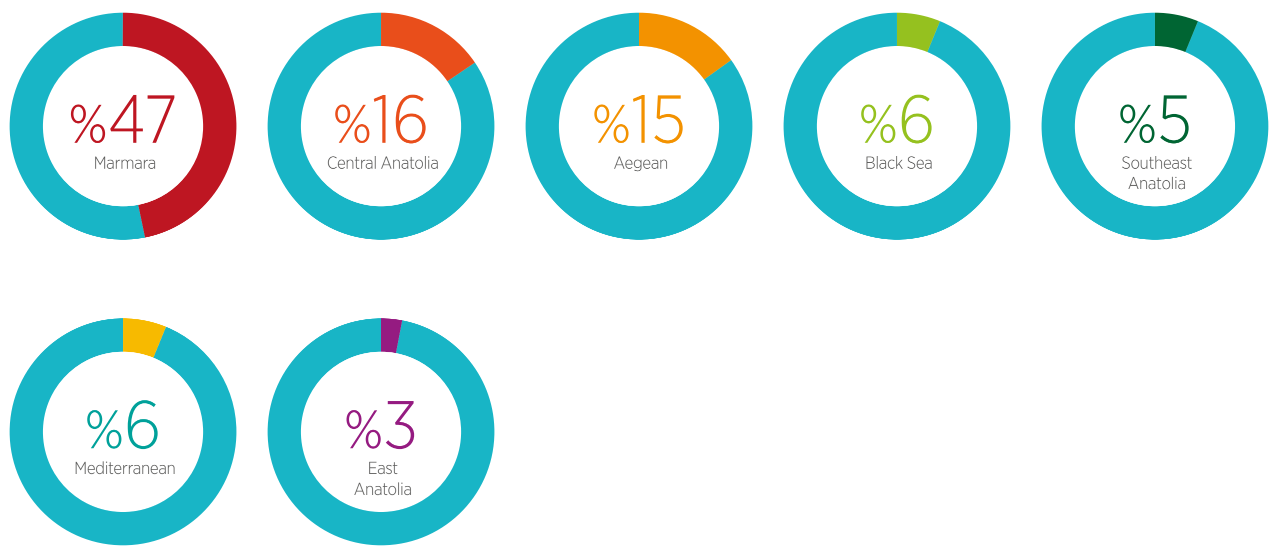
(Equity, 1994-2019)

Sectors	Number of Firms	Guarantee Amount	Ratio
Manufacturing Industry	9.404	4.194	45%
Trade and Services	14.257	3.304	36%
Construction	1.772	521	6%
Transportation and Maritime	1.689	400	4%
Agriculture and Livestock	996	299	3%
Tourism	1.557	236	3%
Mining and Natural Resources	151	83	1%
Health	275	95	1%
Education	183	65	1%
Electricity, Gas and Water Resources	71	35	0%
TOTAL	30.355	9.234	100%

BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TRY)

(Equity, 1994-2019)

Regions	Number of Firms	Guarantee Amount	Ratio
Marmara	9.570	4.357	47%
Central Anatolia	5.031	1.509	16%
Aegean	4.070	1.431	15%
Black Sea	5.113	582	6%
Southeast Anatolia	2.108	490	5%
Mediterranean	2.605	595	6%
East Anatolia	1.858	270	3%
TOTAL	30.355	9.234	100%



C. BANK LOANS PROVIDED TO FIRMS WITH TREASURY-BACKED GUARANTEES

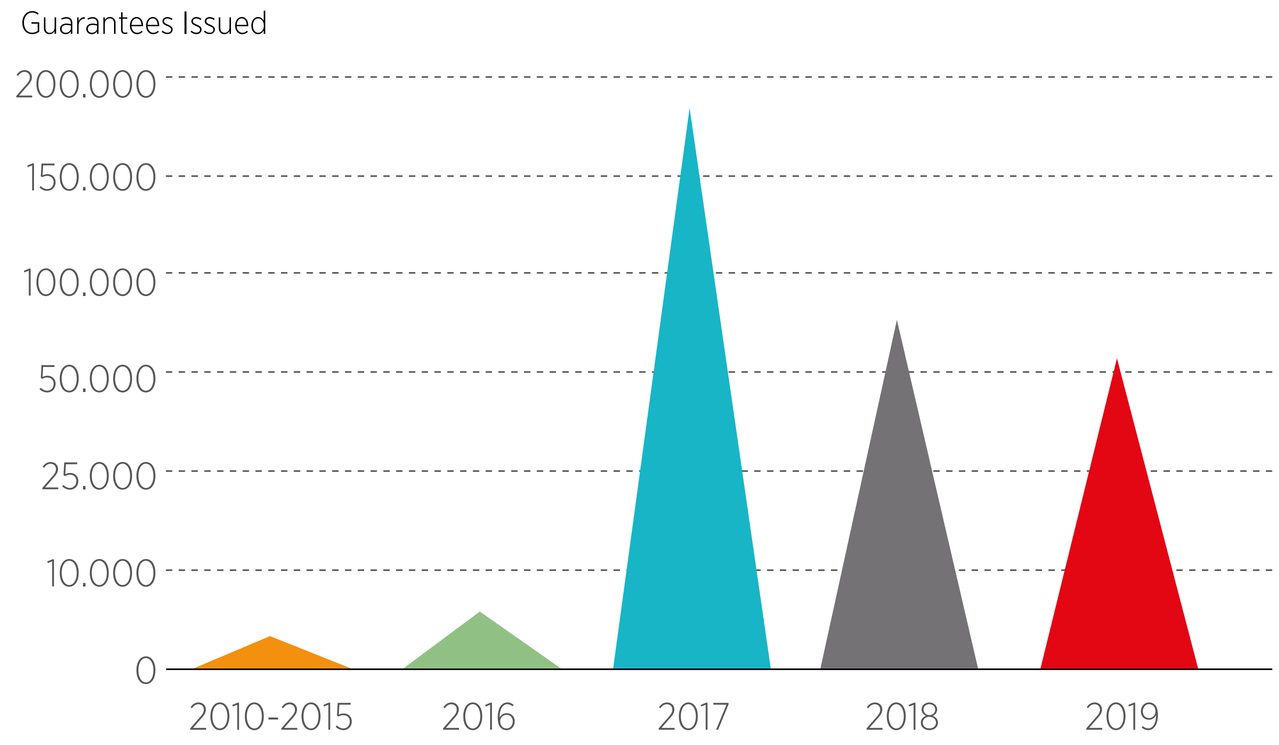
GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TRY)

(Treasury, 2010-2019)

PERIOD	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	No. of Firms	Loan Amount	Guarantee Amount	No. of Firms	Loan Amount	Guarantee Amount	No. of Firms	Loan Amount	Guarantee Amount
2010-2015	12.935	11.603	8.202	9.812	7.587	5.268	7.711	5.440	3.899
2016	24.066	9.824	7.458	18.919	7.188	5.318	16.336	5.483	4.095
2017	311.320	317.655	286.217	307.351	262.601	236.698	291.981	207.107	186.613
2018	123.584	113.750	99.567	122.811	107.901	94.511	118.492	85.651	75.088
2019*	113.900	79.398	64.007	113.362	77.563	62.514	109.499	70.142	56.514
2010-2019*	554.573	663.549	579.547	541.483	493.292	432.676	514.430	392.651	343.772

Out of all Treasury-backed guarantees issued between 2010 and 2019, 93% of guarantees were issued between 2017 and 2019.

* 2019 year-end exchange rate has been used.



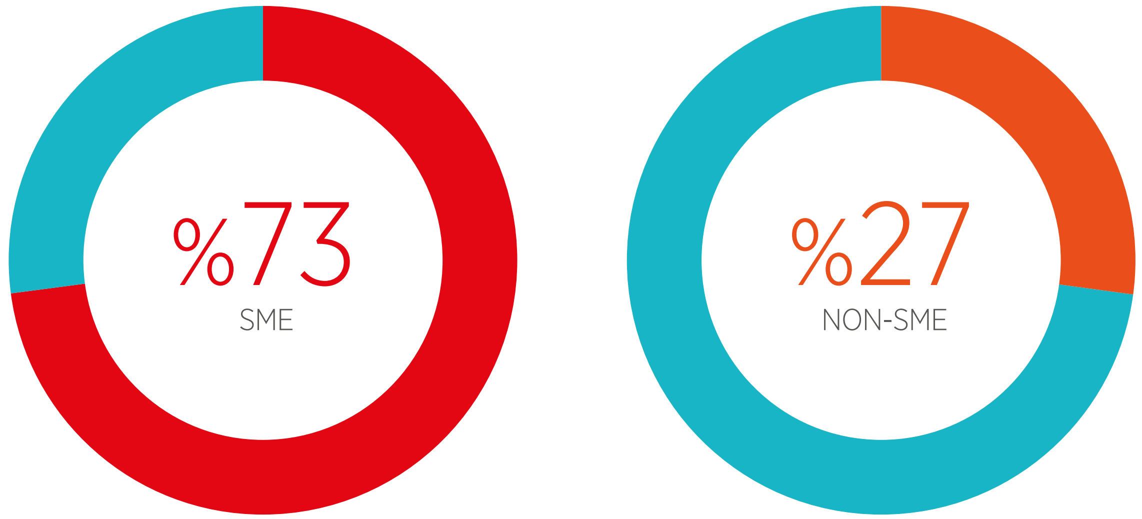
The Treasury-backed guarantees that were launched in early 2010 continued in 2019, and the guarantees issued amounted to TRY 56,514 million.

Since the launch of the practice till 2019 year-end, requests from 554,573 SMEs were evaluated, and TRY 343,772 million worth guarantees were issued for TRY 392,651 million bank loans used by 514,430 SMEs.

SME and NON-SME BREAKDOWN OF GUARANTEES ISSUED (Million TRY)

(Treasury, 2010-2019)

Segment	No of Transactions	Vol. of Loans Extended With Guarantees	Guarantee Amount	Ratio
SME	500.488	289.844	252.179	73%
NON-SME	13.942	102.806	91.593	27%
TOTAL	514.430	392.651	343.772	100%



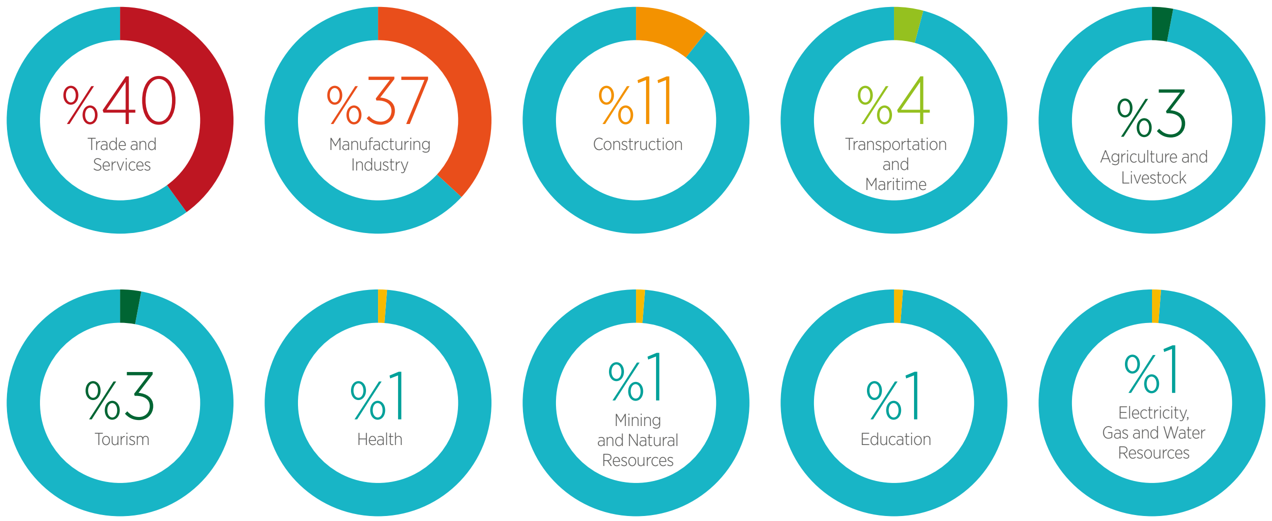
C. BANK LOANS PROVIDED TO FIRMS WITH TREASURY-BACKED GUARANTEES

BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TRY)

(Treasury, 2010-2019)

Sectors	No. of Firms	Guarantee Amount	Ratio
Trade and Services	251.635	137.370	40%
Manufacturing Industry	117.165	125.784	37%
Construction	51.681	37.283	11%
Transportation and Maritime	25.657	14.745	4%
Agriculture and Livestock	39.980	9.624	3%
Tourism	17.636	9.264	3%
Health	4.350	3.011	1%
Mining and Natural Resources	2.073	2.868	1%
Education	3.236	2.055	1%
Electricity, Gas and Water Resources	1.017	1.769	1%
TOTAL	514.430	343.772	100%

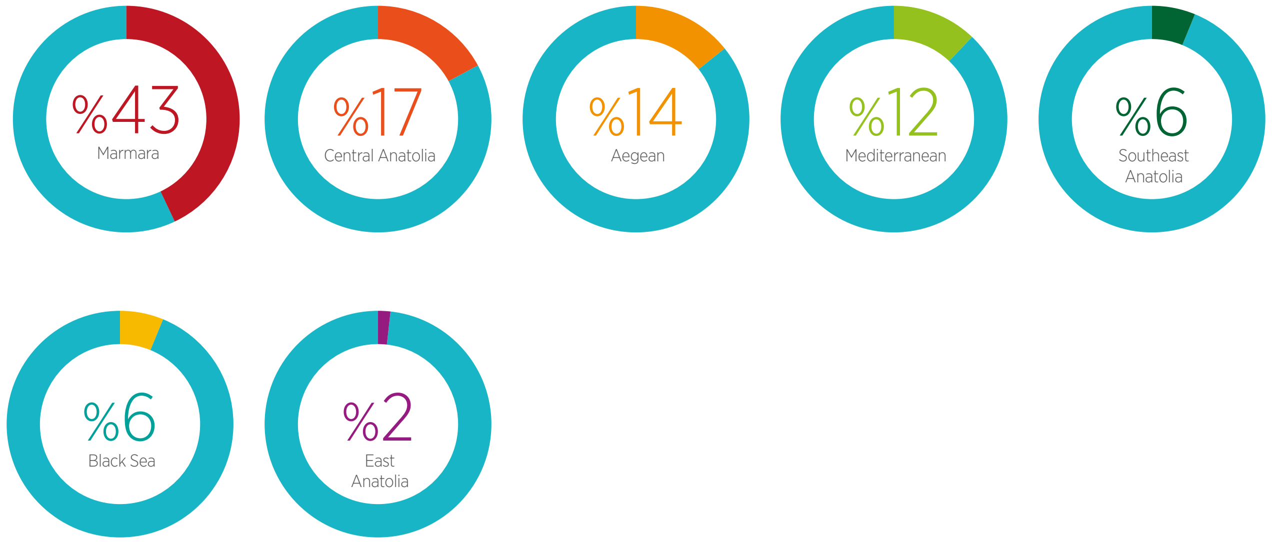
The guarantees issued to companies in the Industrial sector, which is the driving force of the economy significantly contributing to production and employment, exceeded the total of guarantees issued to Services and Agriculture sectors, reaching 57%.



BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TRY)

(Treasury, 2010-2019)

Regions	No. of Transactions	Guarantee Amount	Ratio
Marmara	188.972	149.336	43%
Central Anatolia	89.022	56.799	17%
Aegean	79.842	46.913	14%
Mediterranean	63.531	42.293	12%
Southeast Anatolia	26.797	21.181	6%
Black Sea	46.442	19.260	6%
East Anatolia	19.824	7.989	2%
TOTAL	514.430	343.772	100%



D. DIRECT SUPPORTS
(KOSGEB, TÜBİTAK, TTGV, MINISTRY OF INDUSTRY AND TECHNOLOGY)

Thanks to the protocols signed with KOSGEB - Small and Medium Enterprises Development Organization of Turkey, TÜBİTAK - Scientific and Technological Research Council of Turkey, TTGV - Technology Development Foundation of Turkey and the Ministry of Industry and Technology, the scope of the guarantee scheme was expanded. Since 2014, SMEs have been provided with guarantees for various types of financial support, in addition to guarantees for financing by financial institutions. In this way, KGF-issued guarantee is accepted as collateral - instead of a bank-issued letter of guarantee, and relevant institutions and agencies do provide support to SMEs under this arrangement.

Direct supports continued in 2019 as well, and SMEs have been allowed to benefit from public subsidies without using their credit limits with banks in their collateral transactions.

E. NON-PERFORMING GUARANTEES

From 1994, when we started operation, till 2019 year-end, we have issued guarantees worth TRY 353,005.8 million, out of which TRY 9,233.7 million was backed by our own equities and TRY 343,772.2 million was Treasury-backed. Of the total amount of guarantees issued, TRY 7,993.6 million turned non-performing. While the ratio of non-performing guarantees was 1.47% in 2018, as of 2019 year-end, the ratio of non-performing guarantees was recorded as 2.26%. Of the amount that turned into non-performing guarantee, 6.8% was backed by own equities and 93.2% was Treasury-backed.

In KGF equity-backed guarantees, the ratio of non-performing guarantees decreased to 5.93% as of 2019 year-end, from 7.49% as of 2018 year-end.

As for Treasury-backed guarantees, non-performing guarantees amounted to TRY 7,446.5 million as of 2019 year-end. The ratio of non-performing Treasury-backed guarantees increased to 2.17% as of 2019 year-end from 1.34% as of 2018 year-end.

NON-PERFORMING GUARANTEES AND RISK EXPOSURE (TRY)

	01.01.1994 - 31.12.2019			31.12.2019	
Sources	Guarantees Issued	NPG Amount	NPG Ratio%	Outstanding NPE	NPE Ratio%
Equity	9.233.650.172	547.145.556	5,93	279.884.810	3,03
Treasury	343.772.153.442	7.446.466.610	2,17	7.102.657.298	2,07
TOTAL	353.005.803.614	7.993.612.166	2,26	7.382.542.108	2,09

Note: According to the Board of Directors decisions dated 17/11/2016 and 22/12/2018, out of all the non-performing KGF equity-backed guarantees, the balance of non-performing guarantees that were written-off is TRY 74,119,076.75 as of 2019 year-end.

Recoveries from non-performing guarantees are also increasing year by year. As of 2019 year-end, the principal amounts recovered from the non-performing guarantees backed by our own equity and by Treasury stand at TRY 190.7 million and TRY 343.8 million, respectively.

As a result of these recoveries, out of the TRY 7,382.5 million non-performing guarantees at risk as of 2019 year-end, TRY 279.9 million consists of KGF equity-backed guarantees and TRY 7,102.6 million consists of Treasury-backed guarantees, with risk shares of 3.8% and 96.2%, respectively.

3

Activities in 2019

CORPORATE COMMUNICATION, PRODUCT MANAGEMENT AND R&D ACTIVITIES

- In 2019, a total of 30 national and international protocols were signed (21 new protocols and 9 addenda).

- With regard to Treasury-backed guarantees, a total of 8 protocols were signed between the Ministry of Treasury and Finance and KGF pursuant to the Presidential Decision No 2019/681 dated January 29th, 2019, published in the Official Gazette dated January 30th, 2019, and the Presidential Decision No 2019/793 dated February 27th, 2019, published in the Official Gazette dated February 28th, 2019. In this direction, guarantee protocols have been signed with 29 shareholder banks and 12 financial leasing companies where these banks are the dominant shareholders pursuant to Law No 6361.

1. A protocol valued at TRY 20 billion was signed with the Ministry of Treasury and Finance on January 11th, 2019 for guarantees to be issued from guarantee returns. In line with this guarantee limit, guarantee protocols have been signed with Lenders.

2. A protocol valued at TRY 20 billion was signed with the Ministry of Treasury and Finance on March 1st, 2019 for guarantees to be issued from guarantee returns. In line with this guarantee limit, guarantee protocols have been signed with Lenders.

3. On April 1st, 2019, an Equity-Backed Guarantee Protocol was signed with Lenders, and a Sub-Protocol on Guarantees was signed with Banks participating in the EU Programme for the Competitiveness of Small and Medium-Sized Enterprises (COSME).

4. On April 16th, 2019, a Memorandum of Understanding on cooperation and exchange of information was signed between the Credit Guarantee Fund of Mongolia and KGF.

5. Protocols on KOBİ Değer I and KOBİ Değer II, previously signed with the Ministry of Treasury and Finance valued at TRY 200 billion, TRY 52.5 billion, TRY 32.5 billion, and TRY 20 billion respectively, were unified into a single protocol on May 5th, 2019. In addition, TurWiB Protocol (Turkey Women in Business Programme) valued at TRY 3.5 billion was also included in the scope of the Uniform Protocol. Subsequently, the said Uniform Guarantee Protocol was also signed with Lenders.

6. In June 2019, a Grant Agreement worth EUR 1 million was signed between KGF and EBRD as a contribution to enhance KGF's technical infrastructure.

7. A protocol on Ekonomi Değer Loans, valued at TRY 20 billion with guarantee limit, was signed with the Ministry of Treasury and Finance on June 20th, 2019, and was included in the scope of the Uniform Protocol. Accordingly, a guarantee protocol was signed with Lenders concerning the said scheme.

8. On July 12th, 2019, amendments were introduced to the Protocol on Ekonomi Değer Loans that was concluded with the Ministry of Treasury and Finance under the Uniform Protocol. Subsequently, an addendum was signed with the Lenders taking part in the said scheme.

9. On August 26th, 2019, amendments were introduced to the Protocols on KOBİ Değer II and Ekonomi Değer Loans that were concluded with the Ministry of Treasury and Finance under the Uniform Protocol. Subsequently, an addendum was signed with the Lenders taking part in the said scheme.

10. On September 27th, 2019 and December 24th, 2019, addenda were signed with the Ministry of Treasury and Finance regarding the Protocol on Ekonomi Değer Loans under the Uniform Protocol. Subsequently, necessary adjustments were made to the guarantee protocols signed with the Lenders taking part in the said scheme.

11. Eight protocols were signed between KGF and KOSGEB:

- Emergency Support Loan Protocols have been signed for Düzce and İstanbul, Samsun province Terme and Salıpazarı districts, Trabzon province Beşikdüzü and Vakfıkebir districts.

- On February 11th, 2019, a Protocol on KOSGEB SME Loan Interest Support Programme was signed between KOSGEB, Kuveyt Türk Katılım Bankası and KGF.

- On April 5th, 2019, the "Protocol for Direct KGF Guarantee for SMEs to Benefit from KOSGEB Supports" was renewed.

- On October 21st, 2019, the "Protocol on KOSGEB SME Financing Support Programme" was signed; subsequently an addendum was signed on November 21st, 2019 concerning the changes in commission rates.

12. On November 21st, 2019, a Protocol was concluded between KGF and the Notaries Union of Turkey.

DEVELOPMENTS IN TREASURY-BACKED GUARANTEE TRANSACTIONS

In accordance with the Protocols concluded with the Ministry of Treasury and Finance,

- Lenders have started to charge a one-off commission fee corresponding to 2% of the guarantee amount, to be paid upfront, in return for each KGF guarantee issued to beneficiaries. Out of all the commission fees collected, the commission rate transferred to KGF remained fixed at 0.03%.

- In case of restructured loan transactions, Lenders have started to charge beneficiaries a commission fee corresponding to 1% of the outstanding guarantee, to be paid upfront. The following circumstances are exempted from the said commission fee:
  - In cases where loan agreements are amended and lower interest rates are adopted as a consequence of falling market interest rates,
  - In cases where repayment schedules are amended due to interim payments/balloon payments,
  - In cases where loan repayment schedules are amended due to the bringing forward of the final maturity date,
  - In cases where the maturity dates included in the letters of guarantee issued by Banks to Eximbank and similar institutions are extended up until a certain period designated during the guarantee approval process.

- In case of loans extended with KGF-backed guarantees, Lenders do not charge any additional commission fees other than amounts payable to third parties for the outsourced transactions (expert appraisal, insurance, etc.) and the commission rate payable to KGF. In case of early repayment of loans, beneficiaries shall not be charged commission fees for any early repayment transaction that takes place after December 12th, 2019.

OTHER ACTIVITIES

- The Call Centre of our Company responds to an average of 45 calls and 350 e-mails on a daily basis. All incoming questions, suggestions and complaints are responded within the shortest time possible. In 2019, a total of 133,000 e-mails were responded.

- KGF took part in meetings in Saudi Arabia, Belgium, the Netherlands as well as international meetings held in Turkey, representing both the Company and the country at these fora and holding talks with credit guarantee agencies from across the world as well as international public and finance institutions.

As a result of KGF's increased recognition and visibility thanks to its revised business procedures, institutionalization, and high transaction volume, throughout 2019, our Company hosted delegations and institutions from numerous countries who paid a visit to learn about KGF's unique model.

While KGF outreach meetings continue across Turkey, in 2019, KGF was represented at 180 meetings held in the country. KGF also attended Information Seminars for TOBB Assembly Members organized year-round with the participation of assembly members of Chambers and Commodity Exchanges from across the country.

In 2019, the internal regulations of the Company consisting of nine Implementation Directives and 13 Regulations have been revised. As of 2019, the Company has one Loan Policy, 16 Regulations and 18 Implementation Directives under its internal corporate regulations.

NEW COOPERATION INITIATIVES

Various initiatives have been taken for building international cooperation with numerous international institutions and organisations. To this end, KGF has held talks with international organisations including the European Investment Fund, European Bank for Reconstruction and Development, German Development Bank KfW, International Agricultural Development Fund and Islamic Development Bank.

The European Union is implementing the EU Programme for the Competitiveness of Small and Medium-Sized Enterprises (COSME) aimed at facilitating the access of SMEs to finance and support their growth. In Turkey, the programme has been implemented within the framework of the EU-Turkey financial cooperation. In this scope, the European Investment Fund, which is in charge of the implementation of the programme's financial components, provided our Company with a counter-guarantee worth TRY 126.5 million on February 26th, 2019. The programme, which aims at extending loans amounting to TRY 3 billion to 10 thousand SMEs through 14 contracted partner banks, kicked off on April 1st, 2019. Thanks to programme's successful implementation in the country, the fastest loan allocation performance within the COSME programme has been recorded in Turkey, and the programme targets, to a great extent, have been met by 2019 year-end.

In the light of these developments, KGF continues to hold talks with the European Investment Fund in order to increase the counter-guarantee and revise project targets to enable extension of TRY 7.5 billion worth loans to 25 thousand SMEs.

In order to collateralize the loans to be provided by banks to female entrepreneurs through Treasury-backed KGF guarantees, thanks to the European Bank for Reconstruction and Development (EBRD) funding, a Protocol was signed between the Ministry of Treasury and Finance and KGF with TRY 3.6 billion guarantee limit. As part of the Turkey Women in Business Programme TurWiB, loan allocations are expected to begin in early 2020 after signing of protocols between banks and EBRD.

The project aiming at the employment of Turks and Syrians in Turkey's provinces with highest numbers of Syrians continued in 2019. Managed by the European Commission and German Development Bank (KfW) under the "socioeconomic" component of the EU's Facility for Refugees in Turkey (FRiT), the project aims at boosting lending volume through KGF's guarantee support and providing loan interest support for enterprises contributing to employment growth. A new employment support initiative, devised through KfW-KGF-KOSGEB partnership with the financial support of the Federal Ministry for Economic Affairs and Energy of Germany, is currently underway.

Under the "Syrian Palestinian Employment and Entrepreneurship Development – SPEED Project" which aims at supporting Palestinians in Turkey, a Memorandum of Understanding was signed between IDB, KGF and other Project partners on November 22nd, 2017. The implementation of the access to finance component, which includes guarantee support, is expected to start in 2020.

KGF will provide guarantees for the access to finance component of the Uplands Rural Development Programme managed by the Turkish Ministry of Food, Agriculture and Livestock and the International Fund for Agricultural Development (IFAD).

INTERNATIONAL CONTACTS

KGF took part in meetings in Saudi Arabia, Belgium, the Netherlands as well as international meetings held in Turkey, representing both the Company and the country at these fora and holding talks with credit guarantee agencies from across the world as well as international public and finance institutions.

As a result of KGF's increased recognition and visibility thanks to its revised business procedures, institutionalization, and high transaction volume, throughout 2019, our Company hosted delegations and institutions from numerous countries who paid a visit to learn about KGF's unique model.

Conference on Innovative Finance for Growth

In partnership with the Central Bank of Turkey and the Asian Development Bank Institute (ADBI), KGF co-organized the conference "Innovative Finance for Growth" in Istanbul on March 16th-18th, 2019, which among others discussed the role of credit guarantee agencies.

SME Finance Conference

KGF participated in the "SME Finance Conference", organized by Saudi Arabia's credit guarantee agency Kafalah in partnership with the World Bank Group in Riyadh on April 29th-39th, 2019.

AECM General Assembly

As a member of the European Association of Guarantee Institutions (AECM) since 2005, which represents 48 members in 29 countries, KGF participated in the AECM General Assembly held in Antwerp on June 12th-15th, 2019.

SME Finance Forum

KGF participated in the Global SME Finance Forum's annual meeting "The Convergence of the Real and Financial Sectors in SME Finance", organized in the Netherlands on October 7th-9th, 2019.

HUMAN RESOURCES ACTIVITIES

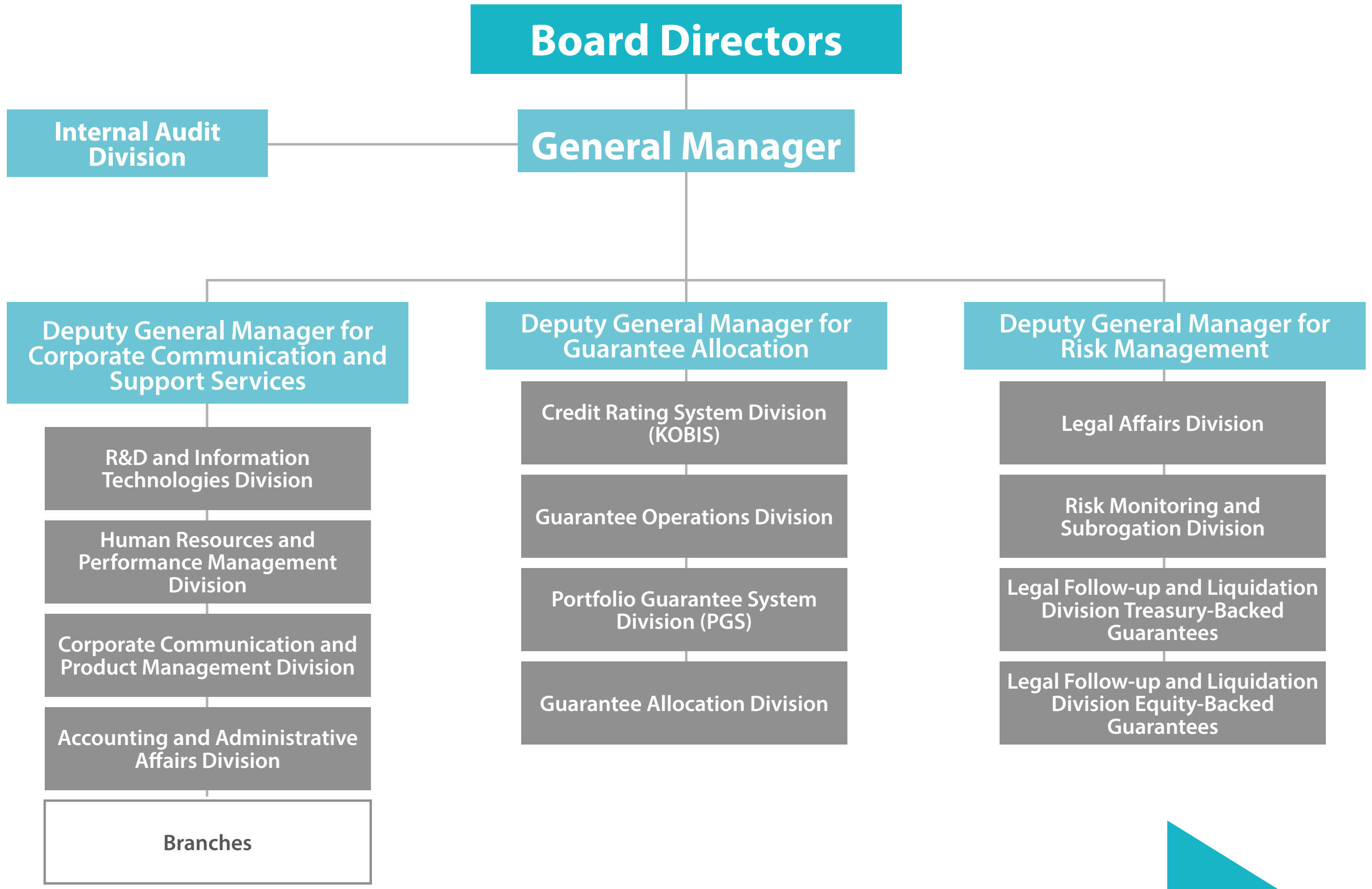
The number of staff members, which stood at 184 at the end of 2018, has become 185 as of 2019 year-end as 13 staff members left service and 14 new members were recruited. 54% of the overall staff is female, and 46% is male.

Toplam Çalışan Sayısı	185
Ratio of Female Staff	54%
Ratio of Senior-Medium Level Female Executives	45%
Ratio of University Graduates	87%
Average Age	39
Average Seniority	5,5 years

- 87% of staff is a graduate of university and/or higher school. KGF has a young employee profile, with an average age of 39. Average seniority is 5.5 years.
- KGF has designed its human resources policy by acknowledging that employees are the most valuable resources. While implementing this policy, KGF adopts the principle of transparency.
- In this respect, career planning, wage policy, duties, processes and all other rights are guaranteed in the internal regulations of the Company and are managed in a transparent fashion. In addition, KGF employees are provided with complete and accurate information about their fringe benefits, obligations and relevant processes through internal regulations including “Regulation on Human Resources”, “Regulation on Duties and Powers”, “Regulation on Performance Evaluation”, “Regulation on Disciplinary Measures”, “Regulation on Allowances”, “Implementation Directive on Leaves”, and ”Implementation Directive on Training”. Thus, the rights of all employees are protected; and career and training plans are developed to guide their professional development and progress.
- Human Resources and Performance Management Division executes recruitment and other ongoing processes solely on the basis of performance evaluation and internal regulations, without any discrimination on the basis of religion, language, race or gender. The primary goal is to ensure professional development of employees, while offering them an orderly, transparent and peaceful environment.
- Career planning and promotion procedures are executed transparently and in compliance with the internal regulations. The promotion of employees has been decided based on the findings of “2019 Qualifications-Based Performance Evaluation”.
- Human Resources Management System software has been updated; the e-portal designated for employees has turned into a modern and user-friendly platform. Through the e-portal, employees are able to access information about their personal employment details, right of leave, and in-service trainings. Moreover, thanks to this new system, these data are now kept in high-end security.
- As part of the efforts to improve the employment rights and benefits of KGF staff, personal accident insurance and complementary health insurance are offered since 2016, which continued in 2019 as well.
- Legal procedures are fulfilled and necessary precautions are taken with regard to occupational health and safety, and an ergonomic work environment is provided. Specialist opinions are obtained and relevant practices are developed to achieve the ideal of healthier staff and less occupational disease.

- In cooperation with TOBB University, 11 students attended the 3.5-month internship programme at our Company in 2019. University students were assigned in various departments, and they had the opportunity to familiarize with working life, working conditions, financial sector and the Company, and to gain practical experience.
- The 2019 annual audit of ISO 9001:2015 Service Sector Quality Certificate, which we hold to pursue the understanding and aspiration of maintaining and improving stakeholder satisfaction in business processes, has been successfully completed, and we have been entitled to continue holding the certificate.
- Due to the increased importance and recognition of KGF as well as the importance attached by the Company to human resources, it has become a preferred institution for employment. Throughout the year, many applications were received by those who want to join KGF.
- As part of its social responsibility projects, KGF provided scholarships to 3 students from TOBB ETU University with an annual total of TRY 210,000.
- KGF will continue investing in human resources in line with the evolving needs and expectations of employees and new technologies.

Organization Chart



INFORMATION TECHNOLOGIES AND SECURITY RELATED ACTIVITIES

- Server and storage equipment were purchased and installed to increase data processing and computing capacity at KGF System Control Rooms, which will be used in the new software project. The capacity of the Disaster Recovery Centre, which will be used to provide uninterrupted service in case of a malfunction or a failure in the General Management System, has been strengthened. Virtualization software and operating system licenses were obtained in order to enable efficient use of hardware.
- Corporate antivirus software licences have been renewed. Necessary updates and licensing arrangements have been made for office software that issued new releases. A software updater was purchased, installed and opened for the use of software companies for automatic updating and recording of KGF automation software and for following the update history.
- Computer security measures across the Company have been reinforced in order to ensure high-level security at data level.
- Human resources automation, previously conducted through multiple software programmes, has been unified in a single software. The Company has started to use the software, following its customization, optimization, and the entry of employee data into the system.
- The air conditioning and fire extinguishing systems at the data centre have been renewed. The air conditioning system, overstretched due to the increased capacity of our corporate data centres, has been replaced with a cooling system with remote monitoring and redundant power supply, specially tailored for our data centres. Fire extinguishing system has been upgraded.
- Robotic Process Automation software has been put into use in the business units to perform processes that are manually-operated, not automated, or difficult to operate.

INVESTMENTS OF THE COMPANY IN THE RELATED ACCOUNT PERIOD

A software has been purchased for the monitoring of software processes, performance analysis, detection of possible errors and reporting of problems. Through the use of data generated by this software, necessary interventions have been made to monitor the impact of the improvements marked by the new software project and to keep the presentation performance at highest level possible.

AUDITS APPLICABLE TO THE COMPANY

The 2019 annual audit of ISO 9001:2015 Service Sector Quality Certificate, which we hold to pursue the understanding and aspiration of maintaining and improving stakeholder satisfaction in business processes, has been successfully completed, and we have been entitled to continue holding the certificate.

Independent audit firm did also audit information systems during the account period, and all processes were evaluated to comply with sectoral norms.

Financial statements of our Company as of December 31st, 2019 were audited by independent external auditors. The audit was conducted by Pwc Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş., which was selected pursuant to the decision taken during the General Assembly held on March 26th, 2019.

INTERNAL AUDITING

- Internal control mechanisms have been established to ensure that the operations of our Company are compliant with the legislation and internal regulations, within the framework of policies and rules established by the Board of Directors, and to ensure the completeness and reliability of accounting and reporting systems.
- Periodic and risk-based internal audit activities are carried out to assure the management that the Company's operations are compliant with laws, other applicable legislation as well as Company's internal strategies, policies, principles and goals, and that the internal control systems are effective and sufficient.
- The Internal Audit Division administratively reports to the General Manager and is responsible for the fulfilment of audit functions against the Audit Committee and the Board of Directors.
- The scope of internal audit activities and applicable principles are established through annually prepared internal audit plans, which are developed in line with the Company's strategies and priorities and put into force upon the approval of the Audit Committee following the General Manager's opinion.
- The recommendations developed in order to address the findings of internal audit activities and prevent their recurrence are submitted to related divisions. To address these findings, based on their degrees of importance and urgency, the Internal Audit Division follows up findings so that the related divisions take action within a reasonable period of time.
- Based on the instructions of the General Manager or the Audit Committee, the Internal Audit Division conducts investigations to examine or assess any subject.
- Based on the instructions of the General Manager or the Audit Committee, the Internal Audit Division conducts investigations over the actions and procedures of the Company staff who violate laws and other applicable legislation, and thus may be held to account for administrative, criminal or financial liability.
- The reports prepared as a result of investigations and reviews are submitted to the General Manager and the Audit Committee.
- As part of our Company's software development processes and in cases where required by the General Manager or the Audit Committee, the Internal Audit Division performs consultancy function.

OTHER ACTIVITIES

If there has been an extraordinary General Assembly held within that year, relevant information should be provided including the date of the Assembly, decisions taken by the Assembly, and the actions taken in relation to the Assembly (none).

MEDIA AND PROMOTION ACTIVITIES

4

Financials

EVALUATION OF FINANCIAL STANDING

In 2019, our Company had a total net sales of TRY 105,285,310.79. While our operating profit was TRY 45,100,303.20, our net profit as of fiscal year 2019 amounted to TRY 92,766,174.14.

ASSET STRUCTURE

In 2019, the asset size of our Company grew by 23.91% year on year, reaching TRY 656,979,644.01. Our Bank deposit sub-item under the Liquid Assets item, increased by TRY 81,982,415.40, reaching TRY 418,126,940.23. The income generated through KGF equity-backed guarantees in particular has had a positive impact on our deposit assets.

Under the Current Assets, our Trade Receivables recorded a year on year increase by 18.32%, reaching a net of TRY 190,302,774.56 after deducting provisions. Legally required reserves have been held.

Fixed Assets increased by 3.39%, reaching TRY 22,119,974.82. A significant portion of the real estates owned by our Company has been sold and turned into cash. In addition, our Company bolsters its Data Processing infrastructure through purchasing new devices, equipment, and software. The new software process is still ongoing.

LIABILITY STRUCTURE

In 2019, the most important change in our liability structure has been the increase in our paid-in capital.

The registered equity ceiling of our Company is TRY 600 million. Our paid-in capital amounts to TRY 513,134,229.53. In 2019, two new banks joined our Company as Group-C shareholders, bolstering our existing shareholding structure.

In accordance with the legal regulations, each year our Company makes provisions for the severance pay of employees that have completed at least one full year at the Company.

DIVIDEND POLICY

Our Company does not pay dividends pursuant to Article 4 (1-L) of the Corporate Income Tax Law No 5520, which lays down provisions for exemption.

CONCLUSION

As a result of the evaluation of the capital and indebtedness of our Company, in line with Article 376 of Turkish Commercial Code and in the light of the information available in the financial statements including the profitability, assets and liabilities, it has been concluded that the existing capital structure is very strong, that the Company's debts are at a very insignificant level and therefore do not pose any risk.

Given the importance of Kredi Garanti Fonu for our country, and in line with the goal of increasing its weight and influence within the existing financial landscape, it is intended to further strengthen the equity structure by admitting new shareholders and increasing the capital amounts of existing shareholders.

KREDİ GARANTİ FONU A.Ş. COMPARATIVE BALANCE SHEET FOR THE PERIOD 31.12.2018-31.12.2019 (TRY) TPL

	ASSETS	Previous Period 31/12/2018	Current Period 31/12/2019		LIABILITIES	Previous Period 31/12/2018	Current Period 31/12/2019
1	CURRENT ASSETS			3	CURRENT LIABILITIES		
10	Liquid Assets	340.497.190,13	439.256.143,69	30	Financial Payables		
100	Cash	3.013,81	4.525,20	32	Trade Payables	2.405.871,35	2.208.516,40
102	Banks	336.144.524,83	418.126.940,23	309	Other Financial Payables	7.490,15	8.356,96
104	Treasury Bank Account	4.349.651,49	21.124.678,26	320	Sellers	261.601,95	545.803,90
11	Securities	4.015.772,68	3.227.502,14	326	Deposits and Guarantees Collected	1.761.677,81	1.527.554,72
111	Pr. Sec. Bonds, Notes and Bills			329	Other Trade Payables	375.101,44	126.800,82
112	Pub. Sec. Bonds, Notes and Bills	4.015.772,68	3.227.502,14	33	Other Payables	4.277.982,55	20.504.738,65
12	Trade Receivables	160.838.324,61	190.303.277,56	335	Employee Payables	984,89	313,35
120	Buyers			336	Other Misc. Payables	4.276.997,66	20.504.425,30
126	Deposits and Guarantees	503,00	503,00	34	Advances Received	329.641,53	1.334.494,23
127	Other Trade Receivables (incl. Protocol)	71.973.433,13	49.019.299,85	341	Fee and Commission Advances	329.641,53	1.334.494,23
128	Doubtful Trade Receivables	162.162.102,77	238.255.476,61	36	Taxes Payable and Other Liabilities	1.944.673,83	2.273.083,04
129	Prov. for D. Trade Receivables (-)	-73.297.714,29	-96.972.001,90	360	Taxes and Funds Payable	965.035,95	1.163.930,56
13	Other Receivables	240.273,42	240.273,42	361	Social Security Withholdings Payable	847.370,02	1.021.829,81
135	Receivables from Employees	81,00	81,00	362	Taxes Payable and Other Liabilities (KTVÜ)	132.265,41	87.322,67
136	Other Misc. Receivables	240.192,42	240.192,42	369	Other Liabilities Payable	2,45	0,00
15	Inventories	54.000,00	84.960,00				
159	Advances Paid for Purchase Orders	54.000,00	84.960,00	38	Income r/t Future Months & Expense Accruals	0,00	0,00
18	Income and Expenses r/t Future Months	3.073.780,23	1.666.141,07				
180	Prepaid Expenses	104.831,73		380	Income and Expenses r/t Future Months		
181	Accrued Income	2.968.948,50	1.666.141,07	39	Other Current Liabilities	37.273,72	23.718,94
19	Other Current Assets	75.392,13	81.371,31	391	VAT Calculated	22.256,21	6.850,71
190	VAT Carried Forward			393	Head-Office and Branches Current Accounts	15.017,51	16.868,23
191	VAT Deductible	774,73	2.308,02		TOTAL OF CURRENT LIABILITIES	8.995.442,98	26.344.551,26
195	Business Advances	74.617,40	79.063,29				
				4	LONG-TERM LIABILITIES		
	TOTAL OF CURRENT ASSETS	508.794.733,20	634.859.669,19	40	Financial Payables		
2	FIXED ASSETS			42	Trade Payables		
22	Trade Receivables			43	Other Payables		
220	Buyers			47	Provisions for Liabilities and Expenses	5.425.352,68	6.783.881,78
226	Deposits and Collaterals			472	Provisions for Severance Pay	5.425.352,68	6.783.881,78
23	Other Receivables	106.200,00	106.200,00	48	Income r/t Future Years &		
236	Other Misc. Receivables	106.200,00	106.200,00		Expense Accruals		
25	Tangible Assets	14.931.601,33	17.397.646,74		TOTAL OF LONG-TERM LIABILITIES	5.425.352,68	6.783.881,78
250	Lands and plots	889.074,00	659.425,00				
251	Land improvements			5	EQUITIES		
252	Buildings	2.189.477,37	2.189.477,37	50	Paid-in capital	318.281.750,00	513.134.229,53
253	Machinery, plant and equipment			500	Capital	318.281.750,00	513.134.229,53
254	Vehicles	1.661.609,92	1.246.719,22	501	Unpaid capital (-)		
255	Fixtures	6.576.778,84	8.109.425,25	52	Capital reserves	5.751.311,93	5.751.339,91
256	Other tangible assets			529	Other capital reserves	5.751.311,93	5.751.339,91
257	Accumulated depreciation (-)	-4.365.519,50	-6.061.962,80	54	Profit reserves	9.310.126,45	12.199.467,39
258	Investments in progress	7.980.180,70	11.254.562,70	540	Legal reserves	9.310.126,45	12.199.467,39
26	Intangible Assets	6.325.181,36	4.499.507,41	542	Extraordinary reserves		
260	Rights	36.480,98	36.480,98	548	Other profit		
264	Special costs	236.677,18	370.965,28	549	Special funds		
267	Other intangible assets	12.293.949,98	14.483.924,17	57	Retained earnings	124.637.561,99	0,00
268	Accumulated depreciation (-)	-6.241.926,78	-10.391.863,02	570	Retained earnings	124.637.561,99	0,00
28	Expenses r/t future years and Income accruals	30.649,02	116.620,67	58	Accumulated losses (-)		
				580	Accumulated losses (-)		
280	Expenses r/t future periods	30.649,02	116.620,67	59	Net Profit (Loss) for the period		
281	Income accruals			590	Net profit for the period	57.786.818,88	92.766.174,14
	TOTAL OF FIXED ASSETS	**21.393.631,71**	**22.119.974,82**		**TOTAL OF EQUITIES**	**515.767.569,25**	**623.851.210,97**
	TOTAL OF ASSETS	530.188.364,91	656.979.644,01		TOTAL OF LIABILITIES	530.188.364,91	656.979.644,01
	MEMORANDUM ITEMS	221.198.938.329,14	199.626.849.982,82		MEMORANDUM ITEMS	221.198.938.329,14	199.626.849.982,82
	Equity Guarantee Debt Exp.	1.135.181.137,00	3.240.069.852,00		Equity Guarantee Credit Exp.	1.135.181.137,00	3.240.069.852,00
	Treasury Guarantee Debt Exp.	199.424.959.000,00	171.549.347.376,00		Treasury Guarantee Credit Exp.	199.424.959.000,00	171.549.347.376,00
	Treasury-backed guarantees	16.923.257.312,55	17.647.342.701,97		Treasury-backed guarantees	16.923.257.312,55	17.647.342.701,97
	Other memorandum items	3.715.540.879,59	7.190.090.052,85		Other memorandum items	3.715.540.879,59	7.190.090.052,85

KREDİ GARANTİ FONU A.Ş. TPL DETAILED COMPARATIVE INCOME STATEMENT FOR THE PERIOD 01.01.2019-31.12.2019

		31.12.2018		**31.12.2019**
A- GROSS INCOME		72.907.150,49		106.439.908,87
1. Commissions from Domestic Guarantees	71.566.128,14		105.131.257,99	
2. Commissions from Overseas Guarantees				
3. Other Income	1.341.022,35		1.308.650,88	
B- SALES DEDUCTIONS(-)		1.298.458,41		1.154.598,08
1. Sales Returns (-)	1.298.458,41		1.154.598,08	
2. Sales Discounts (-)				
3. Other Discounts (-)				
C- NET SALES		71.608.692,08		105.285.310,79
D- COST OF SALES (-)				
GROSS SALES PROFIT OR LOSS		71.608.692,08		105.285.310,79
E- OPERATING COSTS (-)		51.532.898,60		60.185.007,59
1. Research and Development Costs				
2. Operating Costs of Branches (-)				
3. Overhead Costs (-)	51.532.898,60		60.185.007,59	
OPERATING PROFIT OR LOSS		20.075.793,48		45.100.303,20
F- ORDINARY INCOME OR PROFITS FROM OTHER OPERATIONS		102.874.610,62		84.893.137,29
1. Dividends from affiliates				
2. Dividends from subsidiaries				
3. Interest income	57.283.850,90		57.559.902,74	
4.Commission income				
5. Provisions no longer required	2.579.541,14		2.302.570,06	
6. Profit on sale of marketable securities				
7. Foreign exchange gains	43.011.218,58		25.030.664,49	
8. Rediscount interest income				
9. Other operational income and profits				
G- EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)		47.798.496,47		41.282.044,54
1. Commission expenses				
2. Provision expenses	25.525.651,10		25.976.857,67	
3. Losses on sale of marketable securities				
4. Foreign exchange losses	22.272.845,37		15.305.186,87	
5. Rediscount interest expenses				
6. Other ordinary expenses and losses				
ORDINARY PROFIT OR LOSS		75.151.907,63		88.711.395,95
I- EXTRAORDINARY INCOME AND PROFITS		4.174.593,84		5.766.548,58
1. Income and profits from the previous period	360.873,53		2.547.389,91	
2. Other extraordinary income and profits	3.813.720,31		3.219.158,67	
J- EXTRAORDINARY EXPENSES AND LOSSES (-)		21.539.682,59		1.711.770,39
1. Idle capacity expenses and losses (-)				
2. Accumulated expenses and losses (-)				
3. Other extraordinary expenses and losses (-)	21.539.682,59		1.711.770,39	
PROFIT OR LOSS FOR THE PERIOD		57.786.818,88		92.766.174,14
NET PROFIT OR LOSS FOR THE PERIOD		57.786.818,88		92.766.174,14

NON-PERFORMING GUARANTEE EXPOSURE

	31.12.2019
Sources	Takip Riski Bakiyesi (Protokole Bağlananlar Dahil)
Equity	279.884.809,80
Treasury	7.102.657.298,03
TOTAL	7.382.542.107,83

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INDEPENDENT AUDIT REPORT

KREDİ GARANTİ FONU A.Ş.
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS INTO ENGLISH AND INDEPENDENT AUDITORS REPORT ORIGINALLY ISSUED IN TURKISH)

INDEX **PAGE**

pwc

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kredi Garanti Fonu A.Ş.

A. Audit of the Financial Statements

1. Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Key Audit Matters	*How Our Audit Addressed the Key Audit Matter*
Expected Credit Loss in Accordance With TFRS 9 The Company has total expected credit losses of TRY 174.845.367 in respect to indemnified guarantees (trade receivables) amounting to TRY 287.286.978 which represent a significant portion of the Company's total assets in its financial statements as at 31 December 2019. In addition, the Company has total expected credit losses of TRY 42.193.535 in respect to guarantees financed by its own equity amounting to TRY 3.240.069.852. Explanations and notes related to expected credit losses are presented in the notes 3.3, 3.4, 6 and 14 of the accompanying financial statements as at 31 December 2019. The Company recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements effective from 1 January 2018 which is published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). The Company exercises significant judgement, interpretation and assumptions in its decision making over when and how much provision needs to be recorded for trade receivables and guarantees financed by own equity. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate. The Company uses relevant models for the calculation of TFRS 9 expected credit losses. Our audit was focused on this area due to existence of complex estimates and information used in the expected credit losses assessment such as macro-economic expectations, current conditions, historical loss experiences. The level of judgements and estimations made by the management have significant impacts on the amount of expected credit losses on balance sheet. Therefore, this area is considered as key audit matter.	With respect to calculation of expected credit losses in accordance with TFRS 9 within our audit procedures, we have assessed policy, procedure and principles established by the management of the Company. Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. We have evaluated and tested default definition, probability of default, loss given default and estimations and assumptions related to macroeconomic variables used in the calculation of expected credit losses together with our financial risk experts. We have tested the calculations in expected credit loss models through re-performance together with our financial risk experts on a sample basis. We have checked expected credit losses determined based on individual assessment as per the Company's policy, by reviewing supporting data, and evaluated its appropriateness through discussions with management. We have checked data input used in models developed for the calculation of expected credit losses on a sample basis. We have assessed accuracy and completeness of the disclosures in the financial statements the Company presented in relation to expected credit losses.

4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Partner

Istanbul, 4 March 2020

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Current year audited	Prior year audited
Assets	Notes	31 December 2019	31 December 2018
Current assets		557.022.349	450.870.241
Cash and cash equivalents	4	440.901.156	343.420.209
Financial investments	5	3.246.659	4.019.108
Trade receivables	6	112.441.611	103.012.209
Other receivables	7	237.155	208.536
Prepaid expenses	8	116.621	135.481
Other current assets	15	79.147	74.698
Non-current assets		29.789.965	25.822.075
Property, plant and equipment	9	4.473.510	4.772.709
Right of use asset	11	3.405.616	-
Intangible assets	10	19.123.891	18.032.769
Other non-current assets	15	2.786.948	3.016.597
Total assets		586.812.314	476.692.316
Current liabilities		80.960.541	46.381.335
Short term financial liabilities	12	89.025	-
-Lease liabilities	12	89.025	-
Trade payables	6	554.161	271.431
Employee benefit obligations	13	1.937.409	1.653.239
Other payables	7	2.999.182	2.366.687
Deferred income	16	38.300.199	22.164.098
Short-term provisions:		10.477.733	9.468.918
-Short-term provisions for employee benefits	13	2.928.268	1.898.718
-Other short-term provisions	14	7.549.465	7.570.200
Other short-term liablities	15	26.602.832	10.456.962
Non-current liabilities		42.160.268	37.342.154
Long term financial liabilities	12	3.986.273	-
-Lease liabilities	12	3.986.273	-
Long-term provisions		38.173.995	37.342.154
-Long-term provisions for employee benefits	13	2.803.843	2.464.100
-Other long-term provisions	14	35.370.152	34.878.054
Total Liabilities		123.120.809	83.723.489
Shareholders' equity		463.691.505	392.968.827
Attributable to equity holders of parent			
Paid-in share capital	17	513.134.230	318.281.750
Other accumulated comprehensive income that will not be reclassified in profit or loss		477.786	452.058
- Remeasurement gain of defined benefit plans		477.786	452.058
Restricted reserves	17	12.199.467	9.310.126
Retained earnings/(accumulated losses)	17	(117.827.712)	31.883
Net profit for the year		55.707.734	64.893.010
Total liabilities and shareholders' equity		586.812.314	476.692.316

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Current year audited	Prior year audited
	Notlar	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	18	87.840.559	61.374.183
Cost of sales (-)	18	(56.985.035)	(44.833.126)
Gross profit		30.855.524	16.541.057
General administrative expenses (-)	19	(2.147.864)	(1.795.382)
Other operating income	20	8.872.617	19.761.257
Other opearating expense (-)	20	(48.437.161)	(47.917.665)
Operating (loss) / profit		(10.856.884)	(13.410.733)
Income from investment activities	21	746.787	688.809
Operating (loss)/profit before financial expenses		(10.110.097)	(12.721.924)
Financial income	22	82.631.175	100.274.150
Financial expense (-)	22	(16.813.344)	(22.659.216)
Net profit for the year		55.707.734	64.893.010
Other comprehensive income			
Other accumulated comprehensive income that will not be reclassified in profit or loss			
-Actuarial gain	13	25.728	365.768
Total other comprehensive income		25.728	365.768
Total comprehensive income		55.733.462	65.258.778

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Paid-in share capital	Other accumulated comprehensive income that will not be reclassified in profit or loss Actuarial gain/(loss) arising from employee benefits	Restricted reserves	Retained earnings/ (Accumulated losses)	Net profit/ (loss) for the year	Total
Balance at 1 January 2018	318.281.750	86.290	2.750.255	(22.809.647)	135.817.676	434.126.324
Effects of mandatory changes in accounting policies (TFRS 9)	-	-	-	(106.416.275)	-	(106.416.275)
Adjusted Balance at 1 January 2018	318.281.750	86.290	2.750.255	(129.225.922)	135.817.676	(327.710.049)
Transfers	-	-	6.559.871	129.257.805	(135.817.676)	-
Other comprehensive income	-	365.768	-	-	-	365.768
Net profit for the year	-	-	-	-	64.893.010	64.893.010
Balance at 31 December 2018	318.281.750	452.058	9.310.126	31.883	64.893.010	392.968.827
Balance at 1 January 2019	318.281.750	452.058	9.310.126	31.883	64.893.010	392.968.827
Effects of mandatory changes in	-	-	-	(328.223)	-	(328.223)
accounting policies (TFRS 16) (Note 2)	-	-	-	(328.223)	-	(328.223)
Adjusted Balance at 1 January 2019	318.281.750	452.058	9.310.126	(296.340)	64.893.010	392.640.604
*Capital Increase	194.852.480	-	-	(179.535.041)	-	15.317.439
Transfers	-	-	2.889.341	62.003.669	(64.893.010)	-
Other comprehensive income	-	25.728	-	-	-	25.728
Net profit for the year	-	-	-	-	55.707.734	55.707.734
Balance at 31 December 2019	513.134.230	477.786	12.199.467	(117.827.712)	55.707.734	463.691.505

(*) The Company increased the capital in 2019 and a portion of TL 179.535.041 of this increase is made using internal resources consisted of prior year earnings. The remaining part amounting to TL 15.317.439 is equally provided by the newly entering banks (Türkiye Emlak Katılım Bankası A.Ş. and PASHA Yatırım Bankası A.Ş.) into partnership in cash.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current year audited 31 December 2019	Prior year audited 31 December 2018
A. Cash flows from operating activities		16.727.627	(46.298.127)
Net profit		55.707.734	64.893.010
Adjustments for reconciliation of net profit/ (loss)		(1.218.214)	(63.419.111)
Adjustment for depreciation and amortisation expense	9, 10, 11	7.675.756	2.890.530
Adjusments for expected credit loss provisions		250.509	(11.338.280)
Adjustment for provisions and written-off receivables		46.012.409	2.604.907
Adjustment for interest income	22	(57.600.511)	(57.262.931)
Adjustment for interest expense	22	1.508.157	386.371
Adjustment for gain on sale of property, plant and equipment	21	(746.787)	(688.809)
Adjustment for litigations provisions	14	220.838	(342.380)
Adjustment for unpaid vacation liability and bonus accrual	13	1.029.550	(161.843)
Adjustment for employee termination benefits	13	431.865	493.324
Changes in working capital		(37.359.572)	(47.314.859)
Change in trade receivables		(55.441.811)	(51.430.061)
Change in blockage bank accounts	4	(15.384.919)	(5.283.204)
Change in prepaid expenses	8	18.860	154.213
Changes in other receivables	7	(28.619)	110.284
Change in other current assets	15	(4.449)	567.541
Change in trade payables	6	282.730	(107.599)
Changes in short-term liabilities	15	16.145.870	1.916.169
Change in employee benefit obligations	13	284.170	(584.765)
Cahnge in other payables	7	632.495	(1.550.924)
Change in deferred revenues	16	16.136.101	8.893.487
Net cash flows used in operating activities		(402.321)	(457.167)
Employment termination benefits paid	13	(402.321)	(457.167)
B. Cash flows from investing activities		(5.320.742)	(16.980.103)
Proceeds from sale of property, plant and equipment, intangible assets and other non-current assets		1.024.835	713.877
Purchases of property, plant and equipment	9	(1.666.934)	(1.727.084)
Purchases of intangible assets	10	(5.464.356)	(14.806.409)
Purchases of other-current assets		-	(656.072)
Changes in financial investments		785.713	(504.415)
C. Cash flows from financing activities		71.967.149	57.194.421
Capital increase	17	15.317.439	-
Interest received		58.865.269	57.194.421
Lease payments	12	(2.215.559)	-
Net (decrease)/increase in cash and cash equivalents		83.374.034	(6.083.809)
Cash and cash equivalents at beginning of the year	4	331.391.625	337.475.434
Cash and cash equivalents at the end of the year	4	414.765.659	331.391.625

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Kredi Garanti Fonu A.Ş. (the "Company") has been established in 1991 and operates in Turkey. The Company supports small and medium size entities through providing guarantees, enables them utilizing bank credits for their investments and financing activities. The Company provided its first credit guarantee on July 1994.

Pursuant to the 14 July 2009 dated and 2009/15197 numbered decision by the Council of Ministers which is about "Procedures and Principles concerning Treasury Support for Credit Guarantee Corporations" Company and Undersecretariat of Treasury have signed a Protocol on September 18, 2009. The Protocol serves to the objectives of efficiency in loan market, supporting entities with limited fund access and providing additional fund facilities for these entities by guarantees given them through use of Treasury Undersecretariat contribution, within the frame of duties and responsibilities of Company and Undersecretariat of Treasury. Within the framework of the protocol, the Company recognizes commission proceeds due to guarantees provided upon Treasury collateral, and the revenue from other uncollateralized transactions.

The shareholders of the Company consist of Türkiye Odalar ve Borsalar Birliği ("TOBB"), Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı ("KOSGEB"), Türkiye Esnaf ve Sanatkarları Konfederasyonu ("TESK"), Türkiye Küçük ve Orta Ölçekli İşletmeler, Serbest Meslek Mensupları and Yöneticiler Vakfı ("TOSYÖV"), Mesleki Eğitim ve Küçük Sanayi Destekleme Vakfı ("MEKSA") and 29 banks in equal shares; by the shares of 28,30%, 28,29%, 0,12%, 0,01%, 0,004% of and 43,28%, respectively (Note 17).

The Company's registered address is TOBB İkiz Kuleleri C Blok, Kat: 5-6-7, Dumlupınar Bulvarı No: 252, Ankara.

As of 31 December 2019, the Company has 185 employees (31 December 2018: 185).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Statement of presentation

The financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). TFRS comprises; Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and its amendments and interpretations.

The Company maintains their books of accounts and prepares their statutory financial statements in accordance with principles issued by POA, the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Treasury and Finance. These financial statements are prepared in Turkish Lira and based on historical cost, except for derivative instruments shown at fair value in accordance with the Turkish Financial Reporting Standards. The Company has made necessary adjustments and reclassifications in accordance with the format defined in the illustrative financial statements and User Guide issued by POA.

The financial statements for the year ended 31 December 2019 have been authorized for issue by the Company management on 04 March 2020. The General Assembly has the authority to amend/modify the financial statements.

2.2. Functional and presentation currency

Financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The results and financial position of the Company are expressed in Turkish Lira, which is the functional and presentation currency of the Company.

Functional and presentation currency of the Company is Turkish Lira (TL).

2.3. Netting / Offsetting

Financial assets and liabilities are presented in the balance sheet as net amount in the cases of the Company's right and right to sanction to finalize and have the intention to receive/pay related financial asset or liability over the recognized amount or have the right to finalize the related asset and liability simultaneously.

2.4. Comparative information and restatement of prior period financial statements

In order to allow determination of financial position and performance, financial statements of the Company are prepared in comparison with previous period. The Company has prepared the statement of financial position as of December 31, 2019, in comparison with the statement of financial position prepared as of December 31, 2018. The statement of profit or loss, profit or loss and other comprehensive income, cash flow statement and statement of changes in equity as for the period January 1st – December 31st 2019, has been prepared in comparison with the prior period, January 1st – December 31st 2018. In accordance with the transitional provisions of the "TFRS 16 Leases" standard, which has been effective as of January 1, 2019, the prior period financial statements and footnotes have not been restated. Application and effects for the transition of TFRS 16 are explained in footnote 2.6.

2.5. Changes in accounting policies and estimates and errors

Significant changes in accounting policies and significant errors are corrected, retrospectively; by restating the prior period financial statements.

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

Significant accounting errors are corrected retrospectively and prior period financial statements are restated. There is no significant accounting error of the Company in the current year.

The accounting policy changes arising from the first adoption of a new TAS / TFRS are regulated in accordance with the transitional provisions of the TAS/TFRS, if any. If there is no transition provision, or if an optional significant change is made in the accounting policy, it is applied retrospectively and the prior year financial statements are restated. Except for the accounting policy changes required by TFRS 16 "Leases", there is no change in the accounting policies of the Company in 2019.

2.6. First time adoption to TFRS 16 "Leases" standard

TFRS 16 "Leases" standard, which is effective as of 1 January 2019 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated 16 April 2018. "TMS 17 Leasing Transactions" has been replaced with TFRS 16, related to the classification and measurement of leases.

TFRS 16 Leases Standard allows the comparative information of previous periods regarding classification and measurement changes to be revised without restatement within the simplified application in the standard. The company used the simplified method for the transition. For this reason, there is no need to restate the financial statements of the previous years. As of 1 January 2019, differences in the recorded value of leased assets and liabilities arising from the application of TFRS 16 have been accounted for in retained earnings/ (accumulated losses).

Regarding to IFRS 16 Financial Leasing Standard accounting policy changes and first-time implementation effects are as follows:

2.6.1. Explanations on leased assets

Company - as a lessee

The Company evaluates at the beginnig of a contract whether the contract is lease contract or not. If the contract, transfers the right to control the use of the asset defined for a price for a certain period of time, this contract is a lease or include a lease transition. The Company reflects a right of use and a lease liabilities on its financial statements at the date when the lease actually begins.

The Company considers the following conditions when evaluating whether a contract delegates its right to control the use of a defined asset for a certain period of time:

1) The contract contains the identified asset; asset is usually identified by expressing it explicitly or implicitly in the contract.
2) A functional part of the asset is physically separate or represents nearly all of the asset's capacity.
3) The Company has the right to receive almost all of the economic benefits to be derived from the use of the defined asset.
4) The Company has the right to manage the use of the identified asset. The Company has the right to manage the use of the asset in the presence of any of the following situations.

a) The Company has the right to manage and change how and for what purpose the asset will be used throughout its lifetime or,
b) The decisions are predetermined regarding how and for what purpose the asset will be used:
i) The Company, have the right to operate the asset throughout its lifetime (or directing others to operate the asset in their own way) and the lessor has no right to change these operating instructions; or
ii) The Company has designed the asset (or specific features of the asset) to predetermine how and for what purpose the asset will be used throughout its lifetime

Right of use asset

The right of use asset is initial recognized by cost method and includes:

1) The initial measurement amount of the lease liability.
2) The amount obtained by deducting all lease incentives received from all lease payments made on or before the lease actually started,
3) All initial costs incurred by the company,
4) Costs incurred by the company regarding the restoration of the underlying asset to bring it to the condition required by the terms and conditions of the lease

While applying cost method, the company measures the right of use asset with:

1) Deduction of accumulated depreciation and accumulated impairment losses and,
2) Corrected cost of the lease liability in accordance with re-measurement of the lease liability.

The company applies depreciation provisions in IAS "16 Property, Plant and Equipment" while depreciating its asset. In case the lessor transfers the ownership of the underlying asset to the Company at the end of the rental period or if the right of use asset cost indicates that the Company will use a purchase option, The company depreciates the lease asset until the end of the useful life of the underlying asset from the date when the lease actually starts to be used. In other cases, the Company depreciates its right of use asset according to the shorter of the useful life or lease term of the asset, starting from the date the lease actually started.

The Company applies TAS 36 "Impairment on Assets" to determine whether the right of use asset has been impaired and to recognize for any impairment loss identified.

Lease Liability

The company measures the lease obligation based on the present value of the lease payments that were not recognized at that date. Lease payments are discounted by using the implicit interest rate, if this rate in the lease can be determined easily. If the implicit interest rate in the lease cannot be determined easily, it is discounted by using the alternative borrowing interest rate.

Lease payments included in the measurement of the company's lease obligation and not recognized at the date on which the lease started:

1) The amount obtained by deducting all kinds of rental incentive receivables from fixed payments,
2) Lease payments made by using an index or rate on the date when the initial measurement is actually started, which is based on an index or rate,
3) In case the lessee use an option to terminate the lease, penalties for termination of the lease,
4) Penal payments for termination of the lease if the lessee indicates that the lessee will use an option to terminate the lease.

After the effective date of the lease, the Company measures the leasing liability as follows:

1) Increase the book value to reflect the interest on the lease obligation,
2) Reduces the book value to reflect the lease payments made and,
3) Remeasures the book value to reflect any revaluations and reconfigurations, if any. The Company reflects the remeasured amount of the lease liability to the financial statements as adjustment in the right of use asset.

Extension and Early Termination Options

The lease obligation in determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options in the contracts consist of options that are jointly applicable by the company and the lessor. The company determines the rental period by including the extension and early termination options in the company's initiative according to the relevant contract and if the options are reasonably accurate, it is included in the rental period. If the conditions change significantly, the assessment is reviewed by the company.

Simplifications and Exemptions

Short term lease contracts with a rental period of 12 months and less, and contracts for information technology equipment leases (predominantly printers, etc.) determined as low value by the Company were evaluated within the scope of the exemption granted by TFRS 16 Leases Standard. Payments related to these agreements continue to be recognized as expenses in the period in which they are created.

Company - as a lessor

The company does not have a subject to lease.

2.6.2 Reconciliation of financial assets in accordance with TFRS 16

The TFRS 16 "Leases" standard, which replaces IAS 17 "Leasing Transactions" standard, and the company retrospectively ("cumulative effect method") recognized the cumulative effect of applying the standard on its financial statements at once. Within the scope of the simplified transition application defined in the related standard, the comparative information of the financial statements and retained earnings have been restated.

Within the scope of the initial application of TFRS 16 "Leases" standard, before 1 January 2019, the lease commitments are accounted for as a lease obligation in accordance with IAS 17 in financial statements. This lease liability has been measured at the present value of the lease payments, which have been realized as of the date transition, discounted using the alternative borrowing interest rate at the date of initial application of Company. The right of use asset are accounted for an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard

The classification and correction effects of initial recognition of TFRS 16 Leases standard as of 1 January 2019 are presented on the table below:

	(Note)	TFRS Transition Effect	1 January 2019	31 December 2019
Right of use asset - Buildings		3.526.688	3.526.688	3.526.688
Accumulated Depreciation - Buildings		(548.700)	(548.700)	(1.254.038)
-Net Book Value - Buildings	11	2.977.988	2.977.988	2.272.650
Right of use asset - Vehicles		2.038.350	2.038.350	2.038.350
Accumulated Depreciation - Vehicles		(225.934)	(225.934)	(905.384)
-Net Book Value - Vehicles	11	1.812.416	1.812.416	1.132.966
Discounted lease liabilities	12	5.118.627	5.118.627	4.075.298

As of January 1 ,2019 and December 31, 2019, details of the right of use assets that are accounted in financial statements are as follows:

Right of use asset	1 January 2019	31 December 2019
Buildings	3.526.688	3.526.688
Accumulated Depreciation	(548.700)	(1.254.038)
Right of use asset (Net)	2.977.988	2.272.650
Vehicles	2.038.350	2.038.350
Accumulated Depreciation	(225.934)	(905.384)
Right of use asset (Net)	1.812.416	1.132.966

As of January 1, 2019, the reconciliation of the lease liabilities accounted in the financial statements within the scope of TFRS 16 is as follows.

	1 January 2019
Operational lease commitment	7.985.442
IFRS 16 Out of scope contracts (-)	51.700
-Low value rentals (-)	*51.700*
Total lease liability	7.933.742
Discounted lease liability	5.118.627

Short term lease contracts with a duration of 12 months or less and lease contracts, which are determined as low value by the company, have been evaluated within the scope of the exception recognized by the standard, and payments for these contracts continue to be recorded as expense in the period they occur. In this context, TL 57.104 was paid in the related period.

Effects on equity with TFRS 16 transition

The expense difference of TL 328.223 between the general administrative expenses arising from the previous period's lease payments and the total interest and depreciation expenses calculated for the right of use assets as of January 1, 2019, is classified under the retained earnings/(accumulated loss) under equity.

2.7. Going concern

The financial statements have been prepared assuming that the Company will continue as a going concern on the basis that they will be able to realize its assets and discharge its liabilities in the normal course of business.

2.8. Adoption of new and revised Turkish Financial Reporting Standards

The Company has applied the new and revised standards and interpretations which are related to its own operations and that are effective from 1 January 2019.

a) Standards, amendments and interpretations applicable as at 31 December 2019:

• Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points:
(1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and
(2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The amendment does not have any impact on the financial position or performance of the Company.

• Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The amendment does not have any impact on the financial position or performance of the Company.

• IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The effects of the amendment on the financial position and performance of the Company are explained in Note 2.6.

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendment does not have any impact on the financial position or performance of the Company.

• Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

• IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
• IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
• IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
• IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The amendments do not have any impact on the financial position or performance of the Company.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

• Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
• Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment does not have any impact on the financial position or performance of the Company.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

• Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) Clarify the explanation of the definition of material; and
iii) Incorporate some of the guidance in IAS 1 about immaterial information.
The amendment does not have an impact on the financial position and performance of the Company.

- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The amendment does not have any impact on the financial position or performance of the Company.

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The amendment does not have any impact on the financial position or performance of the Company.

- IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendment does not have any impact on the financial position or performance of the Company.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency transactions

The Company converts foreign currency transactions into TL and is based on the relevant exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at the reporting date. The resulting exchange differences are recognized as foreign exchange gains or losses in the statement of comprehensive income.

The exchange rates ruling as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
USD	5,9402	5,2609
EUR	6,6506	6,0280
Kullanım hakkı varlıkları (Net)	1.132.966	1.132.966

3.2. Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents include cash on hand, bank deposits and investments with short-term and highly liquid assets that are readily convertible to cash, with a maturity of 3 months or less from the date of purchase. The carrying of these assets is close to their fair value. As of 1 January 2018, the Company calculates the expected loss provision in accordance with TFRS 9 for bank deposits in cash and cash equivalents.

3.3. Trade receivables and expected credit losses

Trade receivables consist of indemnified guarantees financed by own equity that are transferred to administrative and legal proceedings. The Company uses expected credit losses model for the measurement of expected credit losses related to trade receivables with the adoption of TFRS 9. The expected credit loss model is applied to financial assets measured at amortized cost (such as deposits in banks, financial investments measured at amortized cost and trade receivables) and to the guarantees financed by own equity.

The Company recognizes expected credit losses for deposits in banks, financial investments measured at amortized cost and provisions for indemnified guarantees financed by own equity by deducting from related assets in the balance sheet and the provision for guarantees financed by own equity is recorded under short term and long-term provisions in the liability of the balance sheet (Note 14).

The expected credit losses include information that is estimated, neutral, weighted according to probabilities, taking into account the time value of money and information about past events, current conditions and future economic conditions (Note 3.4).

3.4. Information on Financial Assets

The Company categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting (POA) and Auditing Standards Authority.

Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. The Company recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Company management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Company's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjusments is made to earnings, losses or interest that were previously recorded in the financial statements.

a. Financial assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that times to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

As of 31 December 2019, the Company has no financial assets at fair value through profit or loss.

b. Financial Assets at Fair Value Through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial assets with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not designated in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

During initial recognition an entity can choose in a irrecovable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

As of 31 December 2019, the Company has no financial assets at fair value through other comprehensive income.

c. Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Financial assets measured at amortized cost of the Company include:

	31 December 2019	31 December 2018
Cash and cash equivalents		
-Cash	4.525	3.014
-Banks	440.899.698	343.420.216
- Demand deposit	1.494.146	1.170.499
- Time deposit	439.405.552	342.249.717
Financial investments		
-Financial assets measured at amortized cost	3.246.842	4.019.352
Trade receivables		
-Indemnified guarantees financed by own equity (net)	112.441.611	103.012.209
Total	556.592.676	450.454.791

d. Classification and measurement of financial instruments

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "Solely Payments of Principal and Interest" (SPPI).

e. Information on Expected Loss Provision

TFRS 9 "Financial Instruments", which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated December 19, 2017. "TAS 39 Financial Instruments: Recognition and Measurement" has been replaced with TFRS 9, related to the classification and measurement of financial instruments. In this framework, as of December 31, 2018, method of provisions for impairment as set out in accordance with the related legislation is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted, considering the time value of money and including supportable information about past events, current conditions, and forecasts of future economic conditions.

Expected Credit Loss (ECL) Calculation - Inputs and Forecasting Methodologies:

Expected Credit Loss (ECL) is calculated as lifetime, depending on whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) components.

Exposure at Default: Specifies the amount of risk at the time of indemnity of the guarantees financed by own equity. It is kept in the system by constantly calculated until the maturity of the borrower.

Probability of Default (PD): Indicates the rate of indemnity of guarantees financed by own equity due to the inability of the debtor to fulfill its obligations. The Company applies lifetime estimations in the probability of default calculation. Lifetime probability of default is calculated by using the historical data and incurred probability of default is taken to long term by using various functions.

The models used in the Probability of Default calculations are developed based on historical data on indemnified and not indemnified collaterals. The PD value to be used within the scope of TFRS 9 is calculated separately for the sector information of each debtor using the guarantees financed by own equity. The relation of risk parameters with macroeconomic conditions have been determined and which macroeconomic conditions are effective on the probability of default are identified. Within this framework, macroeconomic forecasts are taken into consideration by using different scenarios in the change of probability of default.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

- There is no change in the assumptions in the estimation techniques.
- Model risk parameters and macroeconomic estimation models have been updated with recent data.

Loss Given Default: The ratio that provides the uncollectible amount of the receivable in the process after the default.

In LGD methodology, based on the retrospective specific sector knowledge, separately indemnified guarantees financed by own equity amounts and long term collection process have been taken into account and LGD rate is calculated after deducting net collections amounts from the indemnified amount and discounted with effective interest rates or approximate rate over the net amounts with an approximate value.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. In addition, in order to determine the expected credit losses, the Company conducts an individual assessment of the indemnified guarantees financed by own equity with a risk over a certain amount in accordance with the Company's policy.

Write-off Policy

The Company's deduction of a financial asset is a transaction that is essentially indemnified and that does not have any expectation that it will be recovered and is applied in cases where these expectations are legally documented.

Partial reversal transactions include the agreement that a financial asset will be repaid in a certain amount by the debtor and the amount remaining after the payment of such amount is removed from the financial statements.

3.5. Property, plant and equipment

Property, plant and equipment acquired before 31 December 2004 are carried at restated cost for the effects of inflation in TL units current at 31 December 2004 less accumulated depreciation and impairment losses, and property, plant and equipment acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on the acquired values of property, plant and equipment on a straight-line method starting from the acquirement date.

Economic useful lives of tangible and intangible assets approximately are as follows

Type	Estimated useful lives (year)
Vehicles	5 years
Furniture and fixtures	3-15 years
Leasehold improvements	Through the lease period

Subsequent costs

Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the statement of comprehensive income as expense when incurred.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the proceeds from sales and the carrying amount of the asset and is recognized in profit or loss in the related period.

3.6. Intangible assets

Intangible assets comprise softwares. Intangible assets are carried at restated cost for the effects of inflation in TL units current at 31 December 2004 for the intangible assets acquired before 1 January 2005, and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The amortization of intangible assets is recorded in the statement of comprehensive income based on straight line amortization with the economic lives varying within 3 to 5 years.

3.7. Impairment of non-financial assets

The Company determines whether there are any indicators for impairment at every balance sheet date. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in comprehensive income statetemet.

3.8. Provisions, contingent liabilities and contingent assets

A provision is recognized in the financial statements when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criterias are not met, the Company discloses the related issues in the notes.

If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is virtually certain, such asset and income statement effects are recognized in the financial statements at the relevant period that income change effect occurs.

3.9. Employee benefits

Provision for employee severance indemnity

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. The provision for employee severance indemnity reflects the present value of the future probable obligation of the Company arising from the retirement of employees.

The calculation of severance pay reserve is based on the severance pay ceiling announced by the government.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in the income statement.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10. Related parties

a. A person or a close member of that person's family is related to a reporting entity:

If that person,

- Has control or joint control over the reporting entity;
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. If any of the following conditions exist, the entity is considered to be associated with the Company:

The entity and the Company are members of the same group,

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.11. Financial guarantees and revenue

The Company provides financial guarantees based on sureties. Obtained income collateral commissions consist of review revenues and allocation commissions. Following the initial recognition, investigation and grant commissions for each transaction, without considering whether the guarantee is provided to the customer or not, are accounted as revenue when they are collected. Guarantee commissions are accounted on an accrual basis.

3.12. Financial income and expenses

Interest income and expense is recognized using the effective interest method in the income statement. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial assets or liabilities.

Interest income and expense presented in statement of income includes reduced interest rate on financial assets and liabilities effective interest rate basis.

Foreign exchange gains and losses are presented in financial incomes and expenses in the income statement.

3.13. Taxation

Tax Procedural Law No. 213, Procedure Law on Collection of Public Claims No. 6183, Income Tax Law No. 193, abrogated Corporate Tax Law No. 5520 and 25th May dated and 4108 numbered Law for making amendments on Value-Added Tax Law No. 3065 became effective as they were published on Official Gazette on 2 June 1995.

According to this Law "Corporations established to provide credit facilities only within the frame of financial and technical cooperation with foreign or international financial organizations; add revenues generated from these operations to their guarantee responsibility funds; and retain these funds in order to invest banks and corporations" are exempted from Corporate Tax Law pursuant to 1st clause of the 4th article of Corporate Tax Law. (4th article of the law numbered 6009- revised).

Credit guarantee services by corporations mentioned in 17/4-e article of Value-Added Tax Law, (24) numbered clause of Article 7 of abrogated Corporate Income Tax Law No. 5422, and (I) clause of article 4 of the new Corporate Income Tax Law no. 5520, are exempted from value-added tax.

The papers which are drawn up for credit guarantee operations of the Corporations mentioned in the 29th article of 4842 numbered Law for making Amendments on Certain Laws, 24th paragraph of Article 7 of the Corporate Income Tax Law, and 22 numbered paragraph of Stamp Tax Law No. 488 which is added to section number 2 Table V- Papers for Corporations, are exempted from stamp duty.

3.14. Statement of cash flows

In the statement of cash flows, cash flow statements of the period are classified as operating, investing and financing activities.

Cash flows from operating activities represent cash flows from the Company's operations.

Cash flows related to investment activities indicate the Company's cash flows used in investment activities (fixed investments and financial investments).

Cash flows related to financing activities represent the resources used by the Company's financing activities and the repayments of these resources.

3.15. Subsequent events

Developments after the date of statement of financial position cover all events between the date of statement of financial position and the date when the financial statement is disclosed for publication, even its occur after explanation of announcement related with profit or other selected financial information.

The Company adjusts the amounts recognized in the financial statements, in the case of occuance of events after the date of statement of financial position that require correction in accordance with this new situation. The issues that occur after the date of the statement of financial position and do not require correction are explained in the financial statement notes if these issues can affect the economic decisions of financial statement users.

3.16. Significant accounting estimates and assumptions

The preparation of the financial statements requires the determination of the assets and liabilities reported as of the balance sheet date, the disclosure of contingent assets and liabilities and the use of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Company management's best knowledge of current events and transactions, actual results may differ from the assumptions.

The expected credit losses are estimated to be unbiased, weighted according to probabilities, and include information that can be supported about past events, current conditions, and supportable information with respect to estimations about future economic conditions. Explanations on the relevant estimation and inputs are stated in Note 3.4.

NOTE 4 - CASH AND CASH EQUIVALENTS

As of 31 December 2019 and 31 December 2018; the details of cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Cash	4.525	3.014
Banks	440.899.698	343.420.216
-Demand deposits	1.142.778	678.969
-Demand deposits of Treasury Transactions	351.368	491.530
-Time deposits	418.632.243	338.391.596
-Time deposits of Treasury Transactions	20.773.309	3.858.121
Provisions for expected credit loss	(3.067)	(3.021)
Total	440.901.156	343.420.209

As of 31 December 2019, original maturities of TRY, EUR and USD denominated time deposits are less than 3 months and the average interest rates are 11,21%, 0,70% and 2,44% respectively. (31 December 2018: 23,58%, 3,38% and 5,38%)

As of 31 December 2019, there is TL 3.365.807 blockage on deposit balances (31 December 2018: TL 4.755.914).

As of 31 December 2019 and 31 December 2018, the Company's cash and cash equivalents are shown by subtracting interest accruals and blocked bank deposits from cash and cash equivalents and adding expected credit loss provisions.

	31 December 2019	31 December 2018
Cash and cash equivalents	440.901.156	343.420.209
Provisions for expected credit loss	3.067	3.021
Blocked deposit balances of treasury transactions (-)	(21.124.677)	(4.349.651)
Blocked deposit balances (-)	(3.365.807)	(4.755.914)
Accrued Interest (-)	(1.648.080)	(2.926.040)
Cash and cash equivalents presented in the table of cash flow	414.765.659	331.391.625

NOTE 5 - FINANCIAL INVESTMENTS

As of 31 December 2019 and 31 December 2018, the details of financial investments measured at amortized cost are as follows:

	31 December 2019		31 December 2018	
	Avg. Interest rate	Carrying amount (TL)	Avg. Interest rate	Carrying amount (TL)
Public sector bonds	%11,09	3.246.842	%20,45	4.019.352
Provisions for expected credit loss		(183)		(244)
Total		3.246.659		4.019.108

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

As of 31 December 2019 and 31 December 2018 the details of trade receivables arising from collaterals are as follows:

	31 December 2019	31 December 2018
Indemnified guarantees financed by own equity	287.286.978	234.147.737
Provision for indemnified guarantees financed by own equity	(174.845.367)	(131.135.528)
Total	112.441.611	103.012.209

The movement of provision for doubtful receivables for 2019 and 2018 is as follows:

	2019	2018
1 January	131.135.528	77.978.442
Transition effects of TFRS 9	-	53.131.720
Written - off receivables	-	(44.196.583)
Reversal of provision (Note 20)	(2.302.570)	(2.579.541)
Provision within the year (Note 20)	46.012.409	46.801.490
31 December	174.845.367	131.135.528

b) Trade payables

As of 31 December 2019 and 31 December 2018; trade payables of the Company are as follows:

	31 December 2019	31 December 2018
Trade payables	554.161	271.431
Total	554.161	271.431

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2019	31 December 2018
Advances given	84.958	56.339
Treasury transactions receivables	36.637	36.637
Deposits and guarantees given	503	503
Other receivables	115.057	115.057
Total	237.155	208.536

b) Other payables

	31 December 2019	31 December 2018
Received deposits and collaterals (*)	1.527.555	1.761.678
Wage and commission advances	1.334.494	329.642
Retainer expenses	120.265	260.349
Debts to branches	16.868	15.018
Total	2.999.182	2.366.687

(*) "Received deposits and collaterals" arise from amounts received in cash from the companies that are guaranteed due to the bailment provided under the equity and assignments on payments made by third parties to guarantors.

NOTE 8 - PREPAID EXPENSES

	31 December 2019	31 December 2018
Expenses for the following months	116.621	135.481
Total	116.621	135.481

NOTE 9 - PROPERTY PLANT AND EQUIPMENT

a) Current year

Cost	1 January 2019	Addition	Disposal (-)	31 December 2019
Vehicles	1.661.610	-	(414.891)	1.246.719
Equipment	6.576.779	1.532.646	-	8.109.425
Leasehold improvements	236.677	134.288	-	370.965
Total	8.475.066	1.666.934	(414.891)	9.727.109
Accumulated Depreciation	**1 January 2019**	**Addition (-)**	**Disposal**	**31 December 2019**
Vehicles	(1.231.694)	(311.314)	366.492	(1.176.516)
Equipment	(2.312.233)	(1.552.034)	-	(3.864.267)
Leasehold improvements	(158.430)	(54.386)	-	(212.816)
Total	(3.702.357)	(1.917.734)	366.492	(5.253.599)
Carrying amount	4.772.709			4.473.510

As of 31 December 2019, all depreciation expenses are recognized in "Cost of Sales" account in the income statement.

As of 31 December 2019, there are no mortgages on property, plant and equipment.

b) Prior year

Cost	1 January 2019	Addition	Disposal (-)	31 December 2019
Vehicles	1.661.610	-	-	1.661.610
Equipment	4.977.693	1.690.917	(91.831)	6.576.779
Leasehold improvements	200.510	36.167	-	236.677
Total	6.839.813	1.727.084	(91.831)	8.475.066
Accumulated Depreciation	**1 January 2019**	**Addition (-)**	**Disposal**	**31 December 2019**
Vehicles	(899.372)	(332.322)	-	(1.231.694)
Equipment	(1.358.729)	(1.020.268)	66.764	(2.312.233)
Leasehold improvements	(112.960)	(45.470)	-	(158.430)
Total	(2.371.061)	(1.398.060)	66.764	(3.702.357)
Carrying amount	4.468.752			4.772.709

NOTE 10 - INTANGIBLE ASSETS

a) Current period

Costs	1 January 2019	Additions	Disposals (-)	Transfers	31 December 2019
Rights	36.481	-	-	-	36.481
Other intangible assets	12.268.226	2.189.974	-	-	14.458.200
Construction in progress (*)	7.980.181	3.274.382	-	-	11.254.563
Total	20.284.888	5.464.356	-	-	25.749.244

(*) Includes software and system installments that are not completed.

Accumulated depreciation	1 January 2019	Additions	Disposals (-)	Transfers	31 December 2019
Rights	(5.476)	(5.286)	-	-	(10.762)
Other intangible assets	(2.246.643)	(4.367.948)	-	-	(6.614.591)
Total	(2.252.119)	(4.373.234)	-	-	(6.625.353)
Carrying amount	18.032.769				19.123.891

As of 31 December 2019, all redemptions are recognized in "Cost of Sales" account on the income statement.

b) b) Prior period

Costs	1 January 2019	Additions	Disposals (-)	Transfers	31 December 2019
Rights	30.194	6.287	-	-	36.481
Other intangible assets	2.795.398	4.217.285		5.255.543	12.268.222
Construction in progress (*)	2.652.887	10.582.837	-	(5.255.543)	7.980.181
Total	5.478.479	14.806.409	-	-	20.284.888

(*) Includes software and system installments that are not completed.

Accumulated depreciation	1 January 2019	Additions	Disposals (-)	Transfers	31 December 2019
Rights	(540)	(4.936)	-	-	(5.476)
Other intangible assets	(759.109)	(1.487.534)	-	-	(2.246.643)
Total	(759.649)	(1.492.470)	-	-	(2.252.119)
Carrying amount	4.718.830				18.032.769

NOTE 11 - RIGHT OF USE ASSET

Costs	1 January 2019	Additions	Disposals (-)	31 December 2019
Buildings	3.526.688	-	-	3.526.688
Vehicles	2.038.350	-	-	2.038.350
Total	5.565.038	-	-	5.565.038

Accumulated depreciation	1 January 2019	Additions	Disposals (-)	31 December 2019
Buildings	(548.700)	(704.338)	-	(1.254.038)
Vehicles	(225.934)	(679.450)	-	(905.384)
Total	(774.634)	(1.384.788)	-	(2.159.422)
Carrying amount	4.790.404			3.405.616

NOTE 12 – LEASE LIABILITIES

a) Short-term lease liabilities

	Maturity	Interest Rate	31 December 2019
Vehicles	2020	% 25,50	1.206.430
Total			3.986.273

b) Long-term lease liabilities

	Maturity	Interest Rate	31 December 2019
Buildings	2023	25,50%	2.779.843
Vehicles	2021	25,50%	1.206.430
Total			3.986.273

The movement table for the lease liabilities in the period of 1 January - 31 December 2019 is as follows.

	2019
Beginning period - 1 January (Initial application)	5.118.627
Payment(-)	2.215.559
Additions during the period	-
Disposals during the period (-)	-
Interest expense	1.172.230
End of period - 31 December	4.075.298

NOTE 13 - EMPLOYEE BENEFITS

a) Short-Term Employee Benefits

	31 December 2019	31 December 2018	31 December 2019
Social security payables	1.021.830	847.370	36.481
Taxes and funds payables	915.266	804.884	14.458.200
Payables to personnel	313	985	11.254.563
Total	1.937.409	1.653.239	25.749.244

b) b) Short-Term Provisions for Employee Benefits

	31 December 2019	31 December 2018
Bonus accruals	1.424.842	1.348.800
Provision for unused vacation	1.503.426	549.918
Total	2.928.268	1.898.718

Allowance for Vacation

According to the current labor law in Turkey, the Company, in case of termination of the employment contract for any reason, is liable to pay the reserve for unused vacation to employees or to the right holders over the wages at the date of termination of the contract.

For the years ended 31 December 2019 and 31 December 2018, movements the allowance for vacation is as follows:

	2019	2018
1 January	549.918	768.521
(Used) / charged, net	953.508	(218.603)
31 December	1.503.426	549.918

For the years ended 31 December 2019 and 31 December 2018, movements of the allowance for premium are as follows:

	2019	2018
1 January	1.348.800	1.292.040
Accrued/(paid), net	76.042	56.760
31 December	1.424.842	1.348.800

c) Long-term provisions for employee benefits

	31 December 2019	31 December 2018
Provision for termination indemnities	2.803.843	2.464.100
Total	2.803.843	2.464.100

The provision for employment termination benefits represents the present value of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law. Provision for employment termination benefits is calculated on an accrual basis and reflected to the financial statements. The provision for employment termination benefits is based on the severance pay ceiling that is set by the government. As of 31 December 2019 and 31 December 2018, the maximum amount of severance pay is respectively TL 6.730,15 and TL 6.017,60.

The movement of the current period severance pay liability is explained below:

	2019	2018
1 January	2.464.100	2.407.340
Interest expense	335.927	386.371
Service cost	431.865	493.324
Compensations paid during the year (-)	(402.321)	(457.167)
Actuarial (gain)/ loss	(25.728)	(365.768)
31 December	2.803.843	2.464.100

TFRS, requires the development of the Company's actuarial valuation methods in determining the provision for employee termination benefits. As of 31 December 2019 and 2018, the principal actuarial assumptions used in the calculation of severance pay liability in the attached financial statements are as follows:

	31 December 2019	31 December 2018
Net discount rate	4,67%	5,16%
Expected retirement rate used in calculation	96,07%	99,14%

NOTE 14 - OTHER PROVISIONS

a) Short-term provisions

	31 December 2019	31 December 2018
Litigation provisions	726.082	505.244
Expected credit loss provisions for guarantees financed by own equity	6.823.383	7.064.956
Total	7.549.465	7.570.200

b) Long-term provisions

	31 December 2019	31 December 2018
Expected credit loss provisions for guarantees financed by own equity	35.370.152	34.878.054
Total	35.370.152	34.878.054

The movement table of expected credit/losses calculated for the collaterals, given within the scope of equity is as follows:

	2019	2018
1 January	41.943.010	-
Transition effect of TFRS 9	-	53.282.288
Reversal of provision (Note 20)	(241.573)	(12.013.813)
Expected credit loss provided within the year (Note 20)	492.098	674.535
31 December	42.193.535	41.943.010

NOTE 15 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2019	31 December 2018
Job advances	79.063	74.617
Receivables from employees	84	81
Total	79.147	74.698

b) Other non-current assets

	31 December 2019	31 December 2018
Land	2.127.523	2.127.523
Buildings	659.425	889.074
Total	2.786.948	3.016.597

Land and buildings consist of assets acquired by the Company due to non-performing portfolio of receivables, which are not in their use and can not be evaluated under TFRS 5.

c) Other short-term liabilities

	31 December 2018	31 December 2017
Funds (*)	5.751.340	5.751.312
Payables from guarantee transactions containing Treasury (**)	20.471.934	4.148.913
Debt for counter guarantees	126.350	375.101
Tax payables	253.208	181.636
Total	26.602.832	10.456.962

(*) The Company has signed an agreement to regulate the principles of operating and use of a fund by KGF. The Fund will be formed by agencies in order to develop collaterals for all kinds of loans will be provided to various institutions and small and medium size entities operating in Turkey. Under extraordinary circumstances which makes proper use of fund contributions impossible or significantly endanger the implementation of KGF applications and fulfillment of obligations by related parties, relevant organizations might prevent to continue the use of funds and might completely liquidate the accounts of funds. These fund agreements could be terminated and fund accounts could be liquidated with the mutual understanding reached by parties. Those funds are composed of the European Investment Fund, GTZ Fund, Republic of Turkey Ministry of Treasury and Finance, Bakü Tiflis Ceyhan Company ("BTC") and KOSGEB.

(**) Due to the protocol between the Republic of Turkey Ministry of Treasury and Finance and Kredi Garanti Fonu A.Ş., the guaranteeing loans provided by the treasury guarantee has been started in February 2010. As to the protocol, 10% of the guarantee commissions received with a rate of 1% from the guarantee risks provided by the treasury guarantee has been accounted as revenue and 90% of the amount is followed under other liabilities as Payables from guarantees from the Treasury support. After the changes published in the official gazette on March 10, 2017 numbered 2017/9969, the protocol signed with the Republic of Turkey Ministry of Treasury on 15 March 2017, the commission rate for the first year has been fully given to KGF A.Ş. and the commission collections made with 0.03% for one time were all recorded as the institution income and the commission collections were revoked in accordance with the aforementioned protocol.

NOTE 16 - DEFERRED INCOME

As of 31 December 2019 and 31 December 2018 deferred income and realization periods are as follows:

	31 December 2019	31 December 2018
1 month	401.933	208.597
1-3 months	3.478.785	5.048.852
3-6 months	11.251.875	6.852.932
6-12 months	23.167.606	10.053.717
Total	38.300.199	22.164.098

Deferred income consists of collateral commissions received from customers on an annual basis and income is generated on the basis of related periods.

NOTE 17 - EQUITY

a) Paid-in share capital

As of 31 December 2019 and 31 December 2018, the shareholding structure of the Company is as follows:

31 December 2019	Share (%)	Group A	Group B	Group C	Group D	Total
TOBB	28,30%	145.196.895	-	-	-	145.196.895
KOSGEB	28,29%	-	145.155.059	-	-	145.155.059
29 BANKS	43,28%	-	-	222.102.876	-	222.102.876
TESK	0,12%	-	-	-	619.358	619.358
TOSYOV	0,01%	-	-	-	40.016	40.016
MEKSA	0,004%	-	-	-	20.026	20.026
Nominal Capital	%100,00	145.196.895	145.155.059	222.102.876	679.400	513.134.230

31 December 2018	Share (%)	Group A	Group B	Group C	Group D	Total
TOBB	%29,17	92.832.389	-	-	-	92.832.389
KOSGEB	%29,16	-	92.805.641	-	-	92.805.641
27 BANKS	%41,54	-	-	132.209.342	-	132.209.342
TESK	%0,12	-	-	-	395.990	395.990
TOSYÖV	%0,01	-	-	-	25.584	25.584
MEKSA	%0,004	-	-	-	12.804	12.804
Nominal Capital	%100,00	92.832.389	92.805.641	132.209.342	434.378	318.281.750

The main capital of the Company is TL 513.134.230. This capital is divided into 51.313.422.953 in the name of the holder written shares each with a nominal value of 1 Kr. (one Kr).

The Company's affairs and management are managed by a board of directors consisting of ten members, three of whom are members of each of Group A, Group B and Group C shareholders and the general manager. However, in the event of funding for the Company from Republic of Turkey Prime Ministry Undersecretariat of Treasury one of the three representatives of Group B and Group C shares will be determined among the candidates proposed by the Undersecretariat of Treasury until the closing and liquidation of Treasury support accounts. The term of office of the members of the Board of Directors is three years for the shareholders of Group A and Group B, and two years for the shareholders of Group C. Members who completed their terms can be re-elected. The Board of Directors elects a person to be nominated by Group A shareholders as the chairman of the board of directors.

Shareholding structure details of the Company are as follows:

Shareholders	Capital (TL)	Ratio (%)	Group
TOBB	145.196.894,76	28,2961	A
KOSGEB	145.155.059,00	28,2879	B
TESK	619.358,17	0,1207	D
TOSYÖV	40.015,94	0,0078	D
MEKSA	20.025,71	0,0039	D
TÜRKİYE HALK BANKASI A.Ş.	7.658.719,86	1,4925	C
AKBANK T.A.Ş.	7.658.719,86	1,4925	C
ALBARAKA TÜRK KATILIM BANKASI A.Ş.	7.658.719,86	1,4925	C
DENİZBANK A.Ş.	7.658.719,86	1,4925	C
BURGAN BANK A.Ş.	7.658.719,86	1,4925	C
QNB FİNANSBANK A.Ş.	7.658.719,86	1,4925	C
HSBC BANK A.Ş.	7.658.719,86	1,4925	C
ING BANK A.Ş.	7.658.719,86	1,4925	C
KUVEYT TÜRK KATILIM BANKASI A.Ş.	7.658.719,86	1,4925	C
ŞEKERBANK T.A.Ş.	7.658.719,86	1,4925	C
TÜRK EKONOMİ BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE GARANTİ BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE İŞ BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE VAKIFLAR BANKASI T.A.O.	7.658.719,86	1,4925	C
YAPI VE KREDİ BANKASI A.Ş.	7.658.719,86	1,4925	C
ZİRAAT KATILIM BANKASI A.Ş.	7.658.719,86	1,4925	C
ALTERNATİFBANK A.Ş.	7.658.719,86	1,4925	C
VAKIF KATILIM BANKASI A.Ş.	7.658.719,86	1,4925	C
TURKLAND BANK A.Ş.	7.658.719,86	1,4925	C
ANADOLUBANK A.Ş.	7.658.719,86	1,4925	C
FİBABANKA A.Ş.	7.658.719,86	1,4925	C
ODEABANK A.Ş.	7.658.719,86	1,4925	C
NUROL YATIRIM BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE EMLAK KATILIM BANKASI A.Ş.*	7.658.719,86	1,4925	C
PASHA YATIRIM BANKASI A.Ş.*	7.658.719,86	1,4925	C
Total	513.134.230	100	

(*) In 2019, new issued shares amounting to TL 15.317.439 in Group C purchased in cash by Türkiye Emlak Katılım Bankası A.Ş. and PASHA Yatırım Bankası A.Ş..

b) Legal reserves

	31 December 2019	31 December 2018
Legal reserves	12.199.467	9.310.126
Total	12.199.467	9.310.126

Under the Turkish Commercial Code article 519, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of 10% of distributions in excess of 5% of issued and fully paid-in share capital, but Holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

c) Retained earnings/(Accumulated loss)

	31 December 2019	31 December 2018
Retained earnings/(Accumulated loss)	(117.827.712)	31.883
Total	(117.827.712)	31.883

NOTE 18 - SALES AND COST OF SALES

a) Sales

	1 January - 31 December 2019	1 January - 31 December 2018
Income from collateral transactions	88.995.157	62.672.641
Sales returns (-)	(1.154.598)	(1.298.458)
Total	87.840.559	61.374.183

b) Cost of sales

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	37.221.601	33.243.000
Depreciation and amortization expense	7.675.756	2.890.530
Information technology expenses	5.433.331	1.763.403
Litigation expenses	1.281.596	1.749.697
Travel, transportation and vehicle lease expenses	720.390	1.386.759
Rent expenses	98.887	1.144.306
Taxes, duties, fees and membership expenses	1.074.009	1.127.074
Other	3.479.465	1.528.357
Total	56.985.035	44.833.126

NOTE 19 - GENERAL ADMINISTRATION EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
General administration expenses (*)	2.147.864	1.795.382
Total	2.147.864	1.795.382

(*) Consisting of allowances, representation and accommodation expenses, per diem and travel expenses.

NOTE 20 - OTHER OPERATING INCOME/EXPENSES INCOME/EXPENSE

a) Other operating income

	1 January - 31 December 2019	1 January - 31 December 2018
Reversal of provisions (*)	2.544.204	14.935.734
- Collection of indemnified guarantees financed by own equity (Note 6)	2.302.570	2.579.541
- Reversal of provisions for guarantees financed by own equity (Note 14)	241.573	12.013.813
- Reversal of litigation provision	61	342.380
Social security incentive income	1.308.651	1.225.154
Collections from written of receivables	2.547.390	360.874
Income related to costs incurred for indemnified collaterals	293.286	345.828
Grants	-	115.868
Other	2.179.086	2.777.799
Total	8.872.617	19.761.257

b) Other operating expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Provision for expected credit losses	(46.725.391)	(47.477.023)
- Indemnified guarantees financed by own equity (Note 6)	(46.012.409)	(46.801.490)
- Guarantees financed by own equity (Note 12)	(492.098)	(674.535)
-Other	(220.884)	(998)
Other expenses	(1.711.770)	(440.642)
Total	(48.437.161)	(47.917.665)

NOTE 21 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2019	1 January - 31 December 2018
Gain on sale of property, plant and equipment	746.787	688.809
Total	746.787	688.809

NOTE 22 - FINANCIAL INCOME AND EXPENSES

a) Financing income

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income from banks	57.600.511	57.262.931
Foreign exchange gain	25.030.664	43.011.219
Total	82.631.175	100.274.150

b) Financing expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange loss	(15.305.187)	(22.272.845)
Interest expense (Note 12 and Note 13)	(1.508.157)	(386.371)
Total	(16.813.344)	(22.659.216)

NOTE 23 - EARNINGS PER SHARE

	1 January - 31 December 2019	1 January - 31 December 2018
Net profit/ (loss)	55.707.734	64.893.010
Each one TL 0,01 par value stock	51.313.423.000	31.828.175.000
Earnings per share	0,00109	0,00204

NOTE 24 - RELATED PARTY DISCLOSURES

	1 January - 31 December 2019	1 January - 31 December 2018
Receivables from related parties		
Cash and cash equivalents (*)	440.899.699	343.420.215
Interest income from related parties - shareholders	57.776.040	56.641.933
Benefits and rights provided to executives	3.297.694	2.585.873

(*) Consist of cash, cash equivalents, bond and fund, mandatorily hold due to foundation of the Company, in banks which are shareholders of the Company explained in Note 17.

As of December 31, 2019, the Company has a commission received from related parties, amounting to TL 78.197.997 (31 December 2018: TL 45.501.721).

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

In capital management, the Company strives to ensure the continuity of its operations while at the same time aiming to increase the profit by utilizing the balance of debt and equity in the most efficient manner. The capital structure of the Company consists of cash and cash equivalents, equity components which includes the issued capital, capital reserves and profit reserves for its net debt to equity ratio analysis.

Risks associated with each capital class together with the capital cost of the Company are assessed by the Company's executives.

The Company follows equity by using the rate of the liabilities / equity. This ratio is calculated by dividing net liability by total equity. Net debt is calculated by excluding the cash and cash equivalents from total debt amount (financial liabilities include trade and other payables and other short term and long-term other liabilities like as indicated in financial statement). However, the Company has no financial liabilities.

	1 January - 31 December 2019	1 January - 31 December 2018
Total liabilities	(123.120.809)	(83.732.489)
Less: Cash and cash equivalents (Note 4)	440.901.156	343.420.209
Net cash	317.780.347	259.696.720
Total equity	463.691.505	392.968.827
Debt/ equity balance	-	-
Net financial debt/ total equity ratio	-	-

Credit risk

As of 31 December 2019 and 31 December 2018, the maximum credit risk exposure of the Company is as follows:

Balance sheet	1 January - 31 December 2019	1 January - 31 December 2018
Trade receivables	112.441.611	103.012.209
Cash and cash equivalents	440.901.156	343.420.209
Financial investments measured at amortized cost	3.246.659	4.019.108
Off balance sheet		
Guarantees financed by own equity	3.240.069.852	1.135.181.137
Total	3.240.069.852	1.135.181.137

As of 31 December 2019, the total amount of collaterals taken from mortgages and pledge of commercial enterprise received by the Company for the guarantees financed by own equity is TL 2.976.292.810.

As of 31 December 2019, treasury risk balance that is monitored in off-balance sheet and sourced by bailment operations amounting to TL 171.549.347.376 (31 December 2018: TL 199.424.959.000).

Details of the guarantees financed by own equity and treasury-based collaterals on foreign exchange basis are presented in the following table:

	1 January - 31 December 2019	1 January - 31 December 2018
EURO	21.827.098.347	28.337.386.545
USD	11.097.031.433	15.352.141.557
TL	141.856.483.575	156.853.228.595
Other	8.803.873	17.383.440

Liquidity risk

Liquidity risk is the risk that the Company have difficulty in fulfilling its obligations arising from its financial liabilities. The liquidity approach of the Company is to meet its liabilities without any loss in terms of both ordinary and difficult conditions on its due date. However, The Company has no financial debt.

The amounts shown in the table below refer to contractual undiscounted cash outflows as of 31 December 2019:

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 -12 months	1-2 year
Trade payables	554.161	554.161	554.161	-	-
Total	554.161	554.161	554.161	-	-

As of 31 December 2018;

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 -12 months	1-2 year
Trade payables	271.431	271.431	271.431	-	-
Total	271.431	271.431	271.431	-	-

“Funds” presented in other liabilities has not been included in the above liquidity risk table. The Company does not have any derivative financial instruments as of 31 December 2019 and 31 December 2018.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads that affect the Company’s income or the value of the financial instruments it holds. The Company manages this risk by offsetting interest-rate sensitive assets and liabilities.

Currency risk

Foreign exchange risks arising from foreign currency denominated assets, liabilities and off-balance sheet items arise from the effects of exchange rate movements.

The following table summarizes the foreign currency position risk of TL denominated assets and liabilities held by the Company as of 31 December 2019 and 2018:

31 December 2019	USD	EUR	Total
Cash and cash equivalents	36.859.161	65.062.120	101.921.281
Total assets	36.859.161	65.062.120	101.921.281
Total liabilities	-	-	-
Net foreign currency position	36.859.161	65.062.120	101.921.281

31 December 2018	USD	EUR	Total
Cash and cash equivalents	29.522.805	54.913.764	84.436.569
Total assets	29.522.805	54.913.764	84.436.569
Total liabilities	-	-	-
Net foreign currency position	29.522.805	54.913.764	84.436.569

Foreign currency risk exposure:

The effect of 10% depreciation of TL against the following currencies in the statement of comprehensive income and profit/loss for the years ended 31 December 2019 and 31 December 2018 is shown in the table below:

	31 December 2019		31 December 2018	
	Profit&Loss	Total comprehensive income	Profit&Loss	Total comprehensive income
USD	3.685.916	3.685.916	2.952.281	2.952.281
EURO	6.506.212	6.506.212	5.491.376	5.491.376
Total	10.192.128	10.192.128	8.443.657	8.443.657

Interest rate risk

The Company is exposed to interest rate risk through the impact of changes in interest rates on interest-sensitive assets and liabilities.

As of 31 December 2019 and 2018, the Company has no financial assets and liabilities with variable interest rates and the financial instruments with fixed interest components are as follows:

Financial instruments with fixed interest rates	31 December 2019	31 December 2018
Banks - time deposits	439.405.552	342.249.717
Financial assets measured at amortized cost (Note 5)	3.246.842	4.019.352

As of 31 December 2019 and 31 December 2018, the weighted average interest rates applied to financial instruments are as follows:

Financial Assets	31 December 2019	31 December 2018
Banks - time deposits (TL)	11,21%	23,58%
Banks - time deposits (USD)	2,44%	5,38%
Banks - time deposits (EUR)	0,70%	3,38%
Financial investments measured at amortized cost - bonds (TL)	11,09%	20,45%

Fair value of financial instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

The following table shows the comparison of fair values and book values of financial assets and liabilities.

	31 December 2019		31 December 2018	
Financial Assets	Book value	Fair value	Book value	Fair value
Indemnified guarantees financed by own equity	112.441.611	112.441.611	103.012.209	103.012.209
Cash and cash equivalents	440.901.156	440.901.156	343.420.209	343.420.209
Financial investments measured at amortized cost	3.246.659	3.246.659	4.019.108	4.019.108
Financial liabilities				
Trade payables	554.161	554.161	271.431	271.431

The following methods and assumptions were used to estimate the fair value of each financial instrument where fair value could be determined.

Due to their short-term nature, the carrying values of cash and cash equivalents were considered to approximate their fair values. The carrying values of trade receivables were projected to reflect the fair value together with their allowances.

The carrying values of trade and financial liabilities were considered to approximate their respective carrying values due to their short-term nature.

In accordance with TAS 13 Fair Value Measurement, except for financial investment measured at amortized cost, these informations are third level of informations.

NOTE 26 - CONTINGENT LIABILITIES

	1 January - 31 December 2019	1 January - 31 December 2018
Guarantees financed by own equity	3.240.069.852	1.135.181.137
Total	3.240.069.852	1.135.181.137

As of 31 December 2019, the Company also has treasury secured collaterals that is monitored in off-balance sheet and are derecognized amounting to TL 171.549.347.376 (31 December 2018: TL 199.424.959.000).

NOTE 27 – SUBSEQUENT EVENTS

None.

6

Future of the Company, Expectations, Planned Key New Products and Services, and Risks

KEY ACTIONS PLANNED FOR 2020

As a result of a process of change and restructuring undertaken since 2016, the Company can now serve 10.000 enterprises on average per day, while an average of 1.000 enterprises could be served per day in the Company's history of 25 years. This could be possible with the same number of staff but with higher qualifications and a highly robust technical infrastructure. A world class rating system and a structure that operates integrally with the banking system has been established. In order to ensure a sounder guarantee process and the sustainability of the system;

- Efforts are underway to increase the Company's revenues.

- There are ongoing investments and R&D activities to improve the system infrastructure as well as software (IT) and to renew the software infrastructure.

- As part of the development and improvement activities for KOBİS, the Internal Rating Model of the Company, towards ensuring a swifter decision-making process in equity requests, the Company will continue its efforts to devise an Automatic Allocation module that will take into account the criteria for integrity and financial standing of firms as well as criteria for firm behaviours. In this respect, requests for guarantees below TRY 250,000 will be concluded immediately through the Automatic Allocation method, and requests for guarantees between TRY 250,000 and TRY 1,000,000 will be concluded in a very short period of time through the HQ Approved Automatic Allocation method.

- In order to diversify our products, in addition to the guarantees issued for loans received by SMEs from banks and our guarantees directly issued for the repayment supports offered by institutions like KOSGEB, TÜBİTAK, TTGV, Ministry of Industry and Technology, our Company will take steps to provide guarantees to expand the borrowing opportunities through capital market instruments. There are ongoing preparations for establishing a mechanism that will provide guarantees for alternative financing instruments.

- As part of the EU Finance for Innovators (InnovFin), a sub-programme of the Science and Technological Innovation Programme (Horizon 2020) implemented to create a knowledge and innovation based social and economic structure in Europe, our Company is planning to file an application for the "SME Guarantee Instrument" which is one of the two financial instruments offered to enterprises.

- Efforts will continue to develop initiatives for cooperation with the credit guarantee funds operating abroad and work on new products and projects.

- Previously KGF issued guarantees for KOSGEB's Credit Interest Support Programme by using various sources of finance based on their availability. From now on, KOSGEB itself will provide financial resources to KGF to serve as a basis for the guarantees to be issued for this particular programme.

- Efforts will continue to develop initiatives for cooperation with national and international financial institutions as well as special funds, and to work on securing new resources and devising new products and projects.

- Cooperation initiatives with the European Fund for Southeast Europe (EFSE), which provides technical assistance and business development support to commercial banks, microfinance institutions and non-bank financial institutions in Southeast Europe, as well as Finance in Motion, EFSE's asset management representative in Turkey, are planned to continue in 2020, too.

- KGF will continue offering solutions to the cyclical needs that emerge in our country, in line with its mission and understanding of proactive management.

- In addition to the existing Emergency Support Loans, enterprises registered to the KOSGEB Data Base, who have been affected from earthquakes in Elazığ and Malatya provinces and who have duly documented their situation to relevant authorities as well as manufacturing firms operating in those provinces, will be provided with KGF guarantees for the loans they will be using as part of KOSGEB's Interest Support Programmes. As part of this programme, with the funding to be provided by KOSGEB, it is expected to extend loans worth more than TRY 500,000 in total.

- COSME, the EU programme for 2014-2020 targeting entrepreneurs and SMEs, has been implemented in Turkey thanks to funding from the European Investment Fund and co-financing from KGF. Due to programme's successful implementation in Turkey so far, additional funding will be secured and the project targets set under the access to finance component will be revised to enable extension of TRY 7.5 billion worth loans to 25 thousand SMEs.

EARLY DETECTION AND MANAGEMENT OF RISKS

The risk policy of our Company is underpinned by written procedures; risk measurements conducted by business units; coordination and exchange of information among the Board of Directors, senior managers and the Audit Committee; periodic evaluation of the results of risk management activities and supervision of risk management activities by Internal Audit Division.

THE COMPANY'S FUTURE RISKS

The main financial instruments of the Company consist of cash and short-term deposits. Apart from these, the Company has financial instruments such as trade receivables and liabilities, resulting from its transactions. The financial instruments of the Company are short term and their fair values approach their registered values.

The main risks of the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The Company also takes into account the market value risk of all its financial instruments.

OTHER CONSIDERATIONS

(1) Explanation of specific incidents which have occurred in the Company after the end of activity year and which could affect the rights of shareholders, creditors and other related persons and entities (n/a).

(2) This section may also include additional information which may be deemed necessary by the managing body provided that the provisions of the Regulation are not breached (n/a).

7

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