

# 2020 Activity Report



KREDİ GARANTİ FONU



**KREDİ GARANTİ FONU**

(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Kredi Garanti Fonu A.Ş.

**1) Opinion**

We have audited the annual report of Kredi Garanti Fonu A.Ş. ("the Company") for the period of 1/1/2020-31/12/2020.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

**2) Basis for Opinion**

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3) Our Auditor's Opinion on the Full Set Financial Statements**

We have expressed unqualified opinions in our auditor's reports dated March 2, 2021 on the full set financial statements of the Company for the period of 1 January 2020-31 December 2020.

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

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Company is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

**5) Auditor's Responsibilities for the Audit of the Annual Report**

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

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

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

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

Fatih Polat, SMMM  
Partner

March 2, 2021  
İstanbul, Turkey

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## CONTACT DETAILS

## AGENDA OF THE GENERAL ORDINARY ASSEMBLY MEETING OF KREDİ GARANTİ FONU A.Ş DATED MARCH 25th, 2021

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. Presentation, discussion and approval of the Annual Activity Report of the Board of Directors for the year 2020,
9. Presentation and discussion of the Independent Audit Report for the Accounting Period 2020,
10. Presentation, discussion and approval of the Balance Sheet and Income Statement for the year 2020,
11. Release of each and every Board Member from liability for Company's activities and accounts in 2020,
12. Submission of temporary appointment of Board Members for seats vacated during the term and newly elected members of the Board of Directors to the approval of the General Assembly,
13. Election of board members for seats that will be vacated in 2021 due to expiry of term of service,
14. Selection of the Independent Audit Firm proposed by the Board of Directors for the activities in the years 2020 and 2021,
15. Determination of the amounts of wages and honorariums payable to the Chairman and members of the Board of Directors,
16. Expression of wishes and requests, and closing.





**EVALUATION  
OF THE SENIOR  
MANAGEMENT**

Distinguished Stakeholders,

We completed with hard work, discipline and determination worthy of a marathon race, the year that started with ambitious targets and plans for a strong future for our country.

Our country, just like the rest of the world, suffered from the strong and wearing effects of the COVID-19 pandemic however, unlike the rest of the world, Turkey put up an unprecedented fight. The measures and decisions taken under the leadership of our government have helped us maintain a strong stance ever since the effects of the pandemic appeared in our country in March.

The year-end figures prove us that we have succeeded in our properly conducted fight against the negative impact of both the pandemic and the market fluctuations. The growth figures of the third quarter announced by the Turkish Statistical Institute (TSI) show us that our economy grew by 6.7% and the Industrial Production Index increased in June by 17.6% on a monthly basis. This increase rate also means that our country ranks the first in Europe in this regard.

As Kredi Garanti Fonu, we did not hesitate to take on responsibility throughout the year 2020. We pursued our efforts to meet the capital needs of enterprises regardless of their sector of operation, and to maintain the level of employment.

We showed meticulous attention to offer the right modelling in all support packages that we prepared with the Ministry of Treasury and Finance in the pandemic marked by a spirit of national solidarity. We facilitated access to the right source of financing for enterprises, especially SMEs, through new support packages that we prepared for SMEs in the

process of fighting against the COVID-19 pandemic.

We are happy that we have fulfilled the challenging task that we assumed last year. Drawing strength from change and taking advantage of digitalization, we will further strengthen our productive working system in the year 2021. As KGF, we will continue to provide support for our real sector with high leverage rates through our own equities, resources of the Ministry of Treasury and Finance and foreign resources.

Respectfully yours,

**Murat ZAMAN**

Chairman of the Board of Directors





Distinguished Stakeholders,

We have finished a year of radical change and transformation affecting our country along with the entire world. We experienced altogether a year of struggle and change where all business processes and dynamics were differentiated and the way of doing business was restructured.

As health was defined as the number one priority in the year 2020, we understood the importance of safe and healthy work environments and saw those institutions with strong technological infrastructure come off this period of struggle, undamaged. As Kredi Garanti Fonu, we rapidly engaged our decision-making mechanisms that are efficient in times of crisis as soon as the COVID-19 pandemic emerged in our country and organized the transition of our teams to teleworking.

We were able to fulfill our share of duties and responsibilities in this challenging period thanks to the efficiency of KGF's technological infrastructure and the devoted efforts of our teams. Our institution took on an important function along with the Treasury during the pandemic to facilitate access to financing and decrease its cost.

Under the leadership of the Ministry of Treasury and Finance and making use of the synergy created with the banking and real sectors, 617 billion TRY worth of commercial loans were made available to 786 thousand enterprises from the year 2009 when loans programs extended with Treasury-backed KGF guarantees materialized to the end of the year 2020.

Within the scope of the Economic Stability Shield Package announced by the President Recep Tayyip Erdoğan to minimize the economic impact of the pandemic and preserve the production and employment power of our country, various support packages were created under the loan programs with KGF guarantees

such as the Business Continuity Support, Operating Expenses Support, Check Payment Support, Major

Needs Support, Eximbank Loan Support, Eximbank Stock Financing Support, TOBB Nefes Loan 2020 Support and Tourism Support Package addressing various needs of enterprises with their differing content. Designed to meet various needs of the real sector through a protocol signed between the Ministry of Treasury and Finance and KGF, these support packages were rapidly put into practice, thanks to our intensive mutual efforts with our banks. Within the scope of these packages, 200 billion TRY worth of loans with KGF guarantee were made available to 425 thousand 176 enterprises. More than 40 billion TRY worth of loans were made available to 7 million citizens to meet their individual basic needs, also during the pandemic.

We, as a country, are aware of the fact that economic progress, development and stability can be achieved by making more efficient use of technology in production, offering value-added products and focusing on software/technology. Therefore we, as KGF, continue to support entrepreneurship in different business lines and stand by SMEs. For this purpose, we brought into action the second phase of the "Competitiveness of Enterprises and SMEs-COSME" project in 2020. We extended 1.5 billion TRY of additional financing to our SMEs to improve the competitiveness and sustainability of SMEs and promote the culture of entrepreneurship with this project, using the budget provided by the European Commission/European Investment Fund along with our own equities.

We, as Kredi Garanti Fonu, will continue to take innovative steps, in line with our country's economic targets, to meet the needs of resources and financing of enterprises and individuals by keeping pace with the changing world dynamics.

In this framework, I would like to thank our Board of Directors that supported all our projects, my friends who worked selflessly for them and all of our other stakeholders.

Respectfully yours,

**Kasım AKDENİZ**  
General Manager



## Board of Directors



1. MURAT ZAMAN  
Chairman

2. CEVAHİR UZKURT  
Vice Chairman

3. MİKAİL HİDİR  
Member of Board of Directors

4. HAKAN ERTÜRK  
Member of Board of Directors

5. RECEP ALİ ERDOĞAN  
Member of Board of Directors

6. ERKİN AYDIN  
Member of Board of Directors

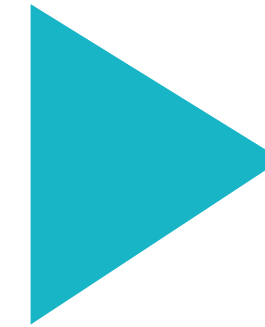
7. TEMEL TAYYAR YEŞİL  
Member of Board of Directors

8. KASIM AKDENİZ  
Member of Board of Directors





# Biographies of Board Members



## MURAT ZAMAN

Chairman of the Board of Directors

Born in 1973, Murat Zaman graduated from Istanbul University, Department of Public Administration in the Faculty of Political Sciences in 1997. He completed his master's degree in Capital Markets and Stock Exchanges at Marmara University, Institute of Banking and Insurance in 2006. He currently pursues his studies as a PhD student at Marmara University in the same department and lectures in this field at the same university.

He started his professional career in capital markets in 1998 and worked as a fund manager in various positions in asset management, stock market, research and strategy departments. He worked as a fund manager and department manager in the Stock Market of the Fund Management Unit at AK Portföy from 2002 to 2010, and served as the Deputy General Manager in charge of Asset Management at EVG Yatırım A.S. in 2011-2012. Then, from 2012 to 2019, he continued his portfolio management career as the Deputy General Manager (CIO) in charge of Asset Management at Halk Portföy Yönetimi A.S. In 2019, he became the Deputy General Manager, responsible for various departments and CFO at Halk Yatırım Menkul Değerler A.S. Both in his academic endeavours and his long years of experience in business, his main areas of focus have been financial markets and financial instruments, and his work has cast new lights in these areas. He has been serving as the General Director of Financial Markets of the Foreign Exchange Department at the Ministry of Treasury of the Republic of Turkey since August 2019.

## 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 Istanbul 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 from 1996 to 2000, Uzkurt worked as a research assistant at Eskişehir Osmangazi University's Faculty of Economics and Administrative Sciences from 2000 to 2003, and as an associate professor from 2009 to 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 7th, 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.

## MİKAİL HİDİR

Member of the Board of Directors

Born in Kepsut/Balıkesir in 1979, he graduated from Ankara University, Faculty of Law in 2000. After briefly working as a lawyer, he began his banking career in Vakıfbank as a Deputy inspector in 2003. After his role as an inspector, he served as Follow-up Team Director, Compliance and Legislation Monitoring Director, Head of Credit Monitoring and Follow-up and Head of Internal Control respectively. He also served as the Deputy General Manager of Güneş Sigorta and Board Member at Vakıfbank International AG-Vienna. He is currently working as an advisor in the Ministry of Treasury and Finance.

## HAKAN ERTÜRK

Member of the Board of Directors

Born in Ankara in 1977, Hakan Ertürk graduated from Ankara University, Faculty of Political Sciences, Department of Economics in 2000. From 2006 to 2008, he successfully completed an MBA (Finance) program in University of Illinois in the United States. He successfully completed his Business Administration doctorate program at Ankara University, Institute of Social Sciences in 2018 with his doctoral dissertation in the field of venture capital. In September 2000, he started his professional career at CBRT and having passed Intern Treasury Controller Exam, soon occupied a position at the Undersecretariat of Treasury. He worked as an Intern Treasury Controller

from 2000 to 2006 and as an Internal Auditor from 2009 to 2011. In 2011 he was appointed to the Undersecretariat of Treasury Financial Instruments and Markets Development Department. In 2016 he served as a substitute for the General Manager of Financial Markets and Foreign Exchange. During his tenure as the General Manager, he played an important role in bringing many new financial instruments which facilitated access to finance in our country. He managed and assisted in the formation of the basic frameworks of the individual participation capital system (Angel Investors), venture capital fund programs (Venture Fund of Capital and Fund), the subsidized loan on Portfolio Guarantee System, the Secured Transactions and General Registry System and Turkey Investment and Development Bank site in Turkey, he actively participated in the creation of the foundation of the legal infrastructure of the Development Fund. Within the scope of the duties under the authority of the General Directorate, he prepared and executed the foreign exchange system regulations and the works of the financial stability committee. During his tenure, he actively contributed to many regulations related to financial markets. Since August 2019, he has been acting as the Head of the Central Finance and Contracts Unit which is responsible for the execution of European Union Programs.

Married and father of three children, Hakan Ertürk speaks fluent English.

# 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 from 2007 to 2010. He served as the Director of Legal Affairs and In-Service Training respectively from 2010 to 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 and father of two children.

## 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 from 2010 to 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.

## KASIM AKDENİZ

Board Member and General Manager

Born in 1966 in Izmir, Kasım Akdeniz graduated from Dokuz Eylül University. Akdeniz started his professional career at Yapı ve Kredi's Inspection Board in 1987. From 1996 to 2011, he held managerial responsibilities, working as manager, director, and group head primarily for the generation of credit products and processes, establishment and management of the credit allocation and monitoring systems, formulation of credit policies as well as compliance. During this period, he served as a member of Working Groups within the Banks Association of Turkey in regards to the preparation of the Banking Law and its sub-regulations, within KKB in regards to the establishment of the Corporate Bureau, Intermediary Costs on Credits, and Credits and Provisions. He also served as the Chairman of the Credit Guarantee Fund Working Group and the Risk Center Working Group.

In 2007, Akdeniz served as the Chairman of the Board of Directors of KKB Kredi Kayıt Bürosu A.S and a Board Member from 2005 to 2011. Having been appointed as the General Manager of KKB in October 2011, Kasım Akdeniz performed this duty until March 2020. As of this date, Akdeniz has been working as the General Manager and Member of the Board of Directors of Kredi Garanti Fonu. He is married and father of one child.

# 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 and father of a son and speaks English.

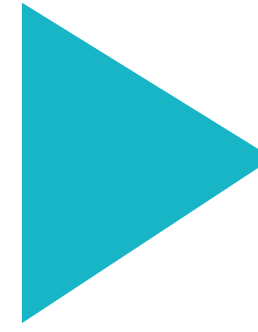
## MEHMET AYSAL Deputy General Manager

Born in Polatlı, Ankara in 1969, Aysal holds an undergraduate degree in Business Administration from Uludağ University. From 1997 to 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.

## 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.



## HAKAN GÜMÜŞ Deputy General Manager

Having about 28 years of business experience, Hakan Gümüş graduated from Hacettepe University, Department of Economics in 1989. Mr. Gümüş started his professional career in 1991 as Assistant Inspector at Akbank T.A.Ş., where he later served as Inspector, Deputy Human Resources Manager, Eskişehir and İstanbul Regional Manager, SME Banking Sales Manager, Head of the Marketing Department and Human Resources Career Manager. After leaving Akbank in October 2012, he worked as Human Resources Manager for four years at Türkiye Finans Katılım Bankası. Hakan Gümüş joined KKB as Human Resources Manager in October 2016. As of September 2020, he has been serving as Human Resources Management Deputy General Manager at Kredi Garanti Fonu.

## ZÜLEYHA ÇOKAR YALDIR Deputy General Manager

Born in 1985 in İstanbul, Züleyha Yaldir graduated from İstanbul University, Department of Business Administration in 2007. Ms. Yaldir started her professional career at KPGM in 2007, working as an Auditor. From 2008 to 2013, she served as Director of Financial Planning at Yapı Kredi Bankası. In 2013, she served as Unit Manager in charge of Budget and Reporting at KKB. Since September 2020, Yaldir has been serving as Financial Affairs and Reporting Deputy General Manager at Kredi Garanti Fonu.



## 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

01.01.2020 – 31.12.2020

### Commercial Title

Kredi Garanti Fonu Anonim Şirketi

### Number of Employees

Year 2019: 185

Year 2020: 166

### Mersis Central Registration System Number

0589005350800014

### Trade Registry Number

83408

### Tax Office / Tax ID Number

Maltepe Tax Office - 5890053508

### Address

Dumlupınar Bulv. No: 252  
TOBB İkiz Kuleler C Blok Kat: 5-6-  
7 Eskişehir Yolu 9. km. 06530  
Yenimahalle / ANKARA

### Phone

+90 312 204 00 00 (pbx)

### Fax

+90 312 204 01 97- 98

### Call Center

444 7 543

### Website

www.kgf.com.tr

## 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 SİNAİ 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 privileged 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.

“Decree no 2020/2325 dated March 29th, 2020 on the Amendment of the Decree on Treasury Support for Credit Guarantee Agencies” took effect after being published in the Official Gazette

dated March 30th, 2020, and increased the amount of support provided by the Ministry of Treasury and Finance from TRY 25 billion to TRY 50 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 Company with the support of Treasury have been classified as Group-1 Collateral, and the guarantees provided without the support of Treasury have been classified as Group-2 Collateral.

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 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 be 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 “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.

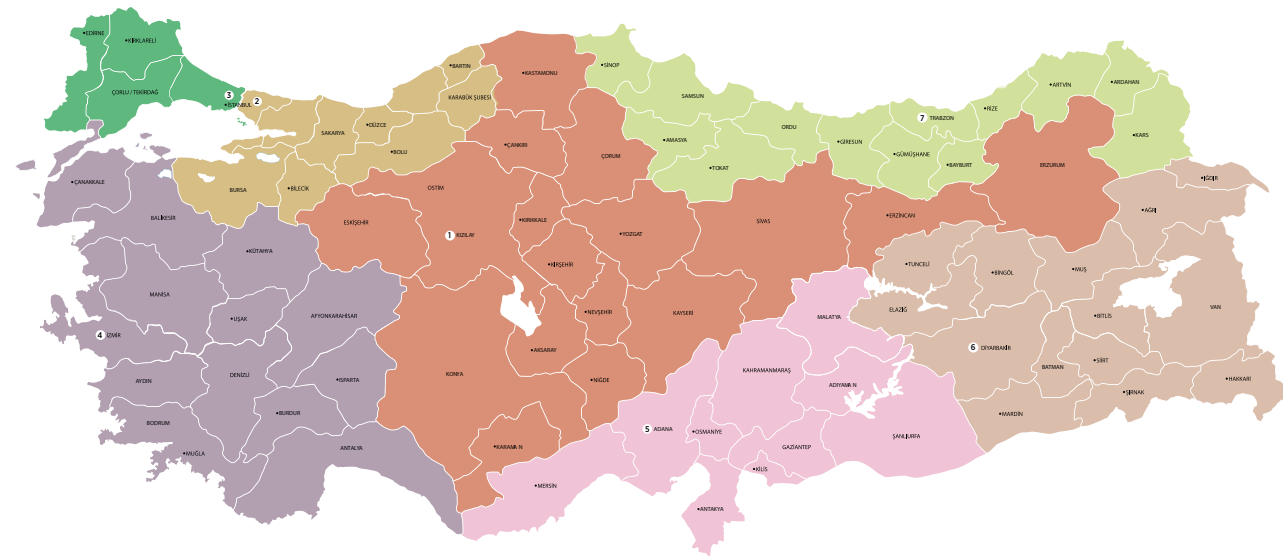
### Financial Rights Provided to Board Members and Senior Managers

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, 2019 and December 31st, 2020 are listed below.

01 January - 31 December 2019	01 January - 31 December 2020
TRY 3,297,694.37	TRY 5,330,884.61

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

## D. REGIONAL AGENCIES



- ▶ 1. THRACE REGIONAL AGENCY (3)
- ▶ 2. MARMARA REGIONAL AGENCY (2)
- ▶ 3. WESTERN ANATOLIA REGIONAL AGENCY (4)
- ▶ 4. CENTRAL ANATOLIA REGIONAL AGENCY (1)
- ▶ 5. EASTERN MEDITERRANEAN REGIONAL AGENCY (5)
- ▶ 6. EASTERN BLACK SEA REGIONAL AGENCY (7)
- ▶ 7. SOUTHEASTERN ANATOLIA REGIONAL AGENCY (6)

**A TOTAL OF  
7 REGIONAL AGENCIES**



The image features a background of an office workspace with a laptop, a pen, and documents. Overlaid on this are several teal-colored geometric shapes: a large triangle on the left, a smaller triangle in the center, and a large number '2' on the right. The overall aesthetic is clean and professional.

# 2

## **KGF in Numbers**

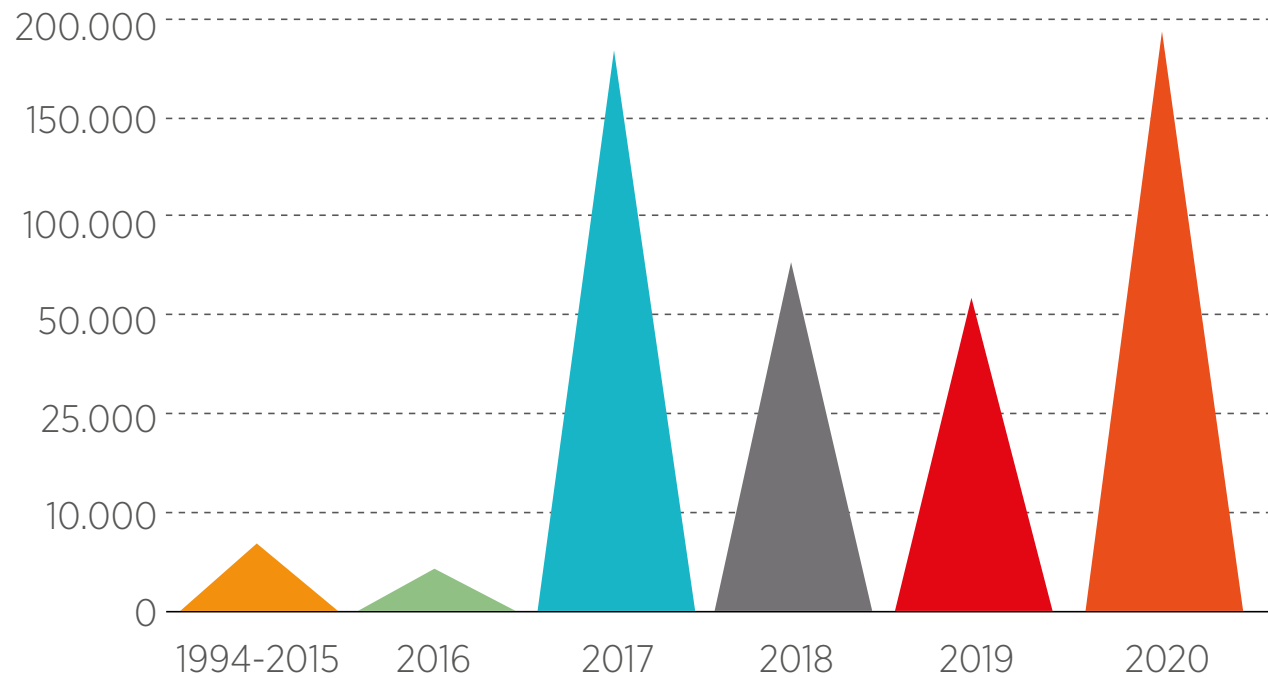
# A. DEVELOPMENTS IN OUR VOLUME OF GUARANTEES

**GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TRY)**  
(Equity + Treasury, 1994-2020)

PERIOD	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	SME Number	Loan Amount	Guarantee Amount	SME Number	Loan Amount	Guarantee Amount	SME Number	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
2020	319.085	226.827	181.846	318.098	224.567	179.997	286.773	203.404	163.030
<b>1994-2020*</b>	<b>915.712</b>	<b>1.041.074</b>	<b>888.630</b>	<b>888.178</b>	<b>770.113</b>	<b>659.140</b>	<b>822.747</b>	<b>631.783</b>	<b>538.766</b>
Individual 2020	7.463.078	44.487	35.779	7.463.078	44.487	35.779	6.961.203	41.639	33.495
<b>TOTAL</b>	<b>8.378.790</b>	<b>1.085.561</b>	<b>924.410</b>	<b>8.351.256</b>	<b>814.600</b>	<b>694.920</b>	<b>7.783.950</b>	<b>673.422</b>	<b>572.261</b>

\* 2020 year-end exchange rate has been used for Commercial Loans.

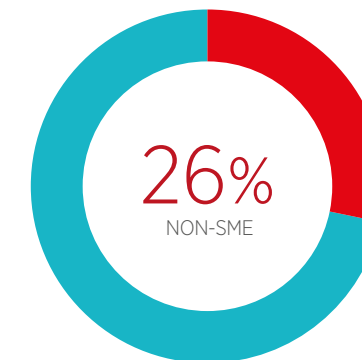
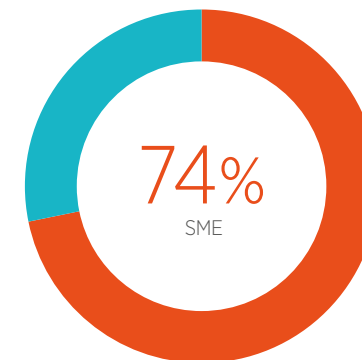
Guarantees Issued



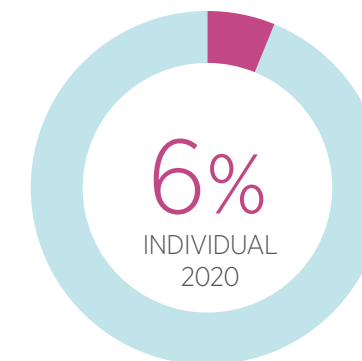
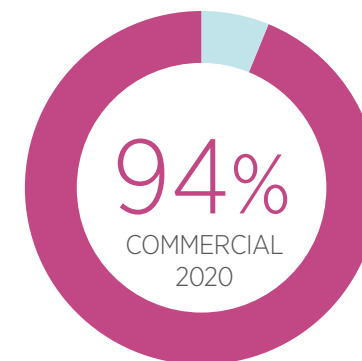
**BREAKDOWN OF GUARANTEES ISSUED BY SIZE OF ENTERPRISES (Million TRY)**  
(Equity + Treasury, 1994-2020)

Segment	No of Transactions	Volume of Loans Extended w Guar. Issued	Guarantee Amount	Ratio
SME	803.456	469.259	397.128	74%
NON-SME	19.291	162.523	141.638	26%
<b>TOTAL</b>	<b>822.747</b>	<b>631.783</b>	<b>538.766</b>	<b>100%</b>
Individual 2020	6.961.203	41.639	33.495	6%
<b>TOTAL</b>	<b>7.783.950</b>	<b>673.422</b>	<b>572.261</b>	<b>100%</b>

COMMERCIAL



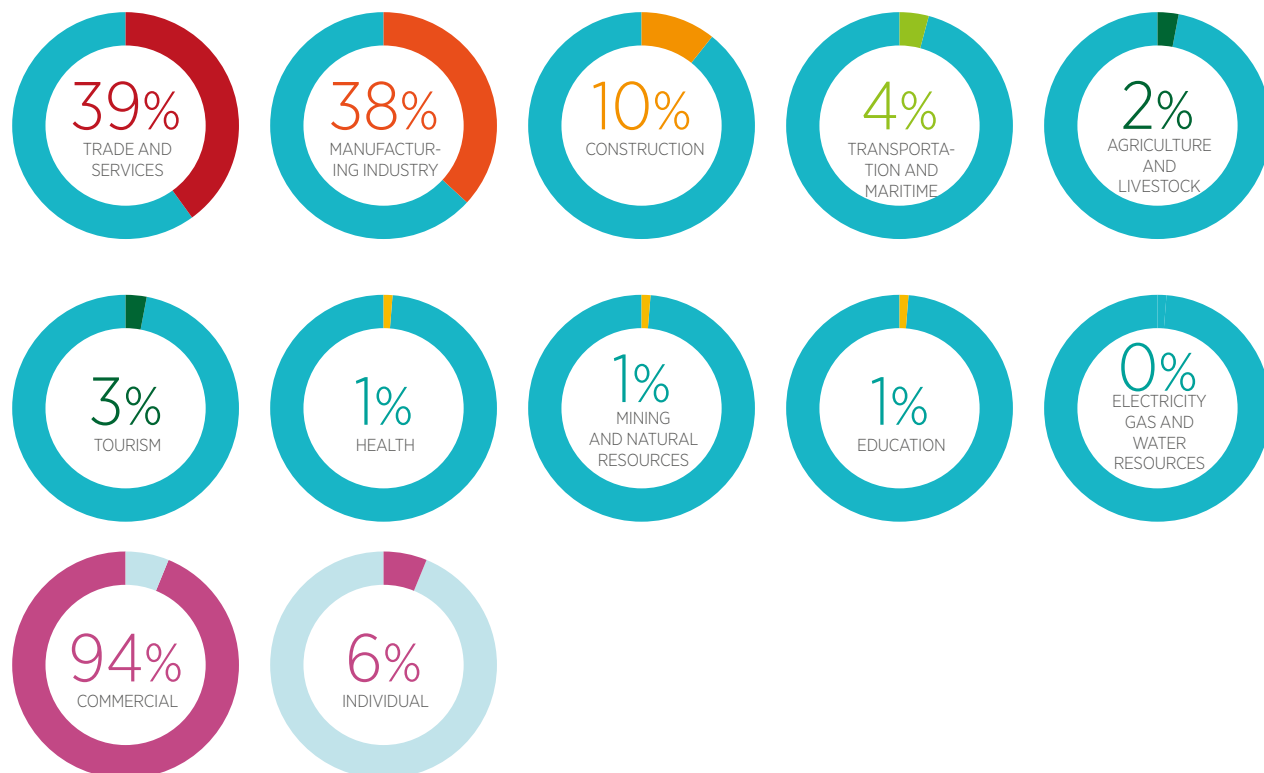
TOTAL



## A. DEVELOPMENTS IN OUR VOLUME OF GUARANTEES

BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TRY)  
(Equity + Treasury, 1994-2020)

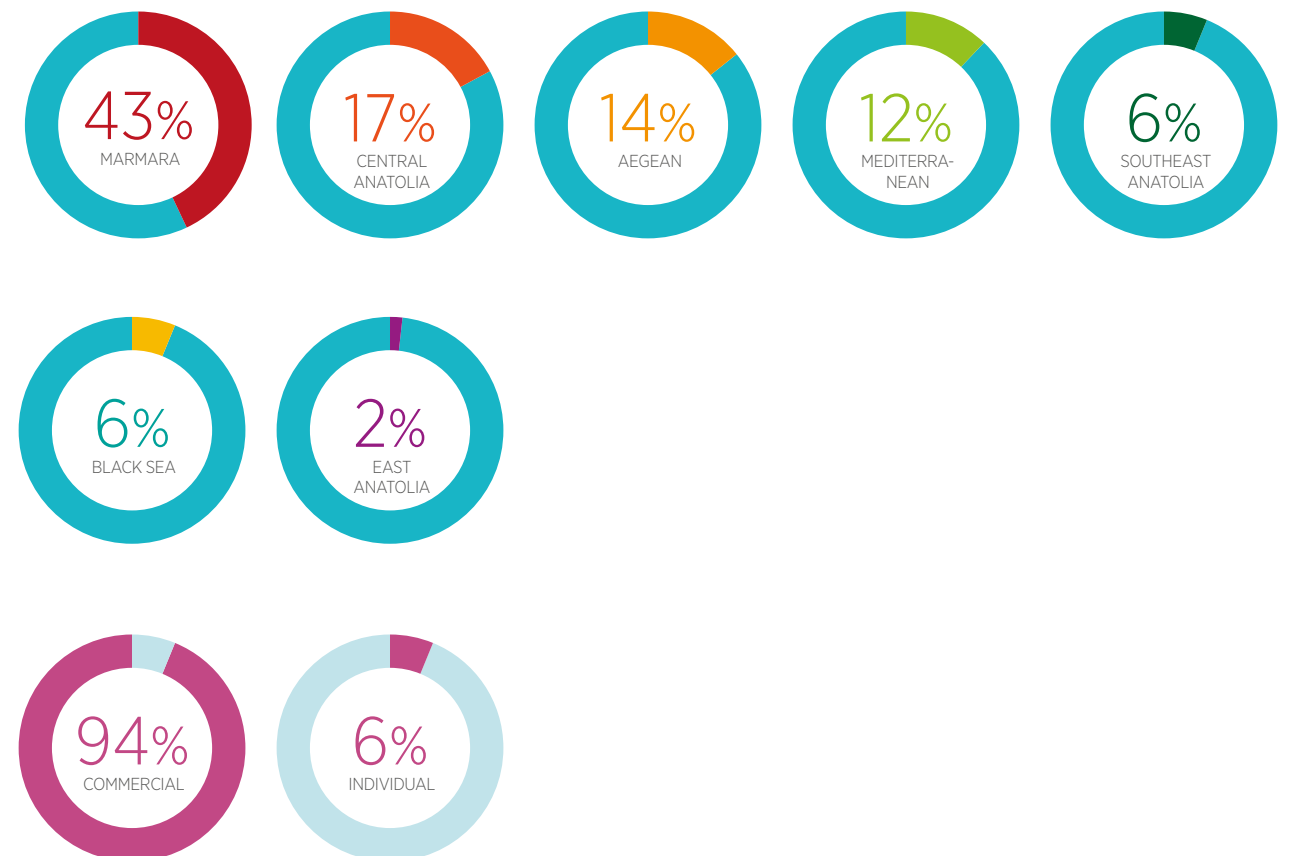
Sectors	Number	Guarantee Amount	Ratio
TRADE AND SERVICES	419,011	212,418	39%
MANUFACTURING INDUSTRY	180,109	203,158	38%
CONSTRUCTION	79,252	52,786	10%
TRANSPORTATION AND MARITIME	44,508	23,460	4%
AGRICULTURE AND LIVESTOCK	44,805	12,910	2%
TOURISM	34,533	18,618	3%
HEALTH	9,145	5,277	1%
MINING AND NATURAL RESOURCES	3,221	4,358	1%
EDUCATION	6,657	3,252	1%
ELECTRICITY, GAS AND WATER RESOURCES	1,506	2,530	0%
<b>TOTAL</b>	<b>822,747</b>	<b>538,766</b>	<b>100%</b>
<b>INDIVIDUAL</b>	<b>6,961,203</b>	<b>33,495</b>	<b>6%</b>
<b>TOTAL</b>	<b>7,783,950</b>	<b>572,261</b>	<b>100%</b>



BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TRY)  
(Equity + Treasury, 1994-2020)

Regions	No of Transactions	Guarantee Amount	Ratio
Marmara	304,681	233,514	43%
Central Anatolia	139,819	89,231	17%
Aegean	127,465	72,807	14%
Mediterranean	98,726	66,258	12%
Southeast Anatolia	44,083	33,020	6%
Black Sea	75,291	31,356	6%
East Anatolia	32,682	12,579	2%
<b>COMMERCIAL LOANS TOTAL</b>	<b>822,747</b>	<b>538,766</b>	<b>100%</b>
<b>Individual(*)</b>	<b>6,961,203</b>	<b>33,495</b>	<b>6%</b>
<b>TOTAL</b>	<b>7,783,950</b>	<b>572,261</b>	<b>100%</b>

In loans extended with KGF guarantee in 2020, Marmara Region ranked first with a share of 43% and increased its guarantee amount to TRY 233,514 million. At the transaction level, Marmara Region had the highest average amount of issued guarantees with TRY 776 thousand, while East Anatolia Region had the lowest average amount of issued guarantees with TRY 385 thousand. (\*) Individual Loans were specified without breakdown by region as they are not included in Commercial Loan Guarantees.



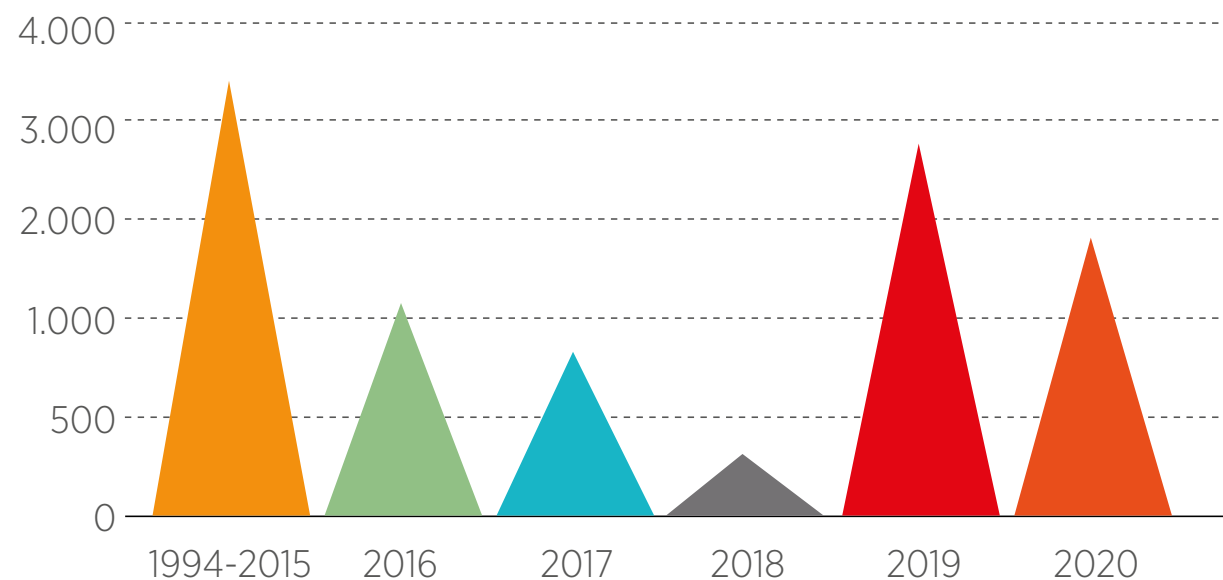
## B. BANK LOANS PROVIDED TO SMEs WITH KGF EQUITY-BACKED GUARANTEES

GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TRY)  
(Equity 1994-2020)

PERIOD	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	SME Number	Loan Amount	Guar. Amount	SME Number	Loan Amount	Guar. Amount	SME Number	Loan Amount	Guar. 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
2020*	8.562	3.805	3.063	7.918	3.159	2.512	6.822	2.417	1.946
1994-2020*	60.622	46.908	37.855	46.078	23.950	19.115	37.067	14.825	12.072

\* 2020 year-end exchange rate has been used.

Guarantees Issued



Thanks to significant innovations and transformations undertaken in 2020, 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.

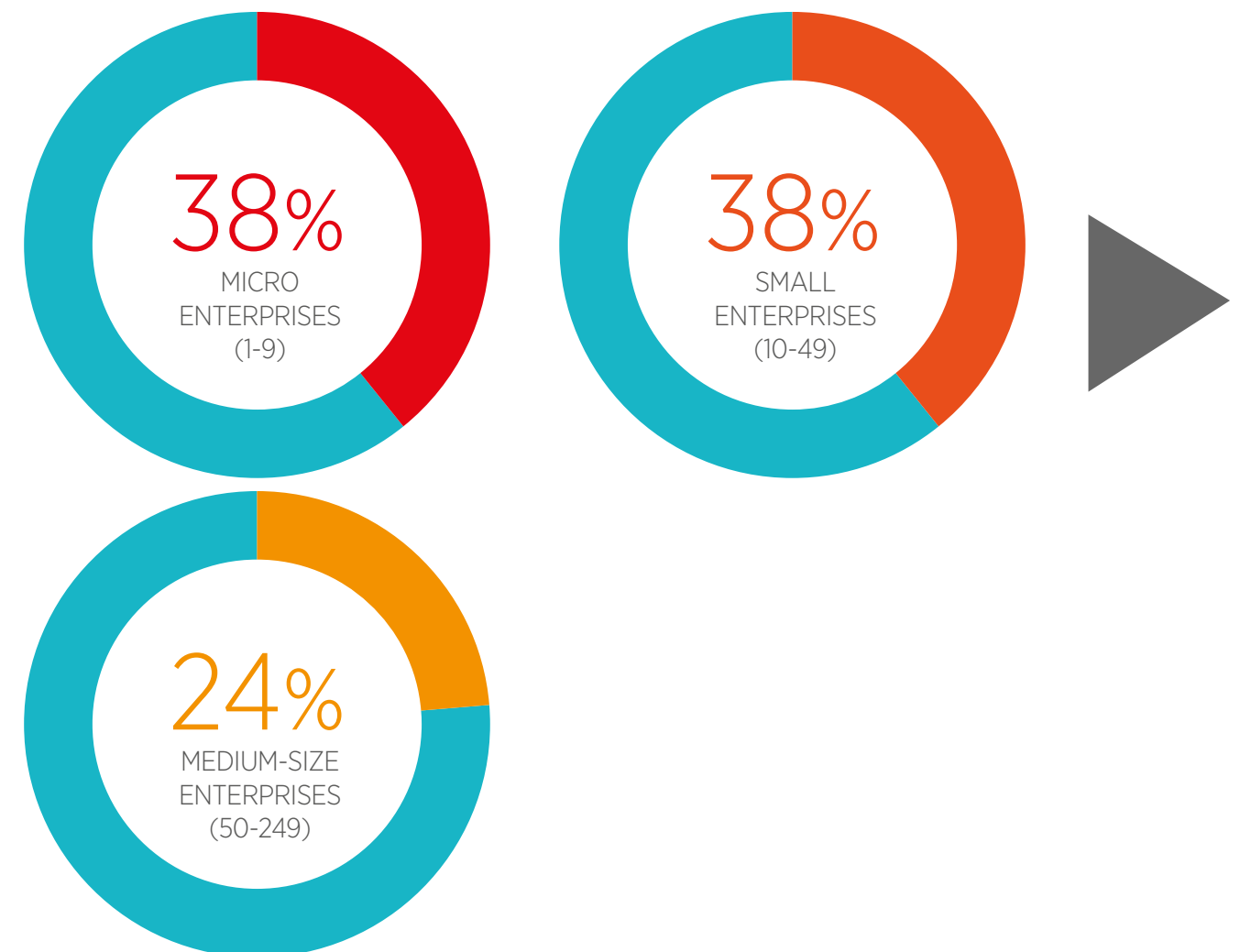
In 2020, SMEs were provided with guarantees worth TRY 1,946 million for the loans they used through the banking system that amounted to TRY 2,417 million.

From 1994 to 2020 year-end, applications from a total of 60,622 SMEs were evaluated; as a result, KGF provided guarantees worth TRY 12,072 million, enabling SMEs to use loans totaling TRY 14,825 million.

SME AND NON-SME BREAKDOWN OF GUARANTEES ISSUED (Million TRY)  
(Equity 1994-2020)

Size	No. of Firms	Volume of Loans Extended w Guarantees Issued	Guar. Amount	Ratio
Micro Enterprises (1-9)	24,662	5,640	4,621	38%
Small Enterprises (10-49)	9,407	5,660	4,584	38%
Medium-Size Enterprises (50-249)	2,998	3,525	2,867	24%
TOTAL	37,067	14,825	12,072	100%

As of 2020, the share of Micro Enterprises in total guarantees issued increased to 38%, while Small Enterprises had a share of 38% with average guarantee amount of TRY 487 thousand. Medium-Size Enterprises secured a share of 24%, with average guarantee amount of TRY 2.867 million.

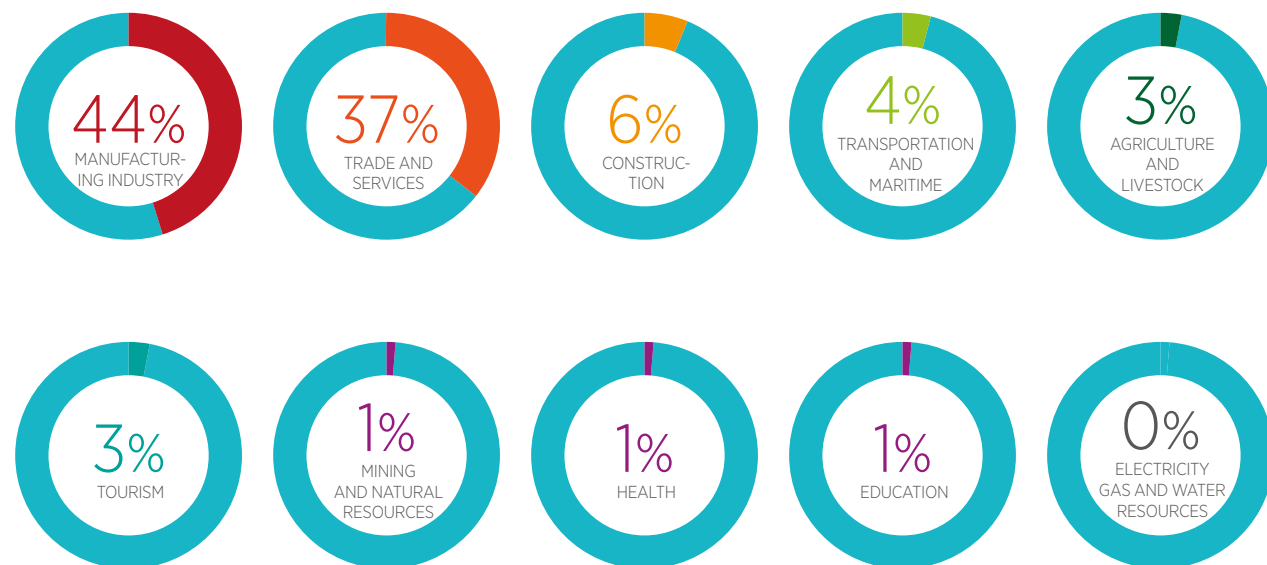




## B. BANK LOANS PROVIDED TO SMEs WITH KGF EQUITY-BACKED GUARANTEES

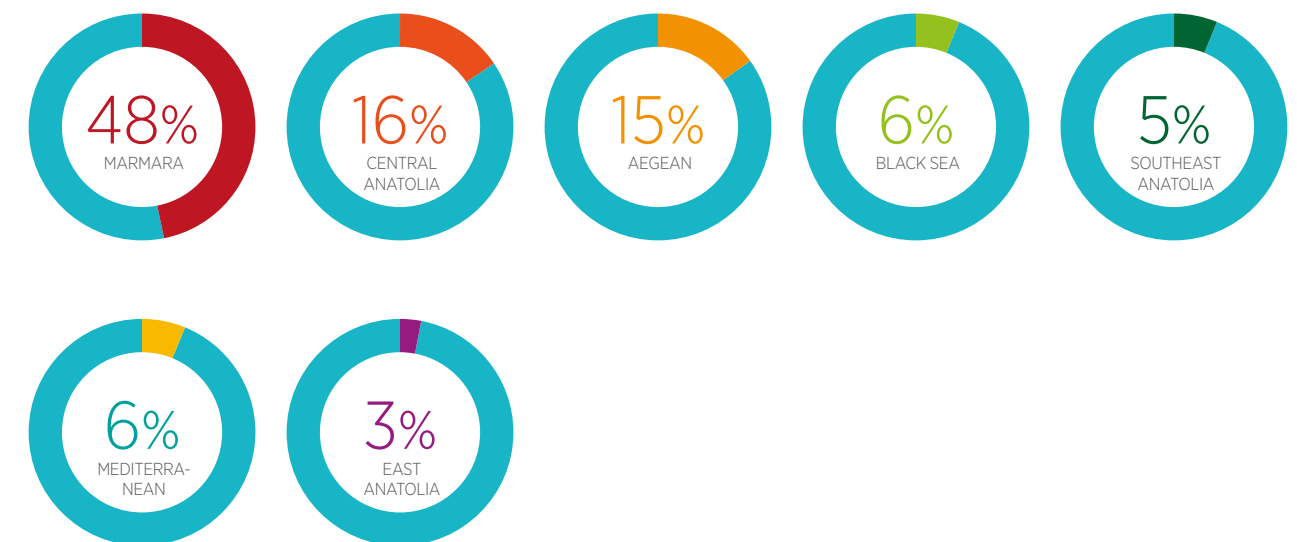
BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TRY)  
(Equity 1994-2020)

Sectors	Number	Guarantee Amount	Ratio
MANUFACTURING INDUSTRY	10,945	5,314	44%
TRADE AND SERVICES	17,991	4,524	37%
CONSTRUCTION	2,223	668	6%
TRANSPORTATION AND MARITIME	1,944	529	4%
AGRICULTURE AND LIVESTOCK	1,244	357	3%
TOURISM	1,904	318	3%
MINING AND NATURAL RESOURCES	178	108	1%
HEALTH	332	129	1%
EDUCATION	219	78	1%
ELECTRICITY, GAS AND WATER RESOURCES	87	47	0%
<b>TOTAL</b>	<b>37,067</b>	<b>12,072</b>	<b>100%</b>



BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TRY)  
(Equity 1994-2020)

Regions	No. of Firms	Guarantee Amount	Ratio
Marmara	11,817	5,781	48%
Central Anatolia	6,030	1,937	16%
Aegean	5,024	1,829	15%
Black Sea	5,813	745	6%
Southeast Anatolia	2,380	611	5%
Mediterranean	3,195	783	6%
East Anatolia	2,808	385	3%
<b>TOTAL</b>	<b>37,067</b>	<b>12,072</b>	<b>100%</b>



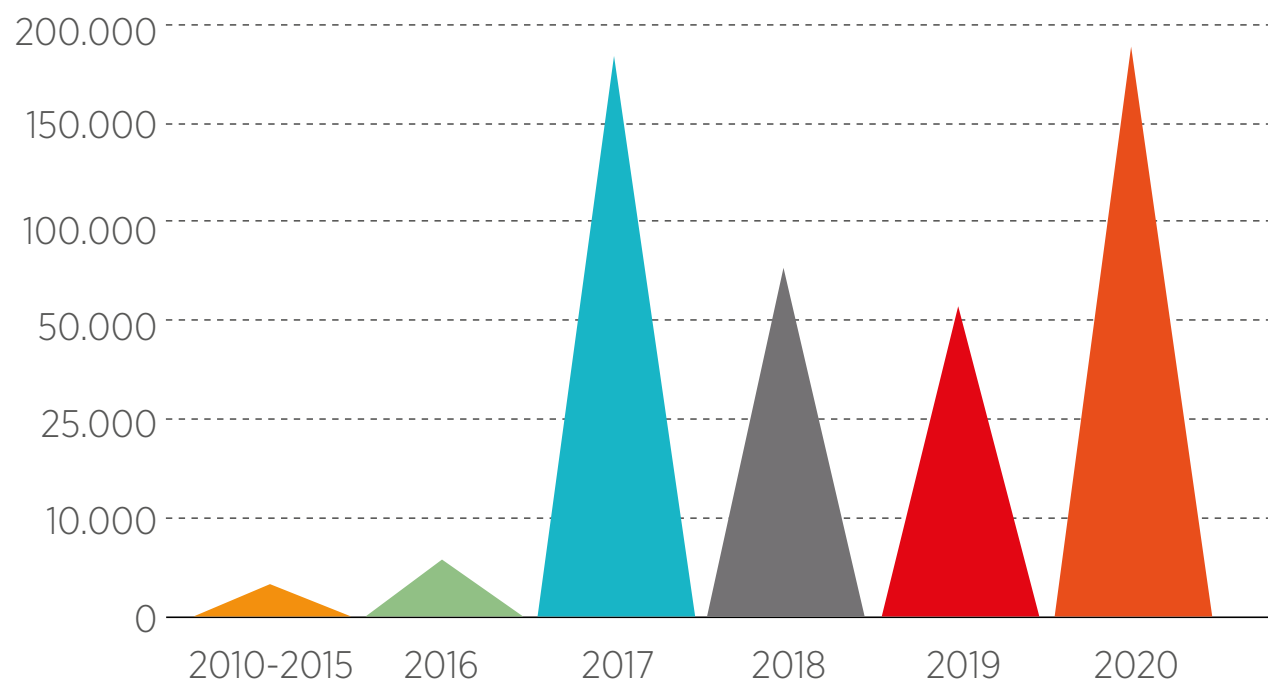
## C. BANK LOANS PROVIDED TO FIRMS WITH TREASURY-BACKED GUARANTEES

GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TRY)  
(Treasury 2010-2020)

PERIOD	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	SME Number	Loan Amount	Guar. Amount	SME Number	Loan Amount	Guar. Amount	SME Number	Loan Amount	Guar. 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
2020*	310.523	223.022	178.783	310.180	221.407	177.485	279.951	200.987	161.085
2010-2020*	855.090	994.166	850.776	842.100	746.164	640.025	785.680	616.958	526.694
Individual 2020	7,463,078	44,487	35,779	7,463,078	44,487	35,779	6,961,203	41,639	33,495
TOTAL	8,318,168	1,038,653	886,555	8,305,178	790,650	675,805	7,746,883	658,597	560,189

\* Only commercial loans have been taken into account and 2020 year-end exchange rate has been used.

Guarantees Issued



The Treasury-backed guarantee system that was launched in 2010 continued in 2020, and the Guarantees Issued for Commercial Loans amounted to TRY 161,085 million. TRY 33,495 million worth Individual Loan guarantees were issued under Major Needs Support that was launched in 2020. As of the launch of the practice until 2020 year-end, requests from 855,090 SMEs were evaluated, and TRY 526,694 million worth guarantees were issued for TRY 616,958 million bank loans used by 785,680 SMEs.

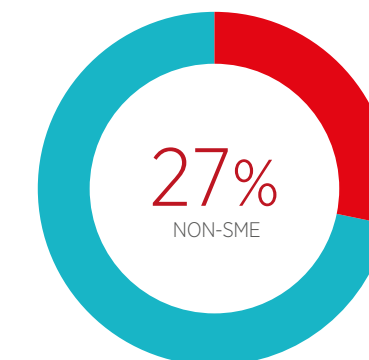
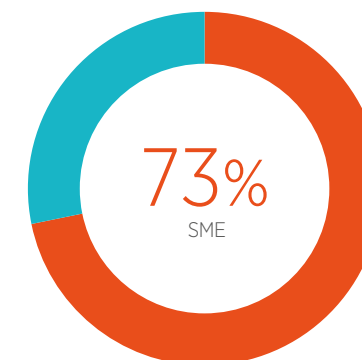
When it comes to the Major Needs Support, requests from 7.5 million individual users were evaluated, and TRY 33,495 million guarantees were issued for TRY 41,639 million loans used by 7 million individuals.

Under all Treasury-Backed Guarantees, requests from a total of 8.3 million users were evaluated, and TRY 560,189 million worth guarantees were issued for TRY 658,597 million loans used by 7.7 million users.

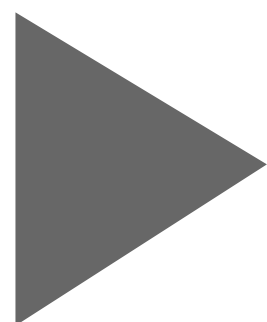
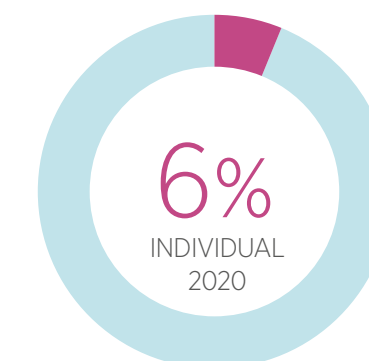
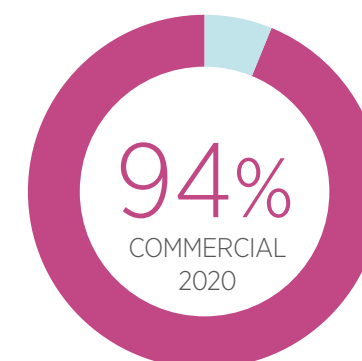
SME AND NON-SME BREAKDOWN OF GUARANTEES ISSUED (Million TRY)  
(Treasury 2010-2020)

Segment	No of Transactions	Vol of Loans Extended w Guar. Issued	Guarantee Amount	Ratio
SME	766.389	454.434	385.057	73%
NON-SME	19.291	162.523	141.638	27%
TOTAL	785.680	616.958	526.694	100%
Individual 2020	6,961,203	41,639	33,495	6%
TOTAL	7,746,883	658,597	560,189	100%

COMMERCIAL



TOTAL

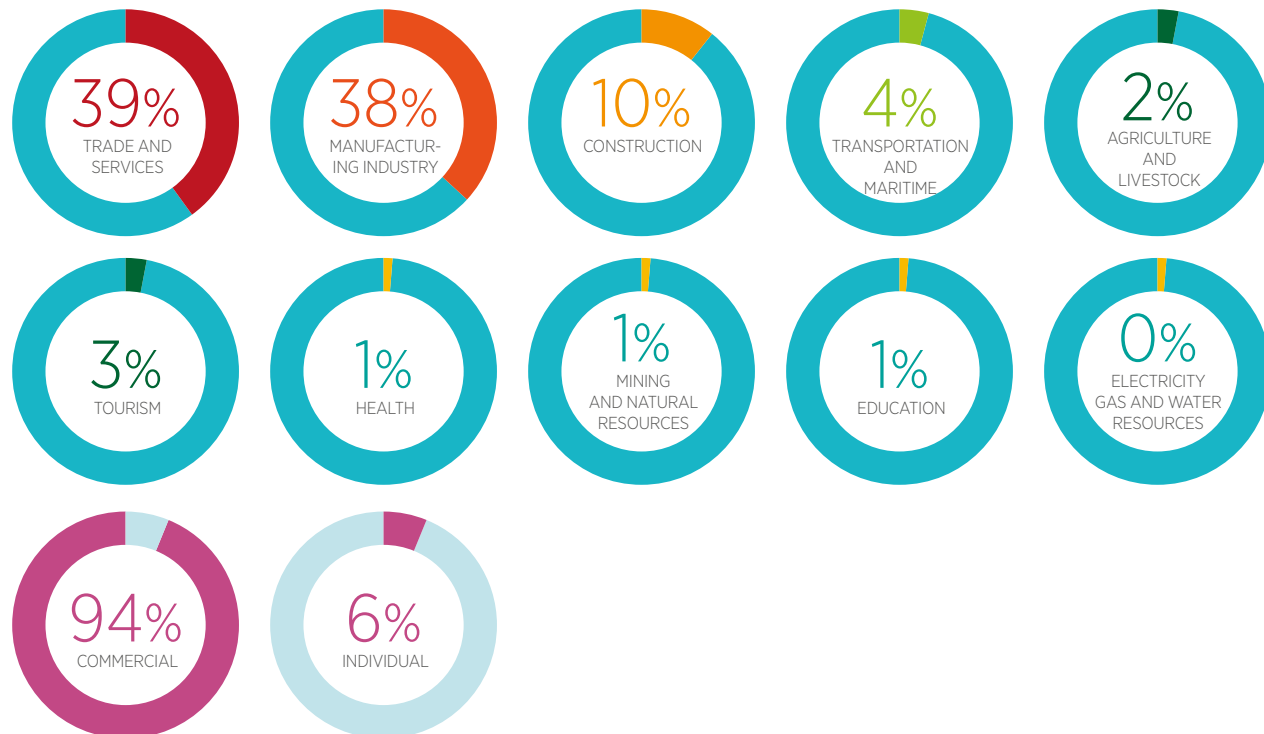


## C. BANK LOANS PROVIDED TO FIRMS WITH TREASURY-BACKED GUARANTEES

BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TRY)  
(Treasury 2010-2020)

Sectors	Number	Guarantee Amount	Ratio
TRADE AND SERVICES	401,020	207,894	39%
MANUFACTURING INDUSTRY	169,164	197,843	38%
CONSTRUCTION	77,029	52,118	10%
TRANSPORTATION AND MARITIME	42,564	22,930	4%
AGRICULTURE AND LIVESTOCK	43,561	12,552	2%
TOURISM	32,629	18,300	3%
HEALTH	8,813	5,149	1%
MINING AND NATURAL RESOURCES	3,043	4,250	1%
EDUCATION	6,438	3,174	1%
ELECTRICITY, GAS AND WATER RESOURCES	1,419	2,483	0%
<b>TOTAL OF COMMERCIAL LOANS</b>	<b>785,680</b>	<b>526,694</b>	<b>100%</b>
INDIVIDUAL	6,961,203	33,495	6%
<b>TOTAL</b>	<b>7,746,883</b>	<b>560,189</b>	<b>100%</b>

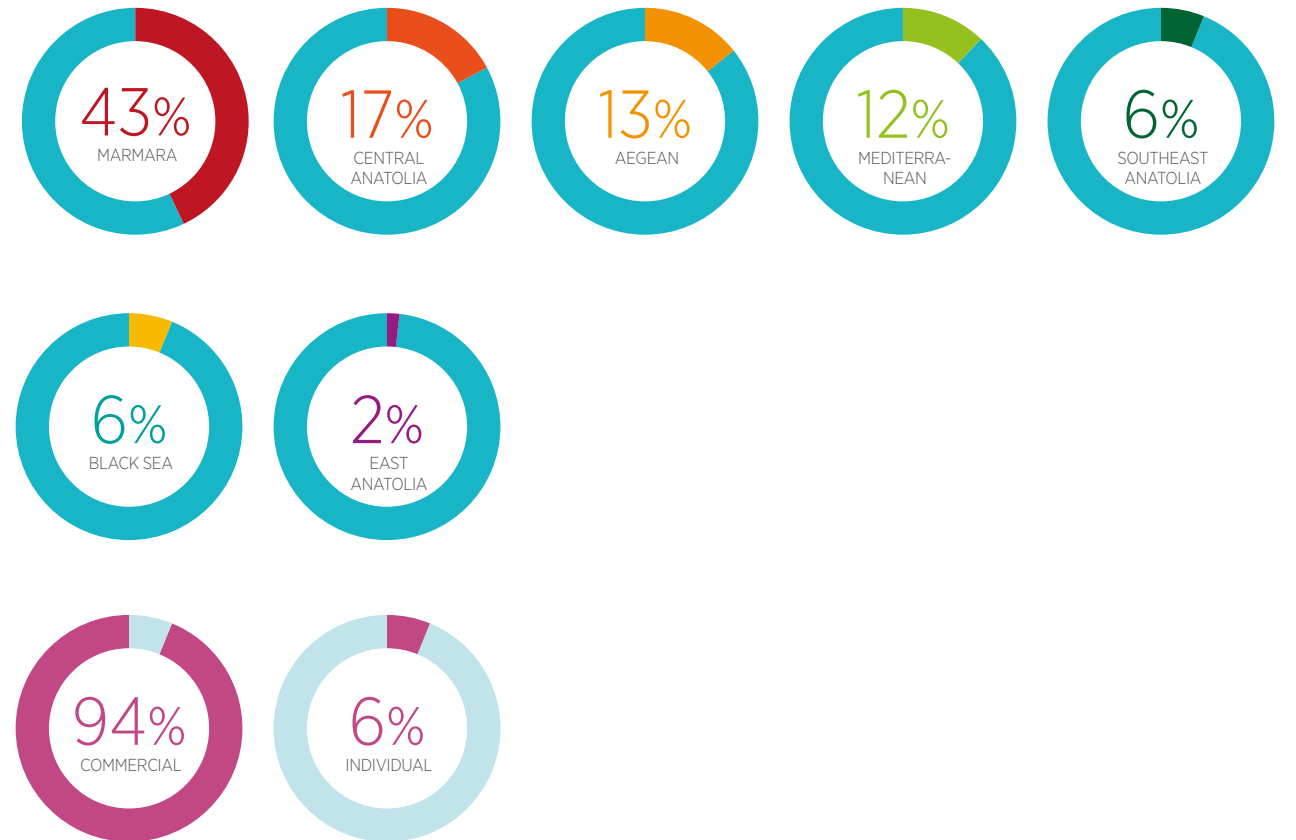
Guarantees issued to firms in the Industrial Sector which is the driver of the economy with important contributions to production and employment amounted to 58%, exceeding the total amount issued to the Services and Agriculture Sectors.



BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TRY)  
(Treasury 2010-2020)

Regions	No. of Transactions	Guarantee Amount	Ratio
Marmara	292,864	227,734	43%
Central Anatolia	133,789	87,294	17%
Aegean	122,441	70,978	13%
Mediterranean	95,531	65,475	12%
Southeast Anatolia	41,703	32,409	6%
Black Sea	69,478	30,611	6%
East Anatolia	29,874	12,194	2%
<b>TOTAL</b>	<b>785,680</b>	<b>526,694</b>	<b>100%</b>
Individual(*)	6,961,203	33,495	6%
<b>TOTAL</b>	<b>7,746,883</b>	<b>560,189</b>	<b>100%</b>

(\*) Individual Loans were specified without breakdown by region as they are not included in Commercial Loan Guarantees.



## 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 2020 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 2020 year-end, we issued commercial guarantees worth TRY 538,766 million, out of which TRY 12,071.7 million was backed by our own equities and TRY 526,694.3 million was Treasury-backed. Of the total amount of guarantees issued, TRY 12,842.6 million turned non-performing. While the ratio of non-performing guarantees was 2.26% in 2019, as of 2020 year-end, the ratio of non-performing guarantees was recorded as 2.38%. Of the amount that turned into non-performing guarantee, 5.1% was backed by own equities and 94.9% was Treasury-backed.

In KGF equity-backed guarantees, the ratio of non-performing guarantees was 5.47% as of 2020 year-end, as compared to 5.93% as of 2019 year-end.

As for Treasury-backed commercial guarantees, non-performing guarantees amounted to TRY 12,181.7 million as of 2020 year-end. The ratio of non-performing Treasury-backed commercial guarantees amounted to 2.31% as of 2020 year-end as compared to 2.17% as of 2019 year-end.

### NON-PERFORMING GUARANTEES AND RISK EXPOSURE (TRY)

Sources	01.01.1994 - 31.12.2020			31.12.2020	
	Guarantees issued	NPG Amount	NPG Ratio %	Outstanding Non-Performing Risk (incl. with protocol)	Rate of Non-Performing Risk %
Equity	12,071,728,093	660,889,094	5.47	353,661,357	2.93
Treasury(*)	526,694,277,907	12,181,736,349	2.31	11,576,891,224	2.20
<b>TOTAL</b>	<b>538,766,006,001</b>	<b>12,842,625,443</b>	<b>2.38</b>	<b>11,930,552,581</b>	<b>2.21</b>

Note: According to the Board of Directors decisions dated 20/11/2007, 13/05/2010, 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 70,853,845.44.

(\*) Including Commercial Guarantees.

Recoveries from non-performing guarantees are also increasing year by year. As of 2020 year-end, the principal amounts recovered from the non-performing guarantees backed by our own equity and by Treasury stand at TRY 236.4 million and TRY 604.8 million, respectively.

As a result of these recoveries, out of the TRY 11,930.6 million non-performing guarantees at risk as of 2020 year-end, TRY 353.7 million consists of KGF equity-backed guarantees and TRY 11,576.9 million consists of Treasury-backed guarantees, with risk shares of 3% and 97%, respectively.





**3**

**Activities  
in 2020**

## CORPORATE COMMUNICATION, PRODUCT MANAGEMENT AND R&D ACTIVITIES

► In 2020, a total of 81 national and international protocols and addenda were signed for 25 guarantee programs and various projects.

The amount of guarantee support provided to Credit Guarantee Funds within the scope of the Economic Stability Shield program announced by the Ministry of Treasury and Finance was increased to TRY 50 billion from TRY 25 billion to prevent economic hardships that may be caused by the COVID-19 pandemic, and new support packages were prepared to meet the needs of the real sector.

To that end, in line with the Presidential Decree No. 2020/2325 dated 29.03.2020, published in the Official Gazette dated 30.03.2020, a guarantee protocol was signed with 29 banks that are our partners according to the protocol signed between the Ministry of Treasury and Finance and KGF and the Development and Investment Bank of Turkey.

11 new Support Packages were created under the scope of the Economic Stability Shield.

On 30.03.2020,

- 1- the Business Continuity Support with a guarantee source of TRY 121.24 billion,
- 2- the Operating Expenses Support with a guarantee source of TRY 32.27 billion,
- 3- the Check Payment Support with a guarantee source of TRY 12.03 billion,
- 4- the Major Needs Support with a guarantee source of TRY 44.31 billion,
- 5- the Eximbank Loan Support with a guarantee source of TRY 20 billion,
- 6- on 23.04.2020, the TOBB Nefes Loan Support with a guarantee source of TRY 2.4 billion,
- 7- on 27.04.2020, the Eximbank Stock Financing Support with a guarantee source of TRY 10 billion,

- 8- on 14.07.2020, the Development and Investment Bank of Turkey Loan Support with a guarantee source of TRY 3 billion,
- 9- on 27.08.2020, the Financing Support Program with a guarantee source of TRY 48 million,
- 10- on 15.10.2020, the Tourism Support Package with a guarantee source of TRY 8 billion,
- 11- on 23.10.2020, the Micro SMEs Support Loan with a guarantee source of TRY 8 billion

A total of 7 protocols, including one protocol of source, were signed within the scope of the financial support system in which the entirety of, or a part of, the interest/profit share is met by KOSGEB following the issue of a bank loan to guarantee the access to affordable loans by enterprises registered in KOSGEB data base, that were able to document, through official authorities (Governorship, District Governorship), that they were affected by natural disasters throughout the year 2020:

1. On 19.02.2020, Protocol for Emergency Support Loan for Elazığ and Malatya Provinces,
2. On 20.02.2020, Protocol for a Guarantee Source of TRY 50 million for Elazığ and Malatya,
3. On 24.03.2020, Protocol for the Manufacturing Industry Operating Expenses Loan and Interest Support Program for Elazığ and Malatya provinces,
4. On 16.04.2020, Protocol on the Delay of Payments in Programs Implemented Under the Regulation on KOSGEB Loan Interest Support for SMEs,
5. On 21.04.2020, Protocol for Emergency Support Loan for Tokat,
6. On 26.08.2020, Protocol for Emergency Support Loan for Esenyurt District of Istanbul,
7. On 03.10.2020, Protocol for Emergency

Support Loan for Çayeli District of Rize and Giresun.

For the “Formal Employment Facility for Syrian Refugees and Host Communities in Turkey” support program according to which SMEs in provinces with a high rate of Syrian population shall be provided loans with KGF guarantee in return for committing to employing additional Turkish and Syrian employees, and the interests of such loans shall be met by KOSGEB if the employment commitment is fulfilled, with a total funding of EUR 10 million provided by the German Ministry of Development through German Development Bank (KfW);

On 14.12.2020,

1. a Financing Agreement Protocol was signed between KGF and KfW, and
2. an Implementing Agreement Protocol was Signed among KGF, KfW and KOSGEB. It is planned to put into effect the support program in 2021.

KGF and the European Investment Fund (EIF) cooperate within the scope of the COSME program conducted through the EIF with the budget provided by the European Commission with the aim of “Increasing the Competitiveness of SMEs”.

The EIF provided KGF with a counter-guarantee worth TRY 126.5 million and KGF contributed in the same amount through its own equities; summing up to a total of TRY 253 million, thus creating a facility of guarantees worth TRY 2.3 billion and for that, loans worth TRY 2.875 billion.

Since the program attained, to a great extent, the targeted volumes in August 2019, KGF applied once more to the EIF in the same period, requesting additional sources. The application of KGF was concluded in October 2020 and a Revised COSME Counter-guarantee Agreement was signed with the EIF on October 27th, 2020. Thus, the amount of counter-guarantee provided to KGF was increased from TRY 126.5 million to TRY 300 million. Similarly, the amount that was allocated from KGF own equities to be used in the program was revised as TRY 300 million. Thus, thanks to the fund of TRY 600 million created, it is planned to enable access to loans worth TRY 7.5 billion by issuing guarantees worth TRY 6 billion to 25 thousand SMEs in total.

Within the scope of the COSME program, revised guarantee protocols were signed with banks as of December 2020.

### DEVELOPMENTS IN TREASURY-BACKED GUARANTEE TRANSACTIONS

Within the scope of the Treasury-backed Guarantee Transactions in line with the Economic Stability Shield package prepared by the Government of the Republic of Turkey to minimize the potential impacts of the COVID-19 pandemic that appeared in the city of Wuhan in the People's Republic of China and then spread to the entire world;

► the amount of funding that can be allocated to our Company by the Ministry was increased from TRY 25 Billion to TRY 50 Billion, and the volume of guarantees was increased from TRY 250 Billion to TRY 500 Billion.

- ▶ Our company provided, for the first time, guarantee support to individual loans, in addition to commercial loans.
- ▶ The 90-day period of delay that is required for loans to turn non-performing and for guarantees to be compensated, was extended to 180 days.
- ▶ The maximum grace period that can be implemented in case a loan is restructured was increased from 12 months to 24 months.
- ▶ The guarantee cap rate for real person beneficiaries has been identified as TRY 100 thousand while it has been increased from TRY 25 million to TRY 35 million for beneficiaries that fit the SME definition, and from TRY 200 million to TRY 250 million for legal person beneficiaries outside the scope of the SME definition. Until 31.12.2020, these cap rates were set at a maximum of TRY 50 million for beneficiaries that fit the SME definition, and at a maximum of TRY 350 million for legal person beneficiaries outside the scope of the SME definition.
- ▶ Generally implemented at a rate of 1 per cent under Treasury-backed Guarantees, restructuring guarantee commission fees were applied at a rate of 5 per thousand until 31.12.2020, and restructuring transactions allowing for additional maturity up to 6 months were exempted from guarantee commission fees. In addition to this, enterprises based in Elazığ and Malatya provinces were granted full exemption from guarantee commission fees concerning their loan restructuring transactions until the end of year, due to the natural disasters that occurred in these provinces.
- ▶ Beneficiaries were also exempted, until 31.12.2020, from submitting no-tax or SSI debt confirmation letters that are, in standard practice, requested from beneficiaries during guarantee applications.
- ▶ In order to prevent any negative impact on the cash flows of firms that benefited from the Treasury-backed Guarantees in the Non-SME

segment before but transitioned into the SME segment over time, these firms were allowed, until 31.12.2020, to benefit from the guarantee cap rates applied to the Non-SME segment.

## OTHER ACTIVITIES

- ▶ The Call Centre of our Company responds to an average of 200 calls and 1000 e-mails on a daily basis. All incoming questions, suggestions and complaints are responded within the shortest time possible. In 2020, approximately 249 thousand e-mails were responded.
- ▶ Our Company participated as a panelist in an online event organized for the staff and Consultants of the International Finance Corporation with the theme of loan guarantees on November 19th, 2020 with the participation of representatives from the European Investment Fund (EIF), the National Guarantee Organization of Columbia (FNG) and the European Association of Guarantee Institutions (AECM); and delivered a presentation on KGF and its approach to public-private partnership.
- ▶ There was no invitation to introductory meetings because of the pandemic but our high-level managers attended 'webinars' organized by various NGOs and professional associations.

## NEW COOPERATION INITIATIVES

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

- ▶ 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 billion guarantee limit. As part of the TurWiB Program (Women in Business Turkey), loan allocations are expected to begin in early 2021 after signing of protocols between banks and EBRD.

- ▶ KGF will provide guarantees for the access to finance component of the Uplands Rural Development

Program managed by the Turkish Ministry of Food, Agriculture and Livestock and the International Fund for Agricultural Development (IFAD).

### AECM General Assembly

As a member of the AECM (European Association of Guarantee Institutions) since 2005, our Company participated in the AECM General Assembly held virtually on November 5th-6th, 2020 and the following panels on "SME policy in times of crisis and recovery" and "Strengthening SMEs and entrepreneurship".



### SME Finance Forum

As a member since 2017 of the SME Finance Forum established by the "G20 Global Partnership for Financial Inclusion" in 2012 and managed by the IFC (International Finance Corporation) which is a sister organization of the World Bank Group, our Company participated in the Global SME Finance Forum's annual meeting held virtually because of the pandemic on October 26th-28th, 2020 and the following conference.

## HUMAN RESOURCES ACTIVITIES

The number of staff members, which stood at 185 at the end of 2019, has become 166 as of 2020 year-end as 24 staff members left service and 5 new members were recruited. 52% of the overall staff is female, and 48% is male.

<b>Total Number of Staff</b>	<b>166</b>
Ratio of Female Staff	52%
Ratio of Senior-Medium Level Female Executives	45%
Ratio of University Graduates	86%
Average Age	40
Average Seniority	6.6 years

► 86% of staff is a graduate of university and/or higher school. KGF has a young employee profile, with an average age of 40. Average seniority is 6.6 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.

► Human Resources 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.

► Vocational and professional development trainings, mostly e-trainings, and legally obligatory trainings continued in line with the continuous development and learning vision.

► 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 2020 as well.

► From Occupational Safety and Health perspective, all legal procedures were fulfilled and the following precautions were taken in the face of the global pandemic, for the sake of both public and employee health:

- The Regulation on Business Continuity and Contingency Plan was established,
- All necessary health precautions were adequately taken in all central divisions and regional agencies,
- Our company has moved to the teleworking system.

► Our company has moved from a branch-based structure to a Regional Agency-based structure to strengthen our organizational structure and increase the productivity and efficiency of our operations. 34 branches were grouped together under the roof of 7 Regional Agencies.

Similarly, the number of Deputy General Manager positions was increased from 3 to 5 and managerial competence was improved while in-depth specialization was achieved in operations.

► The 2020 annual audit of ISO 9001:2015 Service Sector Quality Certificate, which we hold to maintain and improve stakeholder satisfaction in business processes and deliver high-quality services

has been successfully completed, and we have been entitled to continue holding the certificate.

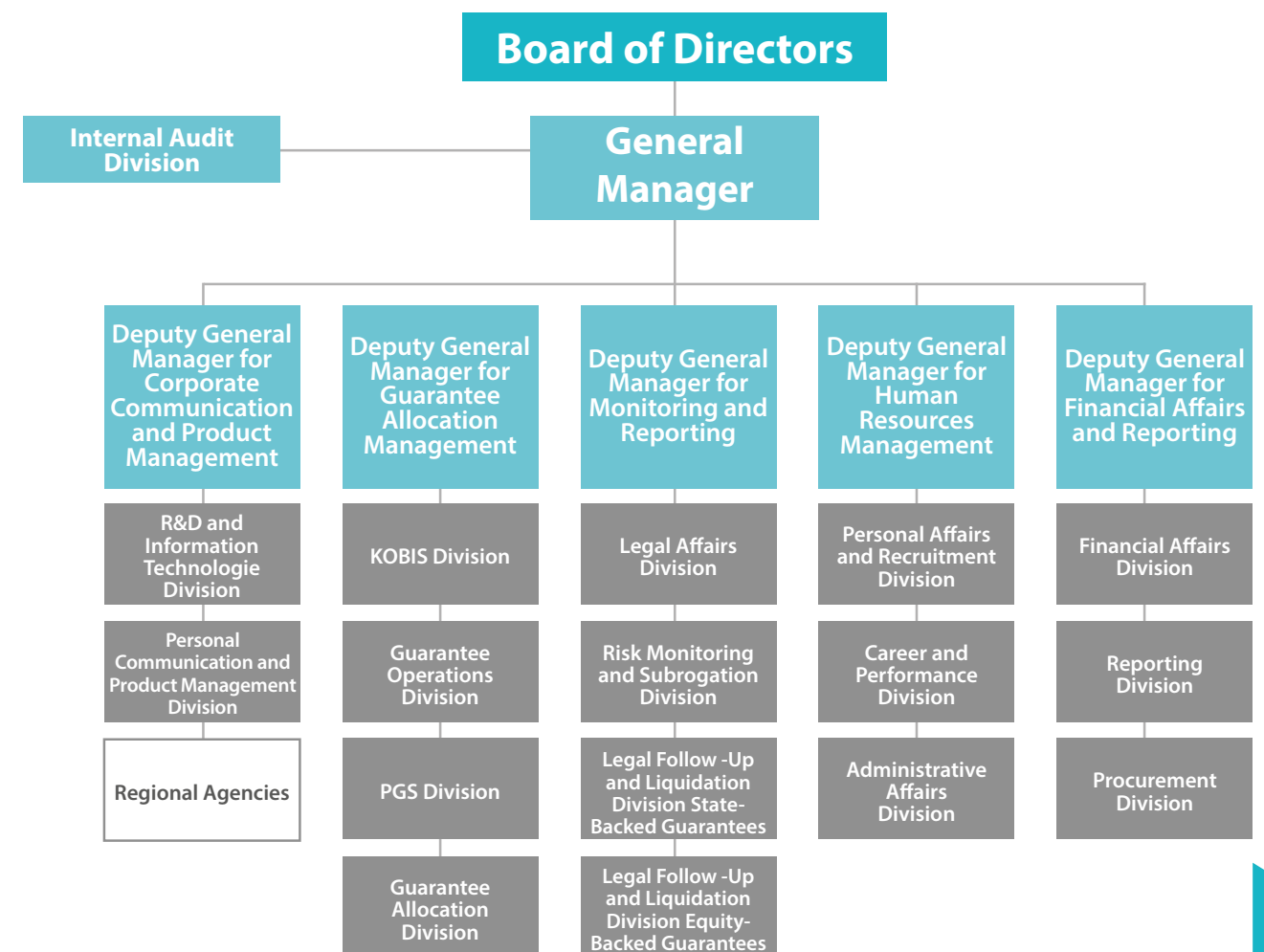
► KGF is turning into a rising star by taking on responsibilities and creating value added, and due to the increased recognition of KGF as well as the importance attached by the Company to human

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 full scholarships to 3 students from TOBB ETU University.

► 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

- ▶ There was progress made in the new software project and the work on data migration continues. The aim is to finish the new software project next year.
- ▶ The corporate data center that used to be in the central building of Kredi Garanti Fonu has moved to KKB Anadolu Data Center to improve service availability and increase the level of service availability to TIER IV. The systems were successfully moved in only one week and put into operation through the new data center with an interruption of about 10 minutes.
- ▶ Having redesigned its IT infrastructure to enable teleworking during the pandemic, Kredi Garanti Fonu completed its transition to Teleworking in only 1 week.
- ▶ As a result of the expansion of the data center, the virtualization machinery was renovated allowing both storage and server capacity to increase by 50%. 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 main system, has been strengthened.
- ▶ The connections to the KOBIT System Infrastructure were backed up in different premises along with connections from other internet service providers, expanding the disaster recovery center. Kredi Garanti Fonu started service through its own IP infrastructure in this same year.
- ▶ Some license changes were introduced in order to meet today's requirements for improving software processes. 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.
- ▶ 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

Our Company aims to further improve the system infrastructure and the software (IT) and renew the software infrastructure. A decision was made to develop a special software project to be used in the operational processes of our Company for the monitoring of software processes, performance analysis, detection of possible errors, reporting of problems, monitoring of the impact of the improvements marked by the new software project and keeping the presentation performance at highest level possible.

## AUDITS APPLICABLE TO THE COMPANY

The 2020 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.

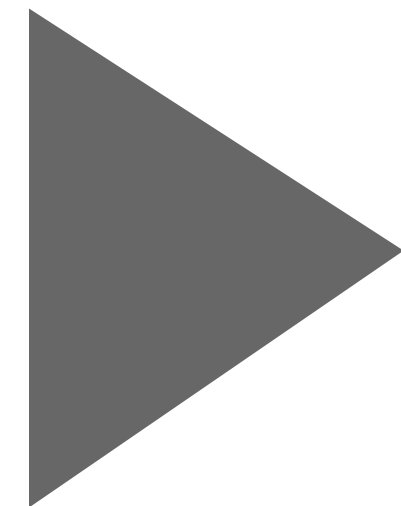
Independent audit firm also audited information systems and all processes were evaluated to comply with sectoral norms. Financial statements of our Company as of December 31st, 2020 were audited by independent external auditors. The audit was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

## INTERNAL AUDITING

- ▶ 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 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. Internal audit plans are 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.
- ▶ Necessary investigations or reviews on a certain topic are conducted based on the instructions of the Board of Directors.
- ▶ Based on the instructions of the Board of Directors, investigations are conducted 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 audits, investigations and reviews are submitted to the General Manager and the Audit Committee.
- ▶ The Internal Audit Division performs consultancy function when required by the General Manager or the Audit Committee.

## 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

### Depremzede KOBİ'lere KEFALET DESTEĞİ

**E**LAZİĞ ve Malatya'da depremden etkilenen KOBİ'lerin sorunlarının çözümü için atılan adımlara bir yenisi eklendi. Kefalet sıkıntısı yaşayan KOBİ'lerin bazı destek programlarından faydalanamaması nedeniyle Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı (KOSGEB) tarafından Kredi Garanti Fonu'na (KGF) yaklaşık 8 milyon Euro kaynak aktarılacak. AA muhabirinin edindiği bilgiye göre, Elazığ ve Malatya'daki bazı depremzede KOBİ'lerin, destek için devreye alınan kredi programlarından kefalet sorunları nedeniyle yararlanamadığı belirlendi. Bunun üzerine KOSGEB ile KGF arasında sorunun aşılması amacıyla protokol imzalandı. Protokole göre, KOSGEB, kefalet sorunlarının çözümü amacıyla 8 milyon Euro'luk bütçeyi KGF aracılığıyla KOBİ'lerin kullanımına tahsis edecek. Böylece depremden etkilenen bölgedeki KOBİ'lerin teminat kullanabilmeleri kolaylaştırılacak. Kaynak aktarımının yanı sıra Elazığ ve Malatya'daki KOBİ'lere sağlanan kaynağın 10 katını bulan yaklaşık 80 milyon



Euro civarında da kefalet sağlanmış olacak. Elazığ'da meydana gelen ve Malatya'da da etkili olan depremin ardından KOSGEB tarafından bu illerdeki KOBİ'lere yönelik iki ayrı kredi faiz programı uygulamaya alınmıştır. Depremden fiziki olarak hasar gören KOBİ'ler için 100 bin lira üst limitli "Acil Destek Kredi Programı" hayata geçirilmiştir. Fiziki olarak depremden etkilenmeyen ve imalat sanayisinde faaliyet gösteren işletmeler için de 150 bin lira üst limitli "İmalat Sanayi İşletme Kredisi Faiz Desteği Programı" başlatılmıştır. Kefalet problemi nedeniyle iki programdan yararlanamayan KOBİ'lerin sorununun, imzalanan protokolle çözümlenmesi hedefleniyor.

### ÖNCELİK KOBİ'LERİN

**8** Kredi Garanti Fonu limitini 25 milyar liradan 50 milyar liraya çıkartacak, kredilerde önceliği gelişmelerden olumsuz etkilendiği için likidite ihtiyacı oluşan ve teminat açığı bulunan firmalar ile KOBİ'lere vereceğiz.

### Hazine destekli kefalet

Kredi Garanti Fonu bünyesinde kefalet sağlanan kredilerde kadın girişimcileri destekleyen pozitif ayrımcılık içeren hükümler yer alıyor. Kredi Garanti Fonu aracılığıyla verilen 'Hazine Destekli Kefalet' kapsamında kefalet tutarı kadın girişimcilerin kullanacağı krediler için azami kefalet oranı yüzde 90 olarak uygulanıyor. Gerçek kişi kadın şahıs işletmesi veya hisseleri toplamının en az yüzde 50'si kadınlara ait olan tüzel kişi işletmeler bankaların belli bir kota ayırdığı hazine destekli kefaletten faydalanabiliyor.

### KUÇUKBAS HAYVANCILIĞI GELİSTİRECEK İŞBİRLİĞİ

#### 100 BİN AMAC KOYU

İzmir Bakan, küçükbaş hayvancılığın geliştirilmesini ve küçükbaş hayvan yetiştiricilerinin gelirlerini artırmayı hedeflediği bir projeye başlatıldı. Proje, 100 bin adet küçükbaş hayvanın yetiştirilmesini amaçlıyor. Proje, 100 bin adet küçükbaş hayvanın yetiştirilmesini amaçlıyor.

#### 150 BİN LIRA KREDİ

İzmir Bakan, küçükbaş hayvan yetiştiricilerine kredi desteği olarak, 150 bin lira kredi sağlanacak. Bu kredi, 150 bin lira kredi sağlanacak. Bu kredi, 150 bin lira kredi sağlanacak.



### Kredi Garanti Fonu'ndan KOBİ'lere yeni destek paketi



**K**REDİ Garanti Fonu (KGF), Avrupa Yatırım Fonu (AYF) aracılığıyla yürütülen COSME Programı kapsamında yeni bir destek paketi hazırladı. KGF'nin sağladığı 300 milyon TL'lik hibe ve kendi özkaynaklarından ilave edeceği 300 milyon TL'lik destekten oluşan fon sayesinde KOBİ'lere 6 milyar lira kefalet sağlanacak. KOBİ'lerde yüzde 80'i KGF

kefaletiyle 1 milyar 125 bin TL'ye kadar kredi kullanabilecek. KOBİ'lerin 1 yıl ödemesiz, 60 aya kadar vadeyle yararlanabileceği kredinin faizi ise piyasa şartlarına bağlı olarak bankalar tarafından belirlenecek. Proje kapsamında bankalar tarafından KOBİ'lere yaklaşık 7.5 milyar lira tutarında kredi kullanılması bekleniyor.

### KGF'DEN 1 MİLYON LIRA DESTEK

**K**redi Garanti Fonu, Milli Dayanışma Kampanyası'na 1 milyon lira bağışla katkıda bulundu. Kredi Garanti Fonundan (KGF) yapılan açıklamaya göre, Cumhurbaşkanı Recep Tayyip Erdoğan'ın, yeni tip koronavirüs (Kovid-19) ile mücadele kapsamında "Biz

Bize Yeteriz Türkiye" sloganıyla başlattığı Milli Dayanışma Kampanyası'na, Ekonomik İstikrar Kalkanı Paketi kapsamında yeni destekler başlatan Fon da katıldı.

Bu kapsamda KGF, Milli Dayanışma Kampanyası'na 1 milyon lira bağış yaptı.

### Depremzede KOBİ'lere kefalet desteği

**E**lazığ ve Malatya'da depremden etkilenen KOBİ'lerin sorunlarının çözümü için atılan adımlara bir yenisi eklendi. Kefalet sıkıntısı yaşayan KOBİ'lerin bazı destek programlarından faydalanamaması sebebiyle Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı (KOSGEB) tarafından Kredi Garanti

Fonuna (KGF) yaklaşık 8 milyon avro kaynak aktarılacak. Böylece depremden etkilenen bölgedeki KOBİ'lerin teminat kullanabilmeleri kolaylaştırılacak. Kaynak aktarımının yanı sıra Elazığ ve Malatya'daki KOBİ'lere sağlanan kaynağın 10 katını bulan yaklaşık 80 milyon avro civarında da kefalet sağlanmış olacak.

**İSTİHDAM**, üretim ve ihracat açısından hayati önem taşıyan KOBİ'lere pandemi sürecinde pek çok destek verildi. Ekonomik İstikrar Kalkanı Destek Paketi, Kredi Garanti Fonu (KGF) kefalet limitlerinin artırılması, kısa çalışma ödeneği, kredi yapılandırması, ilave limit açma, kredi taksit ertelenmesi, kredilerde ödemesiz dönemler başta olmak üzere pek çok destek paketi ve uygulama devreye alındı. Önceki gün de kamu bankaları, KOBİ'lere yönelik 100 bin liraya kadar Mikro İşletmeler Destek Paketi'ni hayata geçirdi.



The image features a background of a window with a grid pattern. Overlaid on this are several large, semi-transparent geometric shapes: a large teal triangle pointing right, a grey triangle pointing right, and a smaller teal triangle pointing right. A hand in a white shirt sleeve is visible, holding a pen. The number '4' is prominently displayed in teal.

4

**Financials**

# EVALUATION OF FINANCIAL STANDING

In 2020, our Company had total net sales of TRY 183,295,643.25. While our operating profit was TRY 104,508,769.03, our net profit as of fiscal year 2020 amounted to TRY 157,124,953.01.

## ASSET STRUCTURE

In 2020, the asset size of our Company grew by 64.52% year on year, reaching TRY 1,080,890,509.46. Our Bank deposit sub-item under the Liquid Assets item, increased by TRY 130,852,024.98, reaching TRY 548,978,965.21. 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 22.66%, reaching a net of TRY 233,424,702.33 after deducting provisions. Legally required reserves have been held.

Our Fixed Assets amounted to TRY 17,185,608.77. Our Company invests especially in technology, bolstering its Data Processing infrastructure through purchasing new devices, equipment, and software, in line with the Company needs and vision for the future. On the other hand, the process regarding the new software that concerns the entire company is ongoing.

## LIABILITY STRUCTURE

In 2020, the most important item in our liability structure was Equities. 72.25 % of our liability structure consists of Equities with the total amount of TRY 780,976,167.70.

The biggest share under Equities belongs to Paid-in Capital by 65.70 % with an amount of TRY 513,134,229.53. The registered capital ceiling of our Company in the "Registered Capital System" is TRY 600 million.

The current account monitoring is conducted for the Ministry of Treasury and Financing under the item Other Payables which is a part of our liability structure. All payable tax and social security deductions were paid in full in the following month.

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

Our Company successfully completed fiscal year 2020. Our Company's gross revenues increased by 78 % as compared to the previous activity year. Net profit for the period stood at TRY 157.1 million.

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. Kredi Garanti Fonu seems to have grown stronger in line with the goal of increasing its weight and influence within the existing financial landscape given its importance for our country's economy.



**KREDİ GARANTİ FONU AŞ**  
**KREDİ GARANTİ FONU A.Ş. COMPARATIVE BALANCE SHEET FOR THE PERIOD 01.01.2020-31.12.2020 (TRY) TPL**

AKTİF	Previous Period 31.12.2019	Current Period 31.12.2020	Liabilities	Previous Period 31.12.2019	Current Period 31.12.2020
<b>1 CURRENT ASSETS</b>			<b>3 CURRENT LIABILITIES</b>		
10 Liquid Assets	439,256,143.69	827,514,641.45	30 Financial Payables	8,356.96	718.11
100 Cash	4,525.20	0.00	309 Other Financial Payables	8,356.96	718.11
102 Banks	418,126,940.23	548,978,965.21	32 Trade Payables	2,200,159.44	3,855,295.75
104 Treasury, KOSGEB and KfW Bank Acc.	21,124,678.26	278,535,676.24	320 Sellers	545,803.90	1,360,039.00
11 Securities	3,227,502.14	0.00	326 Deposits and Collaterals Received	1,527,554.72	2,361,194.78
111 Pr. Sec. Bonds, Notes and Bills	0.00	0.00	329 Other Trade Payables	126,800.82	134,061.97
112 Pub. Sec. Bonds, Notes and Bills	3,227,502.14	0.00	33 Other Payables	20,504,738.65	277,831,372.22
12 Trade Receivables	190,303,277.56	233,424,702.33	335 Staff Payables	313.35	442.00
120 Buyers	0.00	0.00	336 Other Misc. Payables	20,504,425.30	277,830,930.22
126 Deposits and Collaterals Given	503.00	0.00	34 Advances Received	1,334,494.23	7,591,960.10
127 Other Trade Receivables (Protocol)	49,019,299.85	111,638,225.63	341 Fee and Commission Advances	1,334,494.23	7,591,960.10
128 Doubtful Trade Receivables	238,255,476.61	249,750,628.74	36 Tax and Other Obl. Payable	2,273,083.04	3,176,736.42
129 Prov. for D. Trade Receivables (-)	-96,972,001.90	-127,964,152.04	360 Taxes and Funds Payable	1,163,930.56	1,758,291.73
13 Other Receivables	240,273.42	249,895.97	361 Social Security Deductions Payable	1,021,829.81	1,353,424.69
135 Receivables from Staff	81.00	747.00	362 Tax and Other Obl. Payable (KTVÜ)	87,322.67	65,020.00
136 Other Misc. Receivables	240,192.42	249,148.97	369 Other Obligations Payable	0.00	0.00
15 Inventories	84,960.00	0.00	38 Income r/t Future Months & Expense	0.00	0.00
159 Advances Given for Purchase Orders	84,960.00	0.00			
18 Income and Expenses r/t Future Months	1,666,141.07	2,342,758.82	Accruals		
180 Expenses r/t Future Months	0.00	0.00	380 Income r/t Future Months & Expense	0.00	0.00
181 Income Accruals	1,666,141.07	2,342,758.82	39 Other Current Liabilities	23,718.94	8,646.77
19 Other Current Assets	81,371.31	172,902.12	391 VAT Calculated	6,850.71	0.00
190 VAT Transferred	0.00	0.00	393 Head Office and Branch Current Accounts	16,868.23	8,646.77
191 VAT Deductible	2,308.02	0.00	<b>TOTAL OF CURRENT LIABILITIES</b>	<b>26,344,551.26</b>	<b>292,464,729.37</b>
195 Business Advances	79,063.29	172,902.12			
<b>TOTAL OF CURRENT ASSETS</b>	<b>634,859,669.19</b>	<b>1,063,704,900.69</b>	<b>4 LONG-TERM LIABILITIES</b>		
<b>2 FIXED ASSETS</b>			40 Financial Payables	0.00	0.00
22 Trade Receivables	0.00	0.00	42 Trade Payables	0.00	0.00
220 Buyers	0.00	0.00	43 Other Payables	0.00	0.00
226 Deposits and Collaterals Given	0.00	0.00	47 Debt. and Exp. Provisions	6,783,881.78	7,449,612.39
23 Other Receivables	106,200.00	106,200.00	472 Prov. For Severance Pay	6,783,881.78	7,449,612.39
236 Other Misc. Receivables	106,200.00	106,200.00	48 Income r/t future years & Expense Accruals	0.00	0.00
25 Tangible Assets	17,397,646.74	14,008,981.13	<b>TOTAL OF CURRENT LIABILITIES</b>	<b>6,783,881.78</b>	<b>7,449,612.39</b>
250 Lands and Plots	659,425.00	659,425.00			
251 Land Improvement	0.00	0.00	<b>5 EQUITIES</b>		
252 Buildings	2,189,477.37	1,374,377.37	50 Paid-in Capital	513,134,229.53	513,134,229.53
253 Mach., Plant & Equip.	0.00	0.00	500 Capital	513,134,229.53	513,134,229.53
254 Vehicles	1,246,719.22	220,147.62	501 Unpaid Capital (-)	0.00	0.00
255 Fixtures	8,109,425.25	7,762,705.73	52 Capital Reserves	5,751,339.91	5,751,343.63
256 Other Tangible Assets	0.00	0.00	529 Other Capital Reserves	5,751,339.91	5,751,343.63
257 Accumulated Depreciation (-)	-6,061,962.80	-5,447,674.59	54 Profit Reserves	12,199,467.39	16,837,776.10
258 Investments in Progress	11,254,562.70	9,440,000.00	540 Legal Reserves	12,199,467.39	16,837,776.10
26 Intangible Assets	4,499,507.41	2,976,325.91	542 Extraordinary Reserves	0.00	0.00
260 Rights	36,480.98	38,535.60	548 Other Profit Reserves	0.00	0.00
264 Special Costs	370,965.28	381,335.27	549 Special Funds	0.00	0.00
267 Other Tangible Assets	14,483,924.17	14,725,216.55	57 Retained Earnings	0.00	88,127,865.43
268 Accumulated Depreciation (-)	-10,391,863.02	-12,168,761.51	570 Retained Earnings	0.00	88,127,865.43
28 Exp. r/t future years & Income Accruals	116,620.67	94,101.73	58 Accumulated Losses (-)	0.00	0.00
280 Exp. r/t future years	116,620.67	94,101.73	580 Accumulated Losses (-)	0.00	0.00
281 Income Accruals	0.00	0.00	59 Net Profit (Loss) for the period	0.00	0.00
<b>TOTAL OF FIXED ASSETS</b>	<b>22,119,974.82</b>	<b>17,185,608.77</b>	590 Net Profit for the period	92,766,174.14	157,124,953.01
<b>TOTAL OF ASSETS</b>	<b>656,979,644.01</b>	<b>1,080,890,509.46</b>	<b>TOTAL OF EQUITIES</b>	<b>623,851,210.97</b>	<b>780,976,167.70</b>
<b>MEMORANDUM ITEMS</b>	<b>199,626,849,982.82</b>	<b>310,191,765,078.37</b>	<b>TOTAL OF LIABILITIES</b>	<b>656,979,644.01</b>	<b>1,080,890,509.46</b>
Equity Guarantee Debt Exp.	3,240,069,852.00	4,022,241,716.00	<b>MEMORANDUM ITEMS</b>	<b>199,626,849,982.82</b>	<b>310,191,765,078.37</b>
Treasury Guarantee Debt Exp.	171,549,347,376.00	263,425,705,032.00	Equity Guarantee Credit Exp.	3,240,069,852.00	4,022,241,716.00
Guarantees from Treasury	17,647,342,701.97	31,147,621,275.75	Treasury Guarantee Credit Exp.	171,549,347,376.00	263,425,705,032.00
Other Memorandum Items	7,190,090,052.85	11,596,197,054.62	Guarantees from Treasury	17,647,342,701.97	31,147,621,275.75
			Other Memorandum Items	7,190,090,052.85	11,596,197,054.62

**KREDİ GARANTİ FONU A.Ş. T.P.L**  
**COMPARATIVE INCOME STATEMENT FOR THE PERIOD 01.01.2020 - 31.12.2020**

	31.12.2019	31.12.2020
<b>A- GROSS INCOME</b>	<b>106.439.908,87</b>	<b>189.964.643,38</b>
1. Commissions from Domestic Guarantees	105.131.257,99	188.692.306,00
2. Commissions from Overseas Guarantees	0,00	0,00
3. Other Income	1.308.650,88	1.272.337,38
<b>B- SALES DEDUCTIONS (-)</b>	<b>1.154.598,08</b>	<b>6.669.000,13</b>
1. Sales Returns (-)	1.154.598,08	6.669.000,13
2. Other Discounts (-)	0,00	0,00
3. Other Discounts (-)	0,00	0,00
<b>C- NET SALES</b>	<b>105.285.310,79</b>	<b>183.295.643,25</b>
<b>D- COST OF SALES (-)</b>	<b>0,00</b>	<b>0,00</b>
<b>GROSS SALES PROFIT OR LOSS</b>	<b>105.285.310,79</b>	<b>183.295.643,25</b>
<b>E- OPERATING COSTS (-)</b>	<b>60.185.007,59</b>	<b>78.786.874,22</b>
1. Research and Development Costs	0,00	0,00
2. Operating Costs of Branches (-)	0,00	0,00
3. Overhead Costs (-)	60.185.007,59	78.786.874,22
<b>OPERATING PROFIT OR LOSS</b>	<b>45.100.303,20</b>	<b>104.508.769,03</b>
<b>F- ORDINARY INCOME OR PROFITS FROM OTHER OP. (-)</b>	<b>84.893.137,29</b>	<b>97.154.143,20</b>
1. Dividend Income from Affiliates	0,00	0,00
2. Dividend Income from Subsidiaries	0,00	0,00
3. Interest Income	57.559.902,74	44.581.538,10
4. Commission Income	0,00	0,00
5. Provisions no longer required	2.302.570,06	1.988.358,38
6. Securities Sales Profit	0,00	0,00
7. Foreign Exchange Profit	25.030.664,49	50.584.246,72
8. Rediscount interest income	0,00	0,00
9. Other Operational Income and Profits	0,00	0,00
<b>G- COSTS AND LOSSES FROM OTHER OPERATIONS (-)</b>	<b>41.282.044,54</b>	<b>51.334.685,76</b>
1. Commission Expenses	0,00	0,00
2. Provision Expenses	25.976.857,67	32.980.508,52
3. Securities Sales Losses	0,00	0,00
4. Foreign Exchange Losses	15.305.186,87	18.354.177,24
5. Rediscount Interest Expenses	0,00	0,00
6. Other Ordinary Costs and Losses	0,00	0,00
<b>ORDINARY PROFIT OR LOSS</b>	<b>88.711.395,95</b>	<b>150.328.226,47</b>
<b>H- EXTRAORDINARY INCOME AND PROFITS</b>	<b>5.766.548,58</b>	<b>8.654.365,45</b>
1. Retained Income and Profit	2.547.389,91	4.358.722,69
2. Other Extraordinary Income and Profits	3.219.158,67	4.295.642,76
<b>I- EXTRAORDINARY COSTS AND LOSSES (-)</b>	<b>1.711.770,39</b>	<b>1.857.638,91</b>
1. Idle Capacity Expenses and Losses (-)	0,00	0,00
2. Accumulated Expenses and Losses (-)	0,00	0,00
3. Other Extraordinary Expenses and Losses (-)	1.711.770,39	1.857.638,91
<b>J- PROFIT OR LOSS FOR THE PERIOD</b>	<b>92.766.174,14</b>	<b>157.124.953,01</b>
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>92.766.174,14</b>	<b>157.124.953,01</b>



**5**

**INDEPENDENT  
AUDITOR  
REPORT**

# Kredi Garanti Fonu A.Ş. Financial statements as of 31 December 2020 together with independent auditor's report

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(Convenience translation of a report and financial statements originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kredi Garanti Fonu A.Ş.

A) Report on the Audit of the Financial Statements

### 1) Opinion

We have audited the financial statements of Kredi Garanti Fonu A.Ş. (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

### 2) Basis for Opinion

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

### 3) Other Matter

The financial statements of the Company as at 31 December 2019 was audited by another audit firm, which expressed an unqualified opinion in their reports issued on 4 March 2020.

### 4) Key Audit Matters

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><b>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related disclosures</b></p> <p>The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows;</p> <ul style="list-style-type: none"> <li>Financial assets within balance-sheet and off balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements</li> <li>The applications TFRS 9 are complex and comprehensive</li> <li>Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses</li> <li>The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9</li> <li>Estimations and assumptions used in expected credit losses are new, important and complex</li> <li>Complex and comprehensive disclosure requirements of TFRS 9.</li> </ul>	<p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> <li>Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Company’s past performance, and local and global practices</li> <li>Evaluating the impact of Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses calculation together with forward-looking estimates and significant assumptions.</li> <li>Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices</li> <li>Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses</li> <li>Evaluation of the methodology regarding the parameters used in the calculation of expected credit losses</li> <li>Detailed testing of mathematical verification of expected credit losses calculation by sampling</li> <li>Auditing of disclosures related to TFRS 9.</li> </ul>

### 5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

### 6) Auditor’s Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2020 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

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

Fatih Polat, SMMM  
Partner

2 March 2021  
İstanbul, Türkiye

**STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020**

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

Assets	Notes	Current year audited 31 December 2020	Prior year audited 31 December 2019
<b>Current assets</b>		<b>932,916,875</b>	<b>557,022,349</b>
Cash and cash equivalents	4	829,852,580	440,901,156
Financial investments	5	-	3,246,659
Trade receivables	6	102,635,892	112,441,611
Other receivables	7	160,649	237,155
Prepaid expenses	8	94,102	116,621
Other current assets	15	173,652	79,147
<b>Fixed assets</b>		<b>30,717,016</b>	<b>29,789,965</b>
Tangible assets	9	3,739,685	4,473,510
Right-of-use assets	11	8,943,366	3,405,616
Intangible assets	10	16,062,117	19,123,891
Other fixed assets	15	1,971,848	2,786,948
<b>Total assets</b>		<b>963,633,891</b>	<b>586,812,314</b>
<b>Current liabilities</b>		<b>365,904,627</b>	<b>80,960,541</b>
Short-term payables	12	-	89,025
-Short-term payables for leasing transactions	12	-	89,025
Trade payables	6	1,360,757	554,161
Short-term payables for employee benefits	13	2,873,348	1,937,409
Other payables	7	10,057,378	2,999,182
Deferred income	16	61,507,313	38,300,199
Short-term provisions:		6,181,237	10,477,733
- Short-term provisions for employee benefits	13	3,778,210	2,928,268
- Other short-term provisions	14	2,403,027	7,549,465
Other short-term liabilities	15	283,924,594	26,602,832
<b>Non-current liabilities</b>		<b>36,819,503</b>	<b>42,160,268</b>
Long-term payables	12	9,508,711	3,986,273
-Short-term payables for leasing transactions	12	9,508,711	3,986,273
Long-term provisions		27,310,792	38,173,995
- Long-term provisions for employee benefits	13	4,735,328	2,803,843
- Other short-term provisions	14	22,575,464	35,370,152
<b>Total Liabilities</b>		<b>402,724,130</b>	<b>123,120,809</b>
<b>Equities</b>		<b>560,909,761</b>	<b>463,691,505</b>
<b>Attributable to equity holders of parent</b>			
Paid-in share capital	17	513,134,230	513,134,230
Other accumulated comprehensive income that will not be reclassified in profit or loss	17	513,134,230	513,134,230
-Remeasurement gain of defined benefit plans		2,249,157	477,786
Restricted reserves	17	16,837,776	12,199,467
Retained earnings / (accumulated losses)	17	(66,758,287)	(117,827,712)
<b>Net profit for the year</b>		<b>95,446,885</b>	<b>55,707,734</b>
<b>Total liabilities and shareholders' equity</b>		<b>963,633,891</b>	<b>586,812,314</b>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	Notes	Current year audited 31 December 2020	Prior year audited 31 December 2019
<b>Revenue</b>	<b>18</b>	<b>158,816,192</b>	<b>87,840,559</b>
Cost of sales (-)	18	(76,722,465)	(56,985,035)
<b>Gross profit</b>		<b>82,093,727</b>	<b>30,855,524</b>
General administrative expenses (-)	19	(4,530,311)	(2,147,864)
Other operating income	20	14,711,005	8,872,617
Other operating expense (-)	20	(74,972,860)	(48,437,161)
<b>Operating (loss) / profit</b>		<b>17,301,561</b>	<b>(10,856,884)</b>
Income from investment activities	21	2,350,494	746,787
<b>Operating (loss)/profit before financial expenses</b>		<b>19,652,055</b>	<b>(10,110,097)</b>
Financial income	22	95,165,785	82,631,175
Financial expense (-)	22	(19,370,955)	(16,813,344)
<b>Net profit for the year</b>		<b>95,446,885</b>	<b>55,707,734</b>
Other comprehensive income			
Other accumulated comprehensive income that will not be reclassified in profit or loss			
Actuarial gain	13	1,771,371	25,728
<b>Total other comprehensive income</b>		<b>1,771,371</b>	<b>25,728</b>
<b>Total comprehensive income</b>		<b>97,218,256</b>	<b>55,733,462</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Paid-in 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 2019	318.281.750	452.058	9.310.126	31.883	64.893.010	392.968.827
Effects of changes in accounting policies (TFRS 9)	-	-	-	(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
Adjusted balance at 1 January 2020	513.134.230	477.786	12.199.467	(117.827.712)	55.707.734	463.691.505
Transfers	-	-	4.638.309	51.069.425	(55.707.734)	-
Other comprehensive income	-	1.771.371	-	-	-	1.771.371
Net profit for the year	-	-	-	-	95.446.885	95.446.885
Balance at 31 December 2020	513.134.230	2.249.157	16.837.776	(66.758.287)	95.446.885	560.909.761

(\*) 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 2020

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

	Notes	Current year audited 1 January - 31 December 2020	Prior year audited 1 January - 31 December 2019
<b>A. Cash flows from operating activities</b>		<b>83.403.223</b>	<b>16.727.627</b>
Net profit		95.446.885	55.707.734
Adjustments for reconciliation of net profit/ (loss)		41.350.854	(1.218.214)
Adjustment for depreciation and amortisation expense	9, 10, 11	6.183.443	7.675.756
Adjustments for expected credit loss provisions		(17.939.373)	250.509
Adjustment for provisions and written-off receivables		91.054.593	46.012.409
Adjustment for interest income	22	(44.581.538)	(57.600.511)
Adjustment for interest expense		1.494.673	1.508.157
Adjustment for gain on sale of property, plant and equipment		(285.100)	(746.787)
Adjustment for litigations provisions	14	-	220.838
Adjustment for unpaid vacation liability and bonus accrual	13	849.942	1.029.550
Adjustment for employee termination benefits	13	4.574.214	431.865
Changes in working capital		(52.200.716)	(37.359.572)
Change in trade receivables		(81.248.874)	(55.441.811)
Change in blockage bank accounts	4	(260.285.966)	(15.384.919)
Change in prepaid expenses	8	22.519	18.860
Changes in other receivables	7	76.506	(28.619)
Change in other current assets	15	(94.505)	(4.449)
Change in trade payables	6	806.596	282.730
Changes in short-term liabilities	15	257.321.762	16.145.870
Change in employee benefit obligations	13	935.939	284.170
Change in other payables	7	7.058.193	632.495
Change in deferred revenues	16	23.207.114	16.136.101
Net cash flows used in operating activities		(1.193.800)	(402.321)
Employment termination benefits paid	13	(1.193.800)	(402.321)
<b>B. Cash flows from investing activities</b>		<b>6.752.462</b>	<b>(5.320.742)</b>
Proceeds from sale of property, plant and equipment, intangible assets and other non-current assets		17.284.805	1.024.835
Purchases of property, plant and equipment	9	(10.821.269)	(1.666.934)
Purchases of intangible assets	10	(2.957.733)	(5.464.356)
Purchases of other non-current assets		-	-
Changes in financial investments		3.246.659	785.713
<b>C. Cash flows from financing activities</b>		<b>37.816.847</b>	<b>71.967.149</b>
Capital increase	17	-	15.317.439
Interest received		43.886.859	58.865.269
Lease payments	12	(6.070.012)	(2.215.559)
Net (decrease)/increase in cash and cash equivalents		127.972.532	83.374.034
Cash and cash equivalents at beginning of the year	4	414.765.659	331.391.625
Cash and cash equivalents at the end of the year	4	542.738.191	414.765.659

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020, the Company has 166 employees (31 December 2019: 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.

*Statement of Compliance with Turkish Accounting Standards*

The financial statements for the year ended 31 December 2020 have been authorized for issue by the Company management on 2 March 2021. The General Assembly has the authority to amend/modify the financial statements.

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

#### 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, 2020, in comparison with the statement of financial position prepared as of December 31, 2019. 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 2020, has been prepared in comparison with the prior period, January 1st – December 31st 2019.

#### 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 2020.

## 2.6. 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.

## 2.7. The new standards, amendments and interpretations

### The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

### i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

#### Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business. The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;

- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

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

#### Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. In connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

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

#### Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions

that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

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

#### Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021

- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

#### TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become

effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

#### Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

or performance of the Company.

#### Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be

disclosed.

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

#### Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

*Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform*

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease

modifications required by IBOR reform.

*Relief from discontinuing hedging relationships*

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

*Separately identifiable risk components*

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

*Additional disclosures*

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a

description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

#### *Annual Improvements – 2018–2020 Cycle*

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the

original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Company is in the process of assessing the impact of the amendments / improvements on 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

The exchange rates ruling as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
USD	7,3405	5,9402
EUR	9,0079	6,6506

of comprehensive income.

#### **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 adjustments 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 2020, 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 2020, 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.

The Company does not have any financial assets measured at amortized cost instrument as of December 31, 2020.

#### 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
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 statement.

### 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 benefit

#### 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 occurrence 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.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. As of December 31, 2020, Company Management believes that the effects of current situation is not material to the Financial statements.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

As of 31 December 2020 and 31 December 2019; the details of cash and cash equivalents are as follows:

	31 December 2020	31 December 2019
Cash	-	4.525
Banks	829.857.400	440.899.698
-Demand deposits	1.851.078	1.142.778
-Demand deposits of Treasury Transactions	278.535.676	351.368
-Time deposits	549.470.646	418.632.243
-Time deposits of Treasury Transactions	-	20.773.309
Provisions for expected credit loss	(4.820)	(3.067)
<b>Total</b>	<b>829.852.580</b>	<b>440.901.156</b>

As of 31 December 2020, original maturities of TRY, EUR and USD denominated time deposits are less than 3 months and the average interest rates are 17,52%, 2,00% and 3,53% respectively. (31 December 2019: 11,21%, 0,70% and 2,44%)

As of 31 December 2020, there is TL 6.240.774 blockage on deposit balances (31 December 2019: TL 3.365.807).

As of 31 December 2020 and 31 December 2019, 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 2020	31 December 2019
Cash and cash equivalents	829.852.580	440.901.156
Provisions for expected credit loss	4.820	3.067
Blocked deposit balances of treasury transactions (-)	(278.535.676)	(21.124.677)
Blocked deposit balances (-)	(6.240.774)	(3.365.807)
Accrued Interest (-)	(2.342.759)	(1.648.080)
<b>Cash and cash equivalents presented in the table of cash flow</b>	<b>542.738.191</b>	<b>414.765.659</b>

**NOTE 5 - FINANCIAL INVESTMENTS**

As of 31 December 2020 and 31 December 2019, the details of financial investments measured at amortized cost are as follows:

	31 December 2020		31 December 2019	
	Avg. Interest rate	Carrying amount (TL)	Avg. Interest rate	Carrying amount (TL)
Public sector bonds	-	-	11,09%	3.246.842
Provisions for expected credit loss	-	-		(183)
<b>Total</b>		<b>-</b>		<b>3.246.659</b>

**NOTE 6 - TRADE RECEIVABLES AND PAYABLES****a) Trade receivables**

As of 31 December 2020 and 31 December 2019 the details of trade receivables arising from collaterals are as follows:

	31 December 2020	31 December 2019
Indemnified guarantees financed by own equity	361.401.056	287.286.978
Provision for indemnified guarantees financed by own equity	(258.765.164)	(174.845.367)
<b>Total</b>	<b>102.635.892</b>	<b>112.441.611</b>

The movement of provision for doubtful receivables for 2020 and 2019 is as follows:

	2020	2019
1 January	174.845.367	77.978.442
Reversal of provision (Note 20)	(7.134.796)	(2.302.570)
Provision within the year (Note 20)	91.054.593	46.012.409
<b>31 December</b>	<b>258.765.164</b>	<b>174.845.367</b>

## b) Trade payables

As of 31 December 2020 and 31 December 2019; trade payables of the Company are as follows:

	31 December 2020	31 December 2019
Trade payables	1.360.757	554.161
<b>Total</b>	<b>1.360.757</b>	<b>554.161</b>

**NOTE 7 - OTHER RECEIVABLES AND PAYABLES**

## a) Other receivables

	31 December 2020	31 December 2019
Advances given	-	84.958
Treasury transactions receivables	45.592	36.637
Deposits and guarantees given	-	503
Other receivables	115.057	115.057
<b>Total</b>	<b>160.649</b>	<b>237.155</b>

## b) Other payables

	31 December 2020	31 December 2019
Received deposits and collaterals (*)	2.361.195	1.527.555
Wage and commission advances	7.591.960	1.334.494
Retainer expenses	95.573	120.265
Debts to branches	8.650	16.868
<b>Total</b>	<b>10.057.378</b>	<b>2.999.182</b>

(\*) "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 2020	31 December 2019
Expenses for the following months	94.102	116.621
<b>Total</b>	<b>94.102</b>	<b>116.621</b>

**NOTE 9 - PROPERTY, PLANT AND EQUIPMENT**

## a) Current year

Cost	1 January 2020	Addition	Disposal (-)	31 December 2020
Vehicles	1.246.719	-	(1.026.571)	220.148
Equipment	8.109.425	1.351.770	(1.698.489)	7.762.706
Leasehold improvements	370.965	29.500	(19.130)	381.335
<b>Total</b>	<b>9.727.109</b>	<b>1.381.270</b>	<b>(2.744.190)</b>	<b>8.364.189</b>
Accumulated Depreciation	1 January 2020	Addition (-)	Disposal	31 December 2020
Vehicles	(1.176.516)	(70.203)	1.026.571	(220.148)
Equipment	(3.864.267)	(1.618.027)	1.234.050	(4.248.244)
Leasehold improvements	(212.816)	-	56.704	(156.112)
<b>Total</b>	<b>(5.253.599)</b>	<b>(1.688.230)</b>	<b>2.317.325</b>	<b>(4.624.504)</b>
<b>Carrying amount</b>	<b>4.473.510</b>			<b>3.739.685</b>

As of 31 December 2020, all depreciation expenses are recognized in "Cost of Sales" account in the income statement.

As of 31 December 2020, 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	-	(414.891)	1.246.719
Equipment	6.576.779	1.532.646	-	8.109.425
Leasehold improvements	236.677	134.288	-	370.965
<b>Total</b>	<b>8.475.066</b>	<b>1.666.934</b>	<b>(414.891)</b>	<b>9.727.109</b>
Accumulated Depreciation	1 January 2020	Addition (-)	Disposal	31 December 2020
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)
<b>Total</b>	<b>(3.702.357)</b>	<b>(1.917.734)</b>	<b>366.492</b>	<b>(5.253.599)</b>
<b>Carrying amount</b>	<b>4.772.709</b>			<b>4.473.510</b>

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.



**NOTE 10 - INTANGIBLE ASSETS**

## a) Current year

Cost	1 Jan. 2020	Addition	Disposal (-)	Transfers	31 Dec. 2020
Rights	36.481	2.055	-	-	38.536
Computer softwares	14.458.200	2.955.679	(2.714.387)	-	14.699.492
Construction in progress (*)	11.254.563	9.440.000	(11.254.563)	-	9.440.000
<b>Total</b>	<b>25.749.244</b>	<b>12.397.734</b>	<b>(13.968.950)</b>	<b>-</b>	<b>24.178.028</b>

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

Accumulated depreciation	1 Jan. 2020	Addition (-)	Disposal	Transfers	31 Dec. 2020
Rights	(10.762)	(5.696)	-	-	(16.458)
Computer softwares	(6.614.591)	(4.489.515)	3.004.653	-	(8.009.453)
<b>Total</b>	<b>(6.625.353)</b>	<b>(4.495.211)</b>	<b>3.004.653</b>	<b>-</b>	<b>(8.115.911)</b>
<b>Carrying amount</b>	<b>19.123.891</b>				<b>16.062.117</b>

As of 31 December 2020, all redemptions are recognized in "Cost of Sales" account on the income statement.

## b) Prior period

Cost	1 Jan. 2019	Addition	Disposal (-)	Transfers	31 Dec. 2019
Rights	36.481	-	-	-	36.481
Computer softwares	12.268.226	2.189.974	-	-	14.458.200
Construction in progress (*)	7.980.181	3.274.382	-	-	11.254.563
<b>Total</b>	<b>20.284.888</b>	<b>5.464.356</b>	<b>-</b>	<b>-</b>	<b>25.749.244</b>

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

Accumulated depreciation	1 Jan. 2019	Addition (-)	Disposal	Transfers	31 Dec. 2019
Rights	(5.476)	(5.286)	-	-	(10.762)
Computer softwares	(2.246.643)	(4.367.948)	-	-	(6.614.591)
<b>Total</b>	<b>(2.252.119)</b>	<b>(4.373.234)</b>	<b>-</b>	<b>-</b>	<b>(6.625.353)</b>
<b>Carrying amount</b>	<b>18.032.769</b>				<b>19.123.891</b>

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

**NOTE 11- RIGHT OF USE ASSETS**

Cost	1 Jan. 2020	Addition	Disposal (-)	31 Dec. 2020
Buildings	3.526.688	6.070.011	-	9.596.699
Vehicles	2.038.350	-	-	2.038.350
<b>Total</b>	<b>5.565.038</b>	<b>6.070.011</b>	<b>-</b>	<b>11.635.049</b>

Accumulated depreciation	1 Jan. 2020	Addition	Disposal (-)	31 Dec. 2020
Buildings	(1.254.038)	(532.261)	-	(1.786.299)
Vehicles	(905.384)	-	-	(905.384)
<b>Total</b>	<b>(2.159.422)</b>	<b>(532.261)</b>	<b>-</b>	<b>(2.691.683)</b>
<b>Carrying amount</b>	<b>3.405.616</b>	<b>5.537.750</b>	<b>-</b>	<b>8.943.366</b>

Cost	1 Jan. 2020	Addition	Disposal (-)	31 Dec. 2020
Buildings	3.526.688	-	-	3.526.688
Vehicles	2.038.350	-	-	2.038.350
<b>Total</b>	<b>5.565.038</b>	<b>-</b>	<b>-</b>	<b>5.565.038</b>

Accumulated depreciation	1 Jan. 2020	Addition	Disposal (-)	31 Dec. 2020
Buildings	(548.700)	(704.338)	-	(1.254.038)
Vehicles	(225.934)	(679.450)	-	(905.384)
<b>Total</b>	<b>(774.634)</b>	<b>(1.384.788)</b>	<b>-</b>	<b>(2.159.422)</b>
<b>Carrying amount</b>	<b>4.790.404</b>			<b>3.405.616</b>

**NOTE 12 - LEASE LIABILITIES**

The company does not have any short term lease liabilities as of December 31, 2020.

	Maturity	Interest Rate	31 December 2019
Vehicles	2020	25,50%	89.025
<b>Total</b>			<b>89.025</b>

## a) Long-term lease liabilities

	Maturity	Interest Rate	31 December 2020		Maturity	Interest Rate	31 December 2019
Buildings	2023	13,50%	8.302.341	Buildings	2023	25,50%	2.779.843
Vehicles	2021	13,50%	1.206.430	Vehicles	2021	25,50%	1.206.430
<b>Total</b>			<b>9.508.771</b>	<b>Total</b>			<b>3.986.273</b>

**NOTE 13 - EMPLOYEE BENEFITS**

## a) Short-Term Employee Benefit

	31 December 2020	31 December 2019
Social security payables	1.353.425	1.021.830
Taxes and funds payables	1.519.481	915.266
Payables to personnel	442	313
<b>Total</b>	<b>2.873.348</b>	<b>1.937.409</b>

## b) Short-Term Provisions for Employee Benefits

	31 December 2020	31 December 2019
Bonus accruals	1.638.568	1.424.842
Provision for unused vacation	2.139.642	1.503.426
<b>Total</b>	<b>3.778.210</b>	<b>2.928.268</b>

*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 2020 and 31 December 2019, movements the allowance for vacation is as follows:

	2020	2019
1 January	1.503.426	549.918
(Used) / charged, net	636.216	953.508
31 December	2.139.642	1.503.426

For the years ended 31 December 2020 and 31 December 2019, movements of the allowance for premium are as follows:

	2020	2019
1 January	1.424.842	1.348.800
Accrued/(paid), net	213.726	76.042
31 December	1.638.568	1.424.842

## c) Long-term provisions for employee benefits

	31 Dec. 2020	31 Dec. 2019
Provision for termination indemnities	4.735.328	2.803.843
<b>Total</b>	<b>4.735.328</b>	<b>2.803.843</b>

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 2020 and 31 December 2019, the maximum amount of severance pay is respectively TL 7.117,17 and TL 6.730,15.

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

	2020	2019
1 January	2.803.843	2.464.100
Interest expense	322.441	335.927
Service cost	1.031.473	431.865
Compensations paid during the year (-)	(1.193.800)	(402.321)
Actuarial (gain)/ loss	1.771.371	(25.728)
31 December	4.735.328	2.803.843

TFRS, requires the development of the Company's actuarial valuation methods in determining the provision for employee termination benefits. As of 31 December 2020 and 2019, the principal actuarial assumptions used in the calculation of severance pay liability in the attached financial statements are as follows:

	31 Dec. 2020	31 Dec. 2019
Net discount rate	%3,74	4,67%
Expected retirement rate used in calculation	%99,59	96,07%

**NOTE 14 - OTHER PROVISIONS**

## a) Short-term provisions

	31 Dec. 2020	31 Dec. 2019
Litigation provisions	726.082	726.082
Expected credit loss provisions for guarantees financed by own equity	1.676.945	6.823.383
<b>Total</b>	<b>2.403.027</b>	<b>7.549.465</b>

## b) Long-term provisions

	31 Dec. 2020	31 Dec. 2019
Expected credit loss provisions for guarantees financed by own equity	22.575.464	35.370.152
<b>Total</b>	<b>22.575.464</b>	<b>35.370.152</b>

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

	2020	2019
1 January	42.193.535	41.943.010
Expected credit loss provided/(reversed) within the year (Note 20)	(17.941.126)	250.525
31 December	24.252.409	42.193.535

**NOTE 15 - OTHER ASSETS AND LIABILITIES**

## a) Other current assets

	31 Dec. 2020	31 Dec. 2019
Job advances	172.902	79.063
Receivables from employees	750	84
<b>Total</b>	<b>173.652</b>	<b>79.147</b>

## b) Other non-current assets

	31 Dec. 2020	31 Dec. 2019
Buildings	1.312.423	2.127.523
Land	659.425	659.425
<b>Total</b>	<b>1.971.848</b>	<b>2.786.948</b>

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 Dec. 2020	31 Dec. 2019
Funds (*)	5.751.340	5.751.340
Payables from guarantee transactions containing Treasury (**)	184.101.495	20.471.934
KOSGEB&KfW Funds Account (***)	93.698.882	-
Debt for counter-guarantees	134.066	126.350
Tax Payables	238.811	253.208
<b>Total</b>	<b>283.924.594</b>	<b>26.602.832</b>

(\*) 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. 0.03% commission rate was applied in Kobi Değer 1 Project and 2% commission rate in Kobi Değer 1 and EDK Projects.

(\*\*) 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. It was determined by the "Decision on Treasury Support Provided to Credit Guarantee Institutions" numbered 2016/9538 and "Decision Amending the Decision Regarding Treasury Support to be Provided to Credit Guarantee Institutions" adopted by the Council of Ministers. According to the provisions, the validity dates of the Commission are as follows on the basis of the beneficiary groups. 1% commission rate is implemented in KBL Footwear Sector Project, 1.5% commission rate in KBL 2 Project and 2% commission rate in KBL Project.

Date	Beneficiary Group	First Year Commission Rate %
05.03.2019-02.11.2019 Treasury Rates *	All Beneficiaries	0,03 - 2
02.11.2019-30.03.2020 Treasury Rates **	All Beneficiaries	1 - 1,5 - 2
30.03.2020- Continued Treasury Rates ***	All Beneficiaries	0,03 - 0,5 - 0,75 - 1

(\*\*\*) It consists of the funds granted by KOSGEB, one of the shareholders of KGF; The German Development Bank (KfW) of the German Ministry of Development, for the use of our Institution, in case the interest / profit share is fully or partially covered by KOSGEB after the loan is provided by the bank under the conditions in accordance with the protocols and the guarantee falls to the doubtful receivables; Financing Agreement between KGF and KfW, which is designed to provide SMEs in provinces with a high concentration of Syrian refugees, in return for their commitment to employ additional Turkish and Syrian employees, and to cover the interest of these loans by KOSGEB, as well as KGF, KfW and KOSGEB. 0.3% commission is implemented in Eximbank Loan Support Package and Eximbank Stock Financing Support Projects, Opex Credit Support, Check Payment Support, TKYB, Credit Support, Tourism Support, 0.5% in Micro Enterprises Support Packages, Business Continuing Support, TOBB Nefes 2020,TKYB Loan Support (maturity over 5 years), 0.75% in Basic Consumer Loan Support Packages and 1% in the Industry and Technology Ministry's Credit Support Package.

**NOTE 16 - DEFERRED INCOME**

As of 31 December 2020 and 31 December 2019 deferred income and realization periods are as follows:

	31 Dec. 2020	31 Dec. 2019
1 month	2,260,362	401,933
1-3 months	4,614,306	3,478,785
3-6 months	14,555,348	11,251,875
6-12 months	40,077,297	23,167,606
<b>Total</b>	<b>61,507,313</b>	<b>38,300,199</b>

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 2020 and 31 December 2019, the shareholding structure of the Company is as follows:

31 Dec. 2020	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
TOSYOY	%0,01	-	-	-	40.016	40.016
MEKSA	%0,004	-	-	-	20.026	20.026
<b>Nominal Capital</b>	<b>%100,00</b>	<b>145.196.895</b>	<b>145.155.059</b>	<b>222.102.876</b>	<b>679.400</b>	<b>513.134.230</b>

31 Dec. 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
TOSYOY	0,01%	-	-	-	40.016	40.016
MEKSA	0,004%	-	-	-	20.026	20.026
<b>Nominal Capital</b>	<b>100,00%</b>	<b>145.196.895</b>	<b>145.155.059</b>	<b>222.102.876</b>	<b>679.400</b>	<b>513.134.230</b>

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 (TRY)	Ratio (%)	Group
	145.196.894,76	28,2961	A
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
FİBANKA A.Ş.	7.658.719,86	1,4925	C
ODEABANK A.Ş.	7.658.719,86	1,4925	C
NURUL YATIRIM BANKASI A.Ş.	7.658.719,86	1,4925	C
TÜRKİYE SİNAİ 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
<b>Total</b>	<b>513.134.230</b>	<b>100</b>	



## b) Legal reserves

	31 Dec. 2020	31 Dec. 2019
Legal reserves	16.837.776	12.199.467
<b>Total</b>	<b>16.837.776</b>	<b>12.199.467</b>

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 Dec. 2020	31 Dec. 2019
Retained earnings/(Accumulated loss)	(66.758.287)	(117.827.712)
<b>Total</b>	<b>(66.758.287)</b>	<b>(117.827.712)</b>

## NOTE 18 - SALES AND COST OF SALES

## a) Sales

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Income from collateral transactions	165.485.192	88.995.157
Sales returns (-)	(6.669.000)	(1.154.598)
<b>Total</b>	<b>158.816.192</b>	<b>87.840.559</b>

## b) Cost of sales

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Personnel expenses	42.714.600	37.221.601
Depreciation and amortization expense	3.463.055	7.675.756
Information technology expenses	24.337.587	5.433.331
Litigation expenses	467.898	1.281.596
Travel, transportation and vehicle lease expenses	213.920	720.390
Rent expenses	3.793.923	2.434.112
Taxes, duties, fees and membership expenses	1.631.981	1.074.009
Other	99.501	1.144.240
<b>Total</b>	<b>76.722.465</b>	<b>56.985.035</b>

## NOTE 19 - GENERAL ADMINISTRATION EXPENSES

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
General administration expenses (*)	4.530.311	2.147.864
<b>Total</b>	<b>4.530.311</b>	<b>2.147.864</b>

(\*) 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 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Reversal of provisions	7.134.796	2.544.204
- Collection of indemnified guarantees financed by own equity (Note 6)	7.134.796	2.302.570
- Reversal of provisions for guarantees financed by own equity (Note 14)	-	241.573
- Reversal of litigation provision	-	61
Social security incentive income	1.272.337	1.308.651
Collections from written of receivables	4.358.723	2.547.390
Income related to costs incurred for indemnified collaterals	-	293.286
Grants	-	-
Other	1.945.149	2.179.086
<b>Total</b>	<b>14.711.005</b>	<b>8.872.617</b>

## b) Other operating expenses

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Provision for expected credit losses	(73.115.220)	(46.725.391)
- Indemnified guarantees financed by own equity (Note 6)	(91.054.593)	(46.012.409)
- Guarantees financed by own equity (Note 12)	17.941.126	(492.098)
- Other	(1.753)	(220.884)
Other expenses	(1.857.640)	(1.711.770)
<b>Total</b>	<b>(74.972.860)</b>	<b>(48.437.161)</b>

**NOTE 21 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES**

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Gain on sale of property, plant and equipment	2.350.494	746.787
<b>Total</b>	<b>2.350.494</b>	<b>746.787</b>

**NOTE 22 - FINANCIAL INCOME AND EXPENSES**

## a) Financing income

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Interest income from banks	44.581.538	57.600.511
Foreign exchange gain	50.584.247	25.030.664
<b>Total</b>	<b>95.165.785</b>	<b>82.631.175</b>

## b) Financing expenses

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Foreign exchange loss	(18.354.177)	(15.305.187)
Interest expense (Note 12 and Note 13)	(1.016.778)	(1.508.157)
<b>Total</b>	<b>(19.370.955)</b>	<b>(16.813.344)</b>

**NOTE 23 - EARNINGS PER SHARE**

	1 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Net profit/ (loss)	95.446.885	55.707.734
Each one TL 0,01 par value stock	51.313.423.000	51.313.423.000
<b>Earnings per share</b>	<b>0,00186</b>	<b>0,00109</b>

**NOTE 24 - RELATED PARTY DISCLOSURES**

	31 December 2020	31 December 2019
Receivables from related parties		
Cash and cash equivalents (*)	829.857.400	440.899.698
Interest income from related parties - shareholders	43.600.725	57.776.040
Benefits and rights provided to executives	5.330.885	3.297.694

(\*) 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, 2020, the Company has a commission received from related parties, amounting to TL 188.692.306 (31 December 2019: TL 78.197.997).

**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.

	31 December 2020	31 December 2019
Total liabilities	(402.724.130)	(123.120.809)
Less: Cash and cash equivalents (Note 4)	829.852.580	440.901.156
<b>Net cash</b>	<b>427.128.450</b>	<b>317.780.347</b>
<b>Total equity</b>	<b>560.909.761</b>	<b>463.691.505</b>

## Credit risk

As of 31 December 2020 and 31 December 2019, the maximum credit risk exposure of the Company is as follows:

Balance sheet	31 December 2020	31 December 2019
Trade receivables	102.635.892	112.441.611
Cash and cash equivalents	829.852.580	440.901.156
Financial investments measured at amortized cost	-	3.246.659
<b>Off balance sheet</b>		
Guarantees financed by own equity	4.022.241.716	3.240.069.852
<b>Total</b>	<b>4.022.241.716</b>	<b>3.240.069.852</b>

As of 31 December 2020, 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 4.067.307.145 (31 December 2019: TL 2.976.292.810)

As of 31 December 2020, treasury risk balance that is monitored in off-balance sheet and sourced by bailment operations amounting to TL 263.425.705.032 (31 December 2019: TL 171.549.347.376).

## 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 2020:

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 - 12 months	1-2 year
Trade payables	1.360.757	1.360.757	1.360.757	-	-
<b>Total</b>	<b>1.360.757</b>	<b>1.360.757</b>	<b>1.360.757</b>	<b>-</b>	<b>-</b>

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	-	-
<b>Total</b>	<b>554.161</b>	<b>554.161</b>	<b>554.161</b>	<b>-</b>	<b>-</b>

“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 2020 and 31 December 2019.

## 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 2020 and 2019:

December 31, 2020	USD	EUR	Total
Cash and cash equivalents	47.466.244	125.676.093	173.142.337
<b>Total assets</b>	<b>47,466,244</b>	<b>125,676,093</b>	<b>173,142,337</b>
Total liabilities	-	-	-
<b>Net foreign currency position</b>	<b>47,466,244</b>	<b>125,676,093</b>	<b>173,142,337</b>
December 31, 2019	USD	EUR	Total
Cash and cash equivalents	36,859,161	65,062,120	101,921,281
<b>Total assets</b>	<b>36,859,161</b>	<b>65,062,120</b>	<b>101,921,281</b>
Total liabilities	-	-	-
<b>Net foreign currency position</b>	<b>36,859,161</b>	<b>65,062,120</b>	<b>101,921,281</b>

## 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 2020 and 31 December 2019 is shown in the table below:

	31 December 2020		31 December 2019	
	Profit&Loss	Total comprehensive income	Profit&Loss	Total comprehensive income
USD	4.746.624	4.746.624	3.685.916	3.685.916
Euro	12.567.709	12.567.709	6.506.212	6.506.212
<b>Total</b>	<b>17.314.333</b>	<b>17.314.333</b>	<b>10.192.128</b>	<b>10.192.128</b>

## 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 2020 and 2019, the Company has no financial assets and liabilities with variable interest rates and the financial instruments with fixed interest components are as follows:

	31 December 2020	31 December 2019
<b>Financial instruments with fixed interest rates</b>		
Banks - time deposits	549.470.646	439.405.552
Financial assets measured at amortized cost (Note 5)	-	3.246.842

As of 31 December 2020 and 31 December 2019, the weighted average interest rates applied to financial instruments are as follows:

	31 December 2020	31 December 2019
<b>Financial assets</b>		
Banks - time deposits (TL)	17,52%	11,21%
Banks - time deposits (USD)	3,53%	2,44%
Banks - time deposits (EUR)	2,00%	0,70%
Financial investments measured at amortized cost - bonds (TL)	-	11,09%

## 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 Dec. 2020		31 Dec. 2019	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Indemnified guarantees financed by own equity	102.635.892	102.635.892	112.441.611	112.441.611
Cash and cash equivalents	829.852.580	829.852.580	440.901.156	440.901.156
Financial investments measured at amortized cost	-	-	3.246.659	3.248.847
<b>Financial liabilities</b>				
Trade payables	1.360.757	1.360.757	554.161	554.161

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 Jan. - 31 Dec. 2020	1 Jan. - 31 Dec. 2019
Guarantees financed by own equity	4.022.241.716	3.240.069.852
<b>Total</b>	<b>4.022.241.716</b>	<b>3.240.069.852</b>

As of 31 December 2020, the Company also has treasury secured collaterals that is monitored in off-balance sheet and are derecognized amounting to TL 275.002.596.256 (31 December 2019: TL 171.549.347.376).

## NOTE 27 - SUBSEQUENT EVENTS

None.





# 6

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

## KEY ACTIONS PLANNED FOR 2021

Towards establishing a decision support mechanism by international standards, Kredi Garanti Fonu maintains its intense efforts to create a structure that is integrated to the Banking and finance ecosystem through its recently initiated restructuring process and its activities for strengthening system infrastructure and software development. For healthier execution of the guarantee process and the sustainability of the system:

- ▶ There are ongoing investments and R&D activities to renew the system and software (IT) infrastructure.
- ▶ Innovation and sustainability will be in the forefront of our Company's guarantee strategies; and in this context, our aim is to support end-to-end contract business models and develop products and strategies to increase the efficiency and sustainability of supply chain.
- ▶ The process of use of resources will be monitored periodically; and policies will be established to measure not only the support provided, but also the results of such support. Hence, focus will be put on areas with a high level of output and productivity, maximizing resource productivity.
- ▶ Our Company will continue to work on new products specifically for SMEs with women entrepreneurs and young entrepreneurs and agricultural enterprises that have set up, and are now working to grow, their business with limited means all around Anatolia.
- ▶ Our Company will continue to develop product policies that support exports, and provide special supports for products and sectors that will provide import substitution.
- ▶ Supports for local technology start-ups that produce technological products, R&D and innovation activities of which were conducted in our country will be increased so that such start-ups can take part in the international market, raise their exports and be part of advanced entrepreneurship ecosystems.
- ▶ New guarantee programs will be introduced for SMEs that provide import substitution; exercise contract farming, contract software development and contract production; and have supply contract.
- ▶ 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 has completed the process of Behavioral Scoring as part of its efforts to establish an Automatic Allocation module that will take into account the criteria for integrity and financial standing of firms as well as criteria for firm behaviors; and it will sustain its efforts towards establishing a Decision Support Model in this Automatic Allocation process.
- ▶ 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 plans for establishing a mechanism that will provide guarantees for alternative financing instruments.

- ▶ Efforts will continue to develop initiatives for cooperation with the credit guarantee funds operating abroad and work on new products and projects.
- ▶ Our cooperation projects will continue.
- ▶ KGF will continue offering solutions to the cyclical needs that emerge in our country, in line with its mission and understanding of proactive management.
- ▶ COSME, the EU program 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 the program's successful implementation in Turkey so far, additional funding was secured in 2020 and the project targets set under the access to finance component were revised to enable extension of TRY 7.5 billion worth loans to 25 thousand SMEs. Disbursement will continue in 2021.

## 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).





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## Contact Details

**HEADQUARTERS**

TOBB İkiz Kuleleri C Blok Kat 5-6-7 Dumlupınar Bulv. No: 252 (Eskişehir Yolu 9. Km) 06530 ANKARA  
t. 0312 204 00 00  
f. 0312 204 01 97- 98  
info@kgf.com.tr

**KGF THRACE REGIONAL AGENCY**

Area of Responsibility: Edirne, Istanbul (European Side), Kırklareli, Tekirdağ  
Kılıçali Mah. Meclis-i Mebusan Cad. Ülkü Han No: 29/ 4 - 34433 Salıpazarı / Beyoğlu / İSTANBUL  
t. 0212 244 28 63 / 0212 244 28 65  
f. 0212 244 28 64  
trakyabolgetemsilciligi@kgf.com.tr

**KGF MARMARA REGIONAL AGENCY**

Area of Responsibility: Adalar, Bartın, Bilecik, Bolu,Bursa, Düzce, Istanbul (Asian Side), Izmit,Karabük,  
Sakarya, Yalova, Zonguldak  
Osmanağa Mah. Söğütlüçeşme Cd. Halkbank Anadolu Bölge Koord. No: 11 Kat:4 Kadıköy / İSTANBUL  
t. 0216 550 49 32 / 0216 541 02 70  
f. 0216 550 49 33  
marmarabolgetemsilciligi@kgf.com.tr

**KGF WESTERN ANATOLIA REGIONAL AGENCY**

Area of Responsibility: Afyon, Antalya, Aydın, Balıkesir, Burdur, Çanakkale, Denizli, Isparta, İzmir, Kütahya,  
Manisa, Muğla, Uşak  
Cumhuriyet Bulvarı No: 58 Kat: 2 - 35250 Konak / İZMİR  
t. 0232 441 37 70 / 0 232 441 45 88  
f. 0232 425 56 73  
batianadolutemsilciligi@kgf.com.tr

**KGF CENTRAL ANATOLIA REGIONAL AGENCY**

Area of Responsibility: Aksaray, Ankara, Çankırı, Çorum, Erzincan, Erzurum, Eskişehir, Karaman, Kastamonu,  
Kayseri, Kırıkkale, Kırşehir, Konya, Nevşehir, Niğde, Sivas, Yozgat  
TOBB İkiz Kuleleri C Blok Kat: 6 Dumlupınar Bulv. No: 252 (Eskişehir Yolu 9. Km) 06530 ANKARA  
icanadolubolgetemsilciligi@kgf.com.tr

**KGF EASTERN MEDITERRANEAN REGIONAL AGENCY**

Area of Responsibility: Adana, Adıyaman, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Mersin,  
Osmaniye, Şanlıurfa  
Adana Sanayi Odası Binası Turhan Cemal Beriker Bulv. No:156 - 01130 Seyhan / ADANA  
t. 0322 431 32 17  
f. 0322 431 32 18  
doguakdenizbolgetemsilciligi@kgf.com.tr

**KGF EASTERN BLACK SEA REGIONAL AGENCY**

Area of Responsibility: Amasya, Ardahan, Artvin, Bayburt, Giresun, Gümüşhane, Kars, Ordu, Rize, Samsun,  
Sino, Tokat, Trabzon  
Trabzon Ticaret ve Sanayi Odası Binası Pazarkapı Mah. Sahil Caddesi No: 103 Kat:7 - 61200 Ortahisar /  
TRABZON  
t. 0462 321 62 75 / 0462 321 62 25  
f. 0462 321 62 29  
dogukaradenizbolgetemsilciligi@kgf.com.tr

**KGF SOUTHEASTERN ANATOLIA REGIONAL AGENCY**

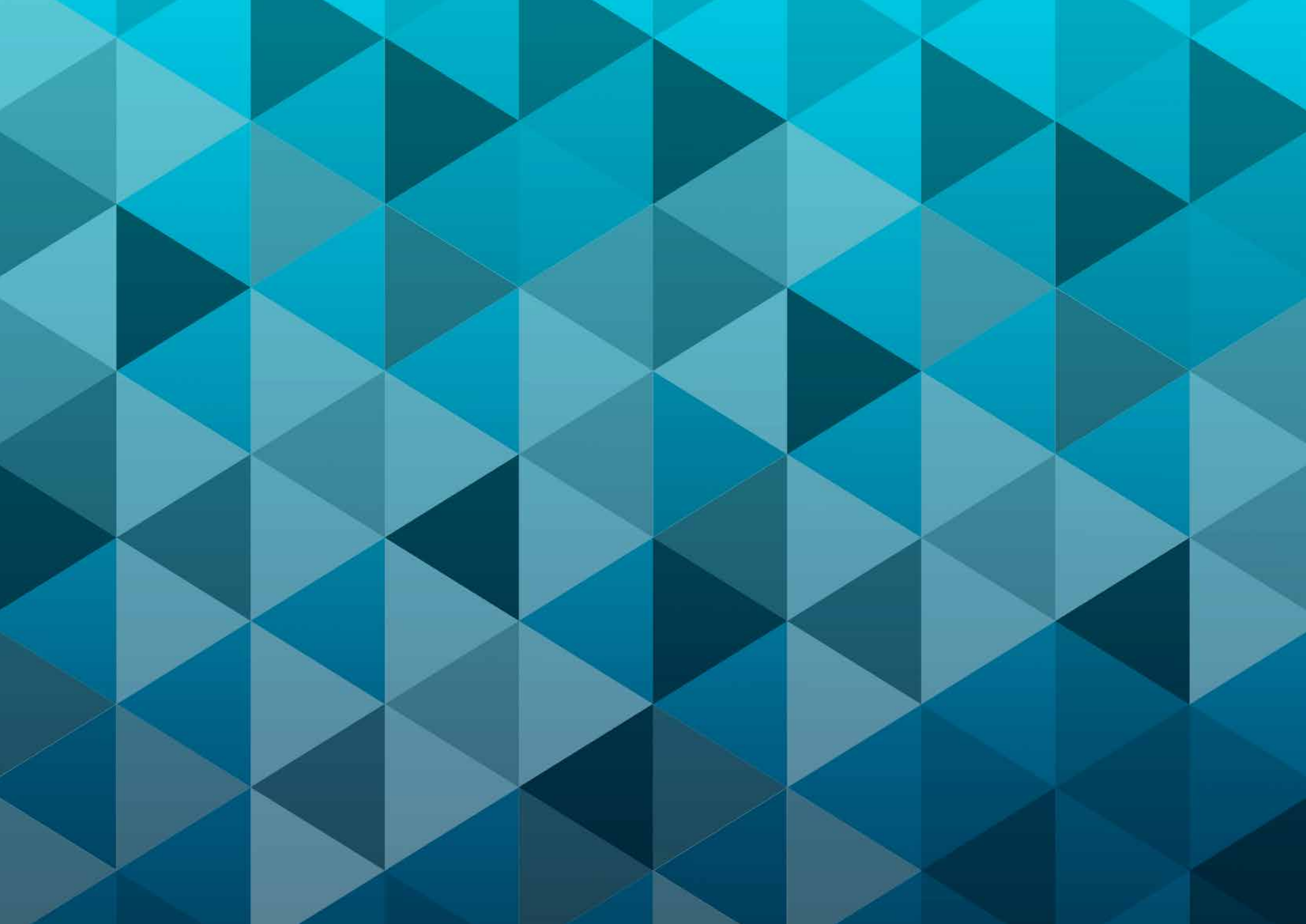
Area of Responsibility: Ağrı, Batman, Bingöl, Bitlis, Diyarbakır, Elazığ, Hakkari, Iğdır, Mardin, Muş, Siirt,  
Şırnak, Tunceli, Van  
Diyarbakır Ticaret Ve Sanayi Odası Binası Dr Yusuf Azizoğlu Caddesi Fiskaya Yenişehir / DİYARBAKIR  
t. 0412 255 04 99  
f. 0412 255 04 98  
guneydoguanadolubolgetemsilciligi@kgf.com.tr





**CONTACT US**

- 
-  444 7 543
  -  [www.kgf.com.tr](http://www.kgf.com.tr)
  -  Kredi Garanti Fonu AS
  -  @KGFTurkiye
  -  /Kredi Garanti Fonu
  -  [kurumsaliletisim@kgf.com.tr](mailto:kurumsaliletisim@kgf.com.tr)





**KREDİ GARANTİ FONU**

TOBB İkiiz Kuleleri C Blok Kat: 5-6-7  
Dumlupınar Bulvarı No: 252 06530 Ankara - TÜRKİYE  
Tel: +90 (312) 204 00 00 Faks: +90 (312) 204 01 97 - 98



@KGFTurkiye



/Kredi Garanti Fonu

[www.kgf.com.tr](http://www.kgf.com.tr)