

# 2018 Activity Report



KREDİ GARANTİ FONU





KREDİ GARANTİ FONU

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## CONTACT DETAILS

## AGENDA OF THE GENERAL ORDINARY ASSEMBLY MEETING OF KREDİ GARANTİ FONU A.Ş. DATED MARCH 26, 2019

1. Opening and the formation of Meeting Council,
2. Silence for respect 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 Annual Activity Report of the Board of Directors for the year 2018,
5. Presentation, discussion and approval of Independent Audit Report for the Account Period 2018,
6. Presentation, discussion and approval of Balance Sheet and Income Statement for the year 2018,
7. Release of each and every Board Member from liability for the company's activities and accounts in 2018,
8. Approval of the General Assembly for appointment of Board Members for seats vacated due to resignation,
9. Election of Board Members for seats that will be vacated in 2019 due to expiry of term of service,
10. Discussion and approval of the amendment of Article 6 of the Company's Articles of Association,
11. Selection of the Independent Audit Firm proposed by the Board of Directors for the activities in year 2019,
12. Authorization of the Board of Directors to determine the conditions for cancelling the recovery claims and commission claims which accrued until two years before the current account period as well as the interests, expenses and other accessories of these claims, and to take decisions for cancellation according to the same principles in the forthcoming periods, too, if necessary,
13. Determination of the amounts of wages and attendance fees payable to the Chairman and members of Board of Directors,
14. Expression of wishes and requests, and closing



**EVALUATION  
OF THE SENIOR  
MANAGEMENT**



**Faik Yavuz**

Chairman of Board of Directors

According to data from Turkish Statistics Agency (TurkStat), our economy grew by 7,4 percent in 2017, which placed Turkey to the second rank in the list of OECD countries with highest growth rates, after Ireland which grew by 8,4 percent. Although we achieved a growth rate of 7,4 percent in the first quarter of 2018, the speculative financial process we faced in August pushed up exchange rates and caused a panic atmosphere in the markets. However, the announcement of New Economic Program (NEP), which has been designed to address the vulnerabilities in the economy and set the economic infrastructure of a great and strong Turkey, has replaced the panic atmosphere in the markets by an atmosphere of confidence.

Now it is time to reinforce the confidence provided to the market by short-term measures, medium and long-term strategies, primarily including the NEP, with structural reforms.

Our country will get through this rough path and move rapidly towards the 2023 goals by contributing to investment, production, employment and export growth and promoting sustainable economic growth by increasing savings and capital accumulation; raising competitiveness by supporting R&D activities and moving up in the value added chain; supporting social groups through taxes and implementing environmental arrangements, speeding up the formalization of the informal economy.

We are aware of the fact that the most important problem faced by the real sector during this process is access to finance. In a period when the world is undergoing a very critical process of changes, countries are implementing tailored models to

protect their interests, strengthen their financial structures.

In our country, the importance of KGF model is increasing constantly, as a mechanism promoting access to finance, in a period when the concerns about global economic crisis are rising.

Kredi Garanti Fonu has provided lifeline support to our enterprises through the 250 billion TL Treasury-backed KGF guarantee support introduced in January 2017, and the accompanying special support programs such as Breath Loan (Nefes Kredisi), SME Value Loan (KOBİ Değer Kredisi).

KGF continues bringing the support to our real sector sourced from both its own funds and the Ministry of Treasury and Finance as well as external sources, with high leverage rates. The businesses which experience financing problems due to the outdated collateral system can easily access support from our institutions like KOSGEB, TÜBİTAK, TTGV and EXIMBANK with guarantees issued from our own equity. We continue to be the most important supporter of our businesses in their access to finance through supports we have issued from external sources like the European Investment Fund, European Bank for Reconstruction and Development and Islamic Development Bank, in addition to the Treasury-backed guarantee supports launched in 2009.

We enjoy the deserved pride and happiness of having fulfilled this key role in the best way in 2018 too, after taking it over in 2017. Kredi Garanti Fonu will continue supporting Turkish real sector with the same efficient and effective working system in 2019.



# WE ARE IN THE SAME BOAT



# CREDIT GUARANTEE INSTITUTIONS AS A STRUCTURAL REFORM



**İsmet Gergerli**  
General Manager

All around the world, credit guarantee institutions provide opportunities for access to long-term and low-cost finance by eliminating the collateral system, which is the primary obstacle in the access of real sector to finance, allowing them to survive, make new investments, create more jobs, generate value added and taxes.

According to international researches, the real sector supported by credit guarantee institutions achieves rise in sales, and positively contributes to employment and national income. Credit guarantee institutions which are non-profit organizations that do not pay dividends to their shareholders, improve the financial wellbeing of the country and raise the profitability levels of banks.

Credit Guarantee Funds essentially function as a rating system. This system is key to both the new economic system and the new paradigm which contributes to the formal economy by rating and registering businesses, allowing the banking system to correctly perceive this. It alleviates the burden on the banking system, rather than creating pressures on it, and integrates them to the economic policies of the country.

In extraordinary cases like economic crisis and natural disasters, credit guarantee institutions raise their guarantee rates and provide much more support to the real sector which faces difficulties in surviving in the face of cyclical developments, playing a critical role in getting through these difficult times. Guarantee support normalizes when market conditions stabilize. Thus, businesses are affected less from negative developments arising

from external conditions. Similar to the situation prevalent in the whole world, Kredi Garanti Fonu in Turkey is a structural financing reform rather than a cyclical one.

These residual and structural systems are used as an economic policy instrument all around the world.

Kredi Garanti Fonu has eliminated the outdated mortgage-based credit system in Turkey. Businesses are now able to convert project risks into credit risks and access low-cost finance as modern financial institutions like KGF undertakes this risk. Furthermore, banks improve their asset quality and capital adequacy ratios as they extend loans with KGF collateral. In other words, banks can provide loans with less cost thanks to the fact that they can secure resources more easily and with less cost. With improved asset quality and capital adequacy ratios, banks become able to secure funds from external sources with longer maturities and under more favorable conditions. This change increases employment and wages also rise as businesses prefer better educated and higher-quality labor since they are able to rapidly make their investments with new funds.

Kredi Garanti Fonu, which has engineered to its new structure by the regulations and reforms introduced in 2016, provided valuable support to Turkish economy, and thus to the real sector and financial sector in 2017 and 2018, and will continue contributing to the development of Turkey and enhancing the prosperity level with the same motivation in 2019.





# Board of Directors



1. FAİK YAVUZ  
Chairman

2. CEVAHİR UZKURT  
Vice Chairman

3. İSMET GERGERLİ  
Member of Board of Directors  
& General Manager

4. FARUK KULA  
Member of Board of Directors

5. MURAT BİLGİÇ  
Member of Board of Directors

6. MEHMET ALPER BATUR  
Member of Board of Directors

7. NERMİN GÜNEY  
Member of Board of Directors

8. RECEP ALİ ERDOĞAN  
Member of Board of Directors

9. MUSTAFA DERYAL  
Member of Board of Directors

10. MİKAIL HİDİR  
Member of Board of Directors



# Biographies of Board Members

## FAİK YAVUZ

Chairman of Board of Directors

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

## CEVAHİR UZKURT

Vice Chairman of Board of Directors

Cevahir Uzkurt, who was born in Niğde at the year of 1973, graduated from Marmara University Department of International Business Administration of the Faculty of Economics and Administrative Sciences Department in 1995. He took master degree in İstanbul University Department of Social Policy 1997 and doctorate in Marmara University Department of Production Management and Marketing in 2002. Through his professional career, he was a research assistant in Kırıkkale University Faculty of Economics and Administrative Sciences in between the years of 1996 – 2002 and in Eskişehir Osmangazi University Faculty of Economics and Administrative Sciences in between the years of 2000 – 2003. Then, he became an associate professor in between the years of 2009 – 2011. Uzkurt, who was working as an associate professor in Yıldırım Beyazıt University Faculty of Management, became Professor Doctor in Kırıkkale

University Faculty of Economics and Administrative Sciences Department of Business Administration.

He started his career in bureaucracy on January 31, 2012 and took the following positions. Uzkurt became the General Manager of Science and Technology in the Ministry of Industry and Technology in between the years of 2012 – 2015. Afterwards, he has been appointed as the Deputy of Undersecretariat in the Ministry of Science, Industry and Technology. He has also served as member of TÜBİTAK Science Committee (2014-2018), as a member of TPE Advisory Committee (2013-2018) and member of Energy efficiency Coordination Board (2015-2017).

Mr. Uzkurt has been the President of KOSGEB since July 7 2017, and Member of Board at Turkey Technology Development Foundation (TTGV) since 2017. He has many books and articles published in national and international journals.

## İSMET GERGERLİ

Member of Board of Directors & General Manager

He graduated from the Department of International Relations of the Faculty of Political Sciences in Ankara University in 1989. He studied for master degree in the Department of Sociology in Ankara University. He began his banking career at Pamukbank. He took charges in marketing and loan departments in corporate branches. He acted as the Department Manager of Entrepreneur Loans. He acted at Halkbank as Head of Department of Craftsman Banking and Head of Department of Craftsman and Small Enterprises Banking, Head of SME Marketing and Head of Education between the years 2005 and 2011. He carried out the duties in Halkbank as the 3rd Regional Coordinator in Ankara and 1st Regional Coordinator in İstanbul in the period of 2011-2015. He took charge as a Board Member in Kredi Garanti Fonu in period of 2008-2011

He has been the General Manager of KGF since November 2015.

## FARUK KULA

Member of Board of Directors

Faruk Kula, born in Balıkesir on December 15, 1953, started his career after graduating from İzmir Private Turkish College and currently works as Chairman of the Board at Kula Yağ Emek Yem A.Ş. He has been Chairman of the Board of Balıkesir Commodity Exchange since 1992.

He also served as TOBB Commodity Exchanges Council Member, TOBB Strategy Development High Council Member, Balıkesir Organized Industrial Zone Acting Chairman, Chairman of Balıkesir Egg Producers Association, Chairman of Balıkesir Higher Education Foundation, Vice Chairman of Ege Agricultural Products Licensed Warehouse Inc. (ELİDAS), Board Member of İstanbul World Trade Center, Board Member of Balıkesir Province Promotion and Empowerment Foundation (BALGÜÇ), Supervisory Board Member of Aegean Economic Development Foundation (EGEV) and Vice President of Balıkesirspor Kulübü. He is married and has 3 children.



# Biographies of Board Members

## MURAT BİLGİÇ

Member of Board of Directors

He was born in 1968 in Ankara. He graduated from the Department of International Relations at the Faculty of Economics and Administrative Sciences at METU in 1990. He completed his master degree study in the field of Money, Banking and Finance at the University of Birmingham. He started working as an intern assistant inspector at the Inspection Board of İşbank in 1990 and was assigned as the Deputy Director at the Corporate Loan Allocation Department in 1999, as the Regional Director in 2002 and Division Director in 2008 at the same department. He was assigned as Deputy General Director on 25 March 2016.

## MEHMET ALPER BATUR

Member of Board of Directors

He graduated from the Çankaya University's Department of Business Administration (with scholarship) in 2003 as the top performer. He started his career at the Ministry of Treasury and Finance as assistant specialist. His thesis study for promotion as Treasury specialist was on "Position of Regional Financial Arrangements (Asian Money Fund) on International Financial Architecture". He successfully completed his postgraduate study at the University of California Berkeley Haas Business School in 2012. After serving as Head of Financial Sector Policies and Coordination department for more than 4 years, he has been the Acting Deputy General Manager since November 2016. He also takes part in the secretariats of Financial Stability Committee and Interest-Free Finance Coordination Board. He continues with doctorate studies in Banking and Finance at the Yıldırım Beyazıt University.

## NERMİN GÜNEY

Member of Board of Directors

Born in Ankara in 1977, Nermin Güney graduated from the Economics Department of Ankara University's Faculty of Political Sciences in 1999. She started her career in the banking sector at Kentpark as Financial Analyst in 2000, where she also served as regional manager and branch marketing positions. Then she worked for Anadolubank A.Ş. as financial analyst between 2002-2003. She started working for Oyakbank in 2003 in the credits division and took positions in the corporate loans allocation division of ING BANK beginning from 2007. She currently acts as Deputy General Manager for Financial Risk Management.

## MİKAIL HİDİR

Member of Board of Directors

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

## RECEP ALİ ERDOĞAN

Member of Board of Directors

Born in Istanbul on 01.07.1980, Recep Ali ERDOĞAN has graduated from Department of Public Administration at Anadolu University and consecutively he took master's degree in Business Administration. In 2002, he started his career at KOSGEB Bogazici University Technology Development Directorate and resumed his duty as assistant specialist in the Budget and Performance Department of Strategy Development and Financial Services Directorate at KOSGEB from 2007 to 2010. He served as Legal Affairs Manager and In-Service Training Manager between 2010 and 2014. From 2014 to 2016, he served as Head of Human Resources Directorate and Head of SME Finance Directorate at KOSGEB. He has been carrying out his duty as Vice Chairman of KOSGEB Administration since 09.06.2017.

He is also 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 in Federation of School Sports. He is married and father of two children.

## MUSTAFA DERYAL

Member of Board of Directors

Born in 1956 in Burdur-Bucak, Mustafa Deryal has graduated from University in 1986 after he has completed primary and secondary education in Bucak. Deryal, started to work as a wholesaler of construction paints in 1987, has been producing construction and industrial paints with Kardelen Boya ve Kimya Sanayi since 1996.

He has been appointed as Board Member representing The Union of Chambers and Commodity Exchanges of Turkey in 43rd General Assembly of MPM (National Productivity Center. He has also appointed successively as Deputy Chairman in 44th, 45th and 46th General Assembly. Finally, he has been assigned as MPM Chairman. In addition, he has been working as a sector representative at Ankara Chamber of Commerce Painting and Chemistry Committee for five terms. During this period, he was also a Member of the Assembly and Acting Chairman of ATO (Ankara Chamber of Commerce). He was elected as President of the Assembly at ATO elections held in 2018.

## MISSION

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

## VISION

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



A hand in a grey suit sleeve holds a black pen, poised to write on a dark, reflective surface. The background is a hazy cityscape. Three large, teal, semi-transparent arrow shapes point from the left towards the right, overlapping each other and the background. The number '1' is positioned to the right of the arrows.

**1**

**General  
Information**



## A. TRADE REGISTRY DETAILS

### Account Period

01.01.2018 - 31.12.2018

### Commercial Title

Kredi Garanti Fonu Anonim Şirketi

### Number of Employees

2017: 197

2018: 184

### Mersis 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

SHAREHOLDERS	GROUP	CAPITAL AMOUNT (TL)	SHARE RATE (%)
 TOBB - Union of Chambers and Commodity Exchanges of Turkey	A	92.832.388,73	29,1667
 KOSGEB - Small and Medium Enterprises Development and Support Administration	B	92.805.640,82	29,1583
 TESK - Confederation of Turkish Tradesman and Craftsmen	D	395.989,86	0,1244
 MEKSA - Foundation for the Promotion of Vocational Training and Small Industry	D	12.803,55	0,0040
 TOSYÖV - Turkish Foundation for Small and Medium Businesses	D	25.584,40	0,0080
 Akbank T.A.Ş.	C	4.896.642,32	1,5385
 Albaraka Türk Katılım Bankası A.Ş.	C	4.896.642,32	1,5385
 Alternatif Bank A.Ş.	C	4.896.642,32	1,5385
 Anadolubank A.Ş.	C	4.896.642,32	1,5385
 Burgan Bank A.Ş.	C	4.896.642,32	1,5385
 Denizbank A.Ş.	C	4.896.642,32	1,5385
 Fibabanka A.Ş.	C	4.896.642,32	1,5385
 HSBC Bank A.Ş.	C	4.896.642,32	1,5385
 ING Bank A.Ş.	C	4.896.642,32	1,5385
 Kuveyt Türk Katılım Bankası A.Ş.	C	4.896.642,32	1,5385
 Nurol Yatırım Bankası A.Ş.	C	4.896.642,32	1,5385
 Odeabank A.Ş.	C	4.896.642,32	1,5385
 QNB Finansbank A.Ş.	C	4.896.642,32	1,5385
 Şekerbank T.A.Ş.	C	4.896.642,32	1,5385
 Türk Ekonomi Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye Cumhuriyeti Ziraat Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye Finans Katılım Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye Garanti Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye Halk Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye İhracat Kredi Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye İş Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye Sınai Kalkınma Bankası A.Ş.	C	4.896.642,32	1,5385
 Türkiye Vakıflar Bankası T.A.O.	C	4.896.642,32	1,5385
 Turkland Bank A.Ş.	C	4.896.642,32	1,5385
 Vakıf Katılım Bankası A.Ş.	C	4.896.642,32	1,5385
 Yapı ve Kredi Bankası A.Ş.	C	4.896.642,32	1,5385
 Ziraat Katılım Bankası A.Ş.	C	4.896.642,32	1,5385
		<b>318.281.750,00</b>	<b>100</b>

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

Through the "Decree no. 2015/7715 dated May 13, 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 24, 2015, the amount of support that may be provided by the Undersecretariat of Treasury to the Company was increased from 1 billion TL to 2 billion TL.

"Decree no 2017/9969 dated February 27, 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 10, 2017, and increased the amount support provided by the Undersecretariat of Treasury from 2 billion TL to 25 billion TL.

Under the "Regulation on the Principles and Procedures Governing the Classification of Loans and provisions to be Set Aside for These Loans" the guarantees provided by our Fund with the

support of the Undersecretariat of Treasury have been classified as Group-1 Collateral, and the guarantees provided without the support of the Undersecretariat of Treasury have been classified as Group-2 Collateral.

The company's articles of association were amended on May 15, 2017 and the company's capital was raised to 318.281.750 TL from 278.438.891,61 TL. The registered capital cap was set as 500.000.000 TL. In addition, through the amendment of the same date, it was decided that the Chairman of Board of Directors must be selected from Group A shareholders.

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

### Main Field of Activity and the Company's Position in the Sector

KGF was established in 1991 in order to help SMEs access finance.

Since then, the company has been serving the primary objective of providing guarantee and collateral support for SMEs which have credibility but cannot use loans due to insufficient collateral.

We know that SMEs are the heart of an economy. As of 2018, SMEs account for 99,9 percent of enterprises and 75,8 percent of total employment in Turkey. In addition, they represent 50 percent of total investment, 56,2 percent of production and 55 percent of value added in the country. In summary, these data clearly demonstrate that the SMEs should be supported to strengthen the economy of Turkey.

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

This is exactly where KGF steps in and provides guarantees of up to 100 percent to SME and non-SME enterprises following the recent arrangements.

### Exemptions and Exceptions of Our Company

Our company is exempt from corporate tax pursuant to the Article 4 (I-I) of Corporate Tax Law no. 5520.

Pursuant to the fifth paragraph of Provisional Article 67 of Income Tax Law No. 193, the interest income from the deposits of our Company are not subject to any withholding.

Our company is exempt from the value added tax in its transactions for providing loan guarantees pursuant to the Article 17(e) of the Value Added Tax Law no. 3065

The documents issued in relation to the loan guarantees of our Company are exempt from the Stamp Duty pursuant to the provisions of paragraph V/22 of Table (2) which governs exceptions, in accordance with Article 9 of the Stamp Duty Law no. 488.

Pursuant to the provisions of the third paragraph of Article 123 of Law No. 492 on Legal Fees, the guarantees to be issued by our Company for loans to be extended by banks and the transactions concerning the loans to be extended by financing companies, credit institutions abroad and international organizations, their collaterals and repayment of these loans are exempt from the legal fees stipulated in the Law.

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

The benefits, wages, SSI employer's shares and attendance fees paid for board members and senior manager in the years ending on December 31, 2017 and December 31, 2018 are listed below.

Jan. 01 – Dec. 31, 2017	Jan. 01 – Dec. 31, 2018
1.963.631,45.-TL	2.585.873,44.-TL

There is not any administrative or judicial sanction imposed on the Company or Board Members because of the practices in breach of the legislation.

## D. BRANCHES



**40 BRANCHES  
IN TOTAL**

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





2

**KGF  
in Numbers**

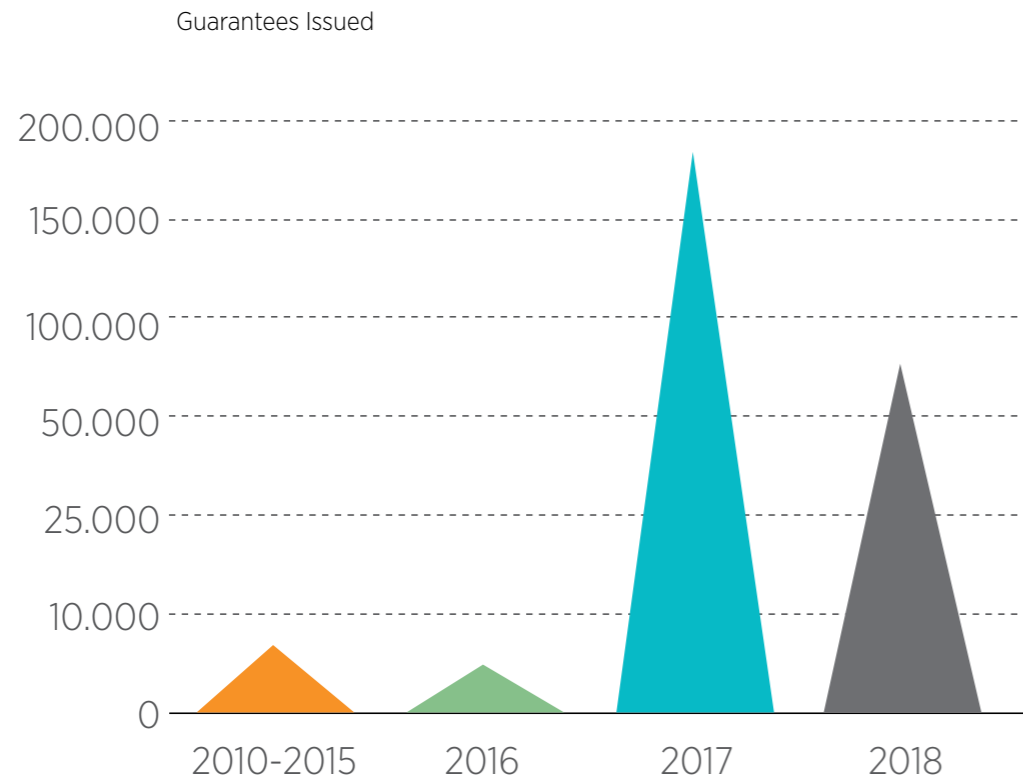
## A. DEVELOPMENTS IN OUR VOLUME OF GUARANTEES

GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TL)  
(Equity + Treasury, 1994-2018)

Period	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	Number of Firms	Amount of Loan	Amount of Guarantee	Number of Firms	Amount of Loan	Amount of Guarantee	Number of Firms	Amount of Loan	Amount of Guarantee
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
<b>1994-2018*</b>	<b>496.117</b>	<b>556.852</b>	<b>491.853</b>	<b>470.860</b>	<b>417.637</b>	<b>370.265</b>	<b>440.762</b>	<b>322.809</b>	<b>286.676</b>

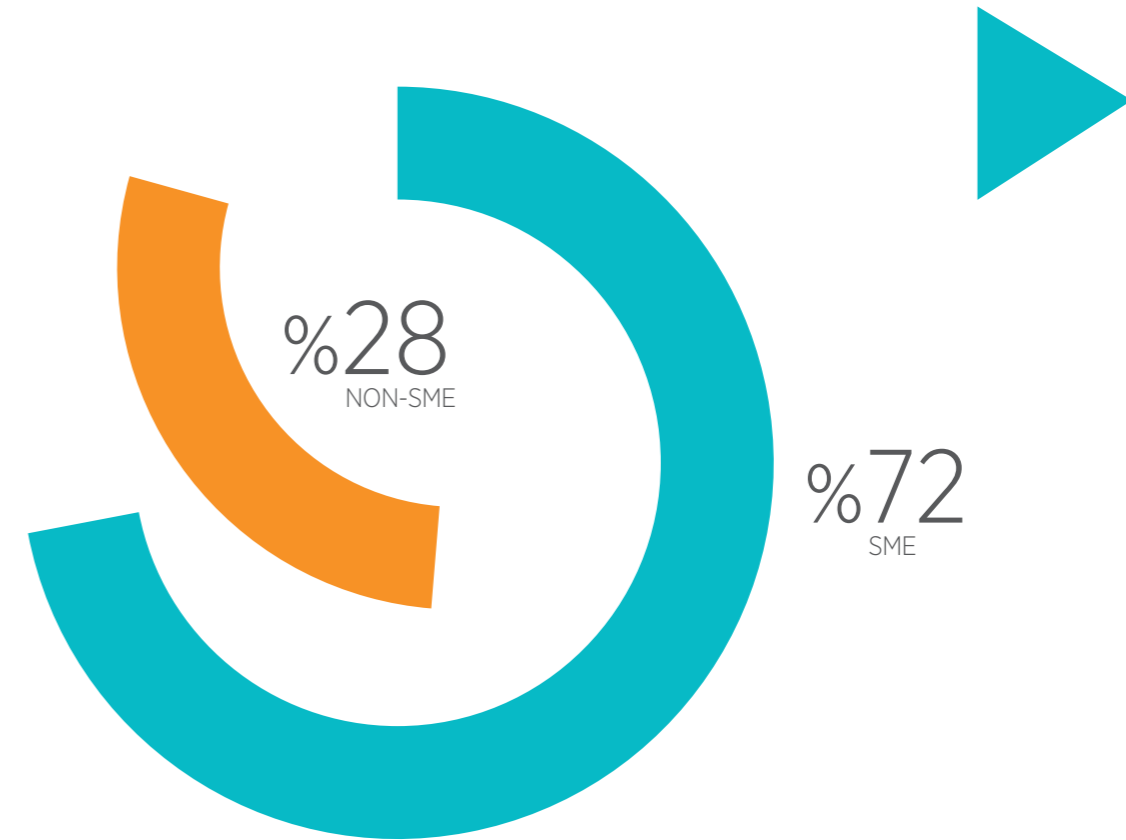
\* .95 percent of total guarantees are issued in 2017 and 2018.

\* \* Exchange rate as of end-2018 has been used.



BREAKDOWN OF GUARANTEES ISSUED BY SIZE OF ENTERPRISES (Million TL)  
(Equity + Treasury, 1994-2018)

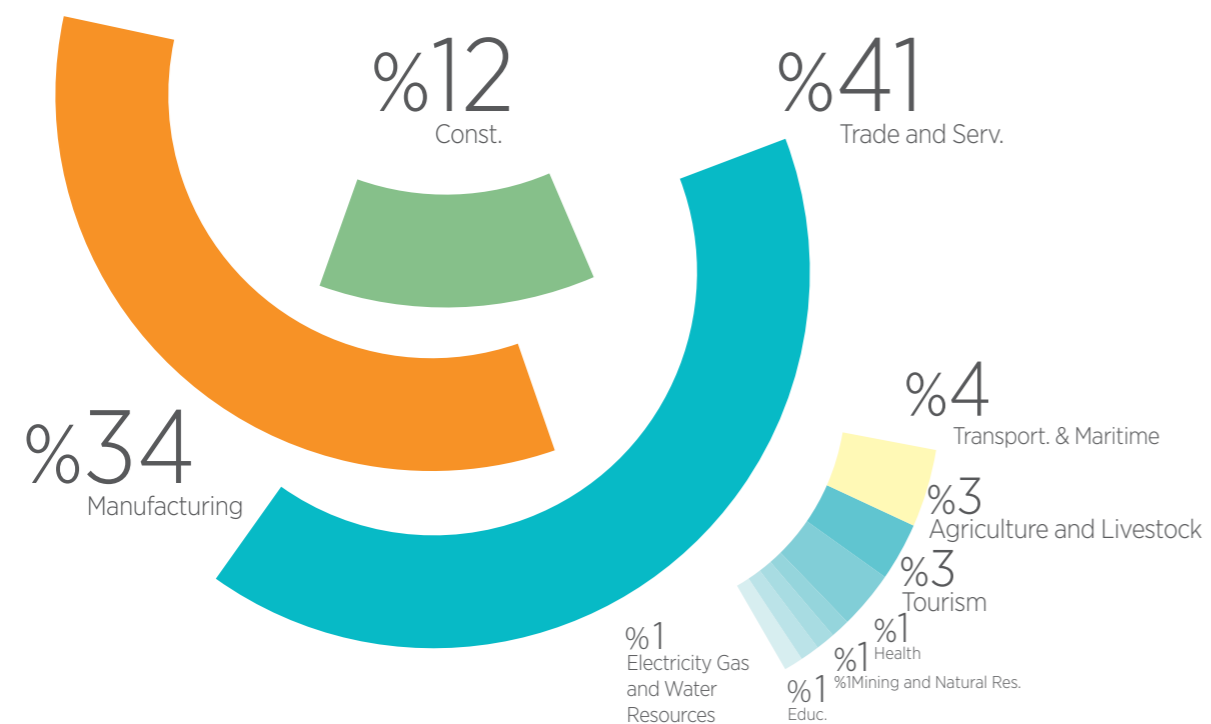
Segment	Number of Transactions	Volume of Loans extended with Guarantees Issued	Amount of Guarantees	Rate
SME	428.094	234.289	207.233	72%
NON-SME	12.668	88.520	79.442	28%
<b>TOTAL</b>	<b>440.762</b>	<b>322.809</b>	<b>286.676</b>	<b>100%</b>



## A. DEVELOPMENTS IN OUR VOLUME OF GUARANTEES

### BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TL) (Equity + Treasury, 1994-2018)

Sectors	Number	Amount of Guarantee	Rate
Trade and Services	220.545	117.510	41%
Manufacturing Industry	88.688	98.489	34%
Construction	46.700	33.618	12%
Transportation and Maritime	22.434	12.480	4%
Agriculture and Livestock	38.194	8.215	3%
Tourism	15.243	7.992	3%
Health	3.659	2.643	1%
Mining and Natural Resources	1.766	2.431	1%
Education	2.663	1.731	1%
Electricity Gas and Water Resources	870	1.567	1%
<b>Total</b>	<b>440.762</b>	<b>286.676</b>	<b>100%</b>

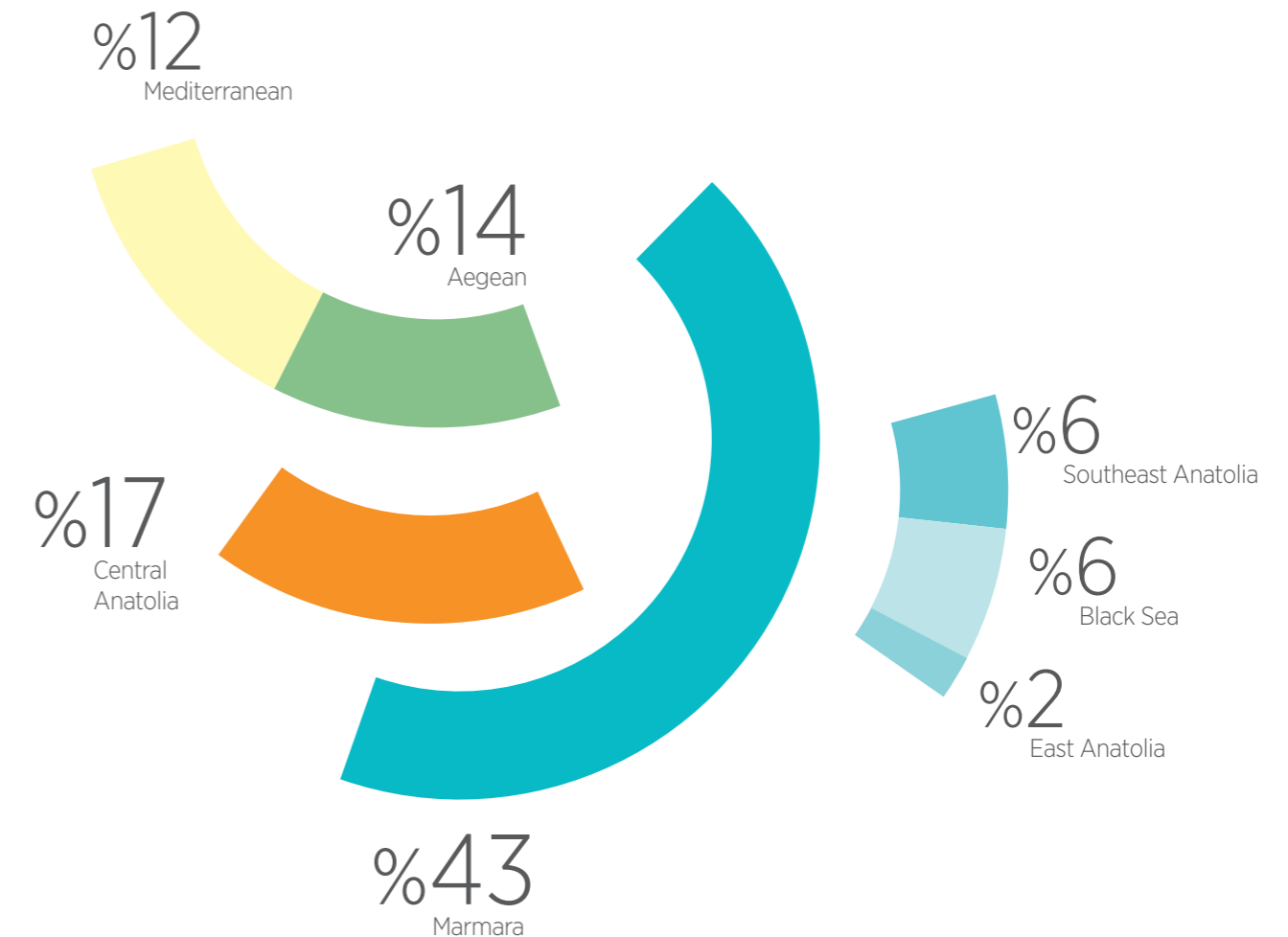


### BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TL) (Equity + Treasury, 1994-2018)

Regions	Number	Amount of Guarantee	Rate
Marmara	154.972	124.316	43%
Central Anatolia	77.485	47.347	17%
Aegean	67.577	38.738	14%
Mediterranean	54.371	35.474	12%
Southeast Anatolia	23.198	17.788	6%
Black Sea	44.731	16.341	6%
East Anatolia	18.428	6.672	2%
<b>TOTAL</b>	<b>440.762</b>	<b>286.676</b>	<b>100%</b>

In loans extended with KGF guarantee in 2018, Marmara Region ranked first with a share of 43% and guarantee amount of 124.316 million TL.

At the transaction level, Marmara Region has the highest average amount of guarantee used with 802 thousand TL, while East Anatolia Region had the lowest average amount of guarantee used with 362 thousand TL.



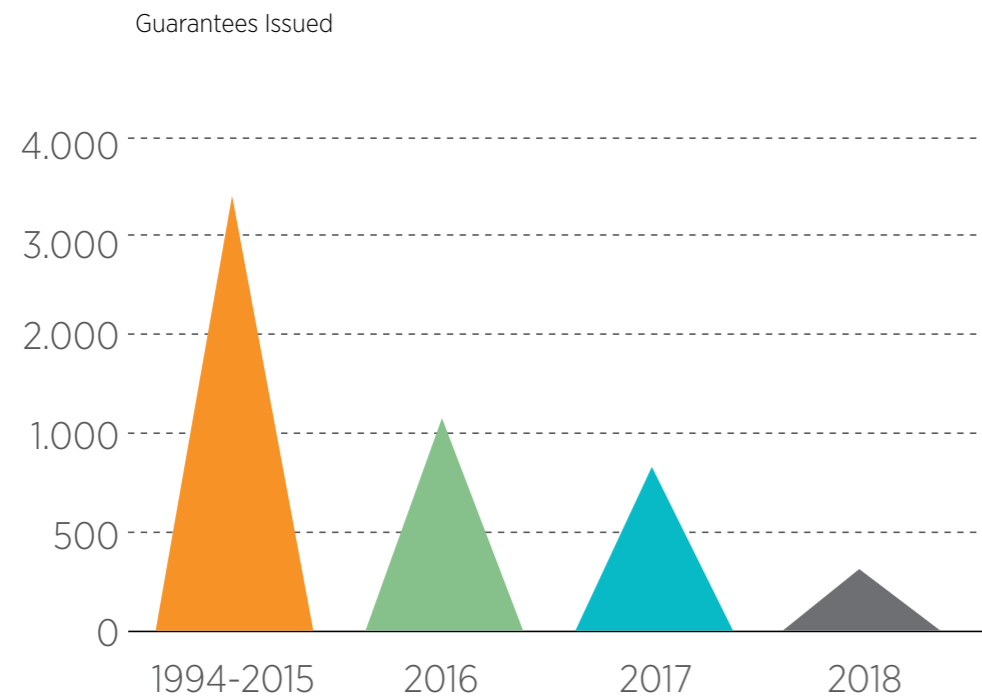


## B. BANK LOANS PROVIDED TO SMEs WITH OWN EQUITY BACKED GUARANTEES

GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TL)  
(Equity, 1994-2018)

Period	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	Number of Firms	Amount of Loan	Amount of Guarantee	Number of Firms	Amount of Loan	Amount of Guarantee	Number of Firms	Amount of Loan	Amount of Guarantee
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
1994-2018*	39.913	26.943	21.819	26.557	13.710	11.011	19.482	7.466	6.104

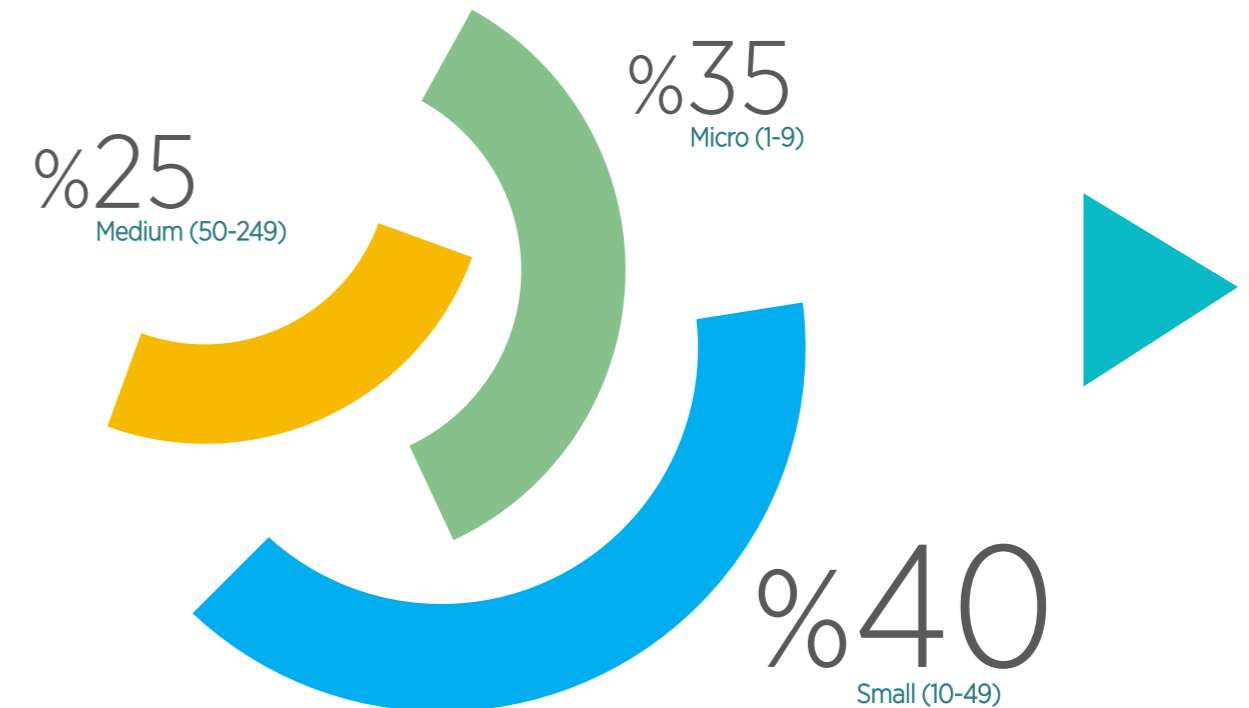
\* Exchange rate as of 2018 year end has been used.



BREAKDOWN OF GUARANTEES ISSUED BY SIZE OF ENTERPRISES (Million TL)  
(Equity, 1994-2018)

Size	Number of Transactions	Volume of Loans extended with Guarantees Issued	Amount of Guarantees	Rate
Micro (1-9)	13.763	2.543	2.113	35%
Small (10-49)	4.123	3.034	2.444	40%
Medium (50-249)	1.596	1.890	1.547	25%
TOTAL	19.482	7.466	6.104	100%

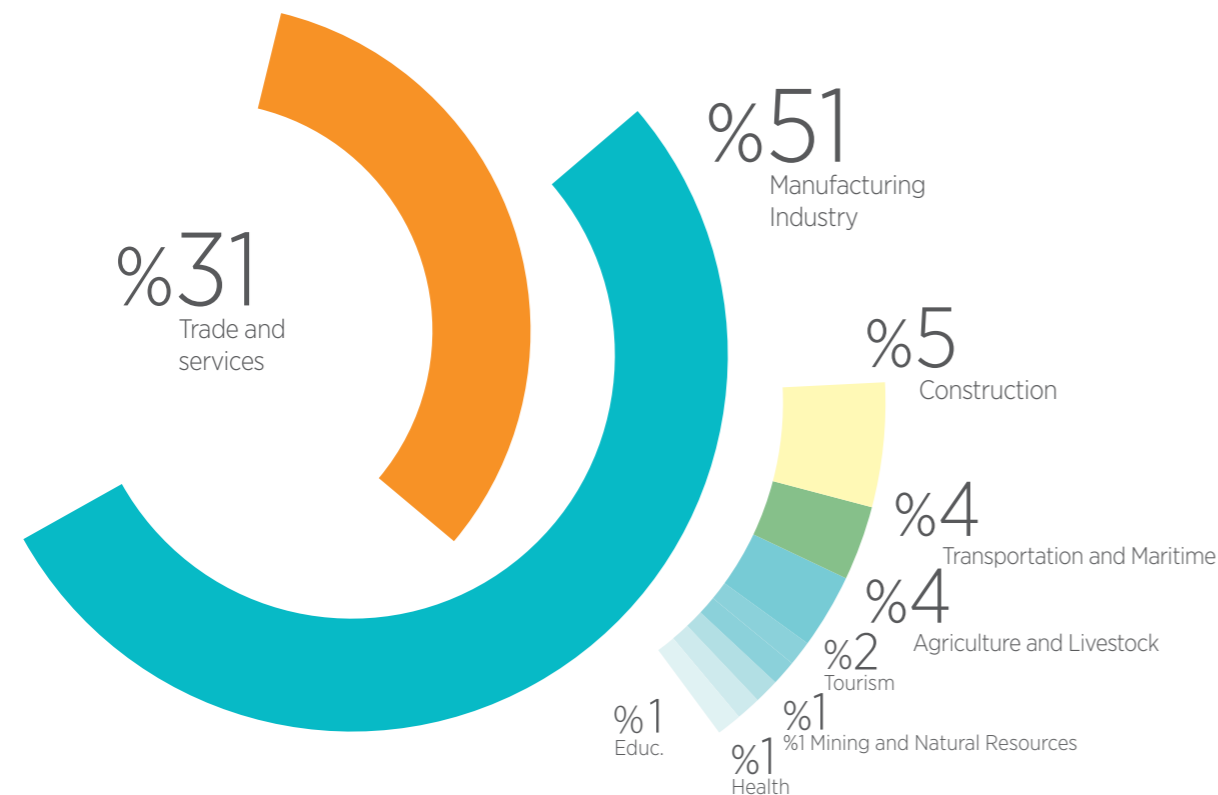
As of 2018, the share of micro enterprises in total guarantees issued increased to 35 percent, while small enterprises had a share of 40 percent with average guarantee amount of 593 thousand TL. The share of medium size enterprises declined to 25 percent, with average guarantee amount of 1.547 million TL.



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

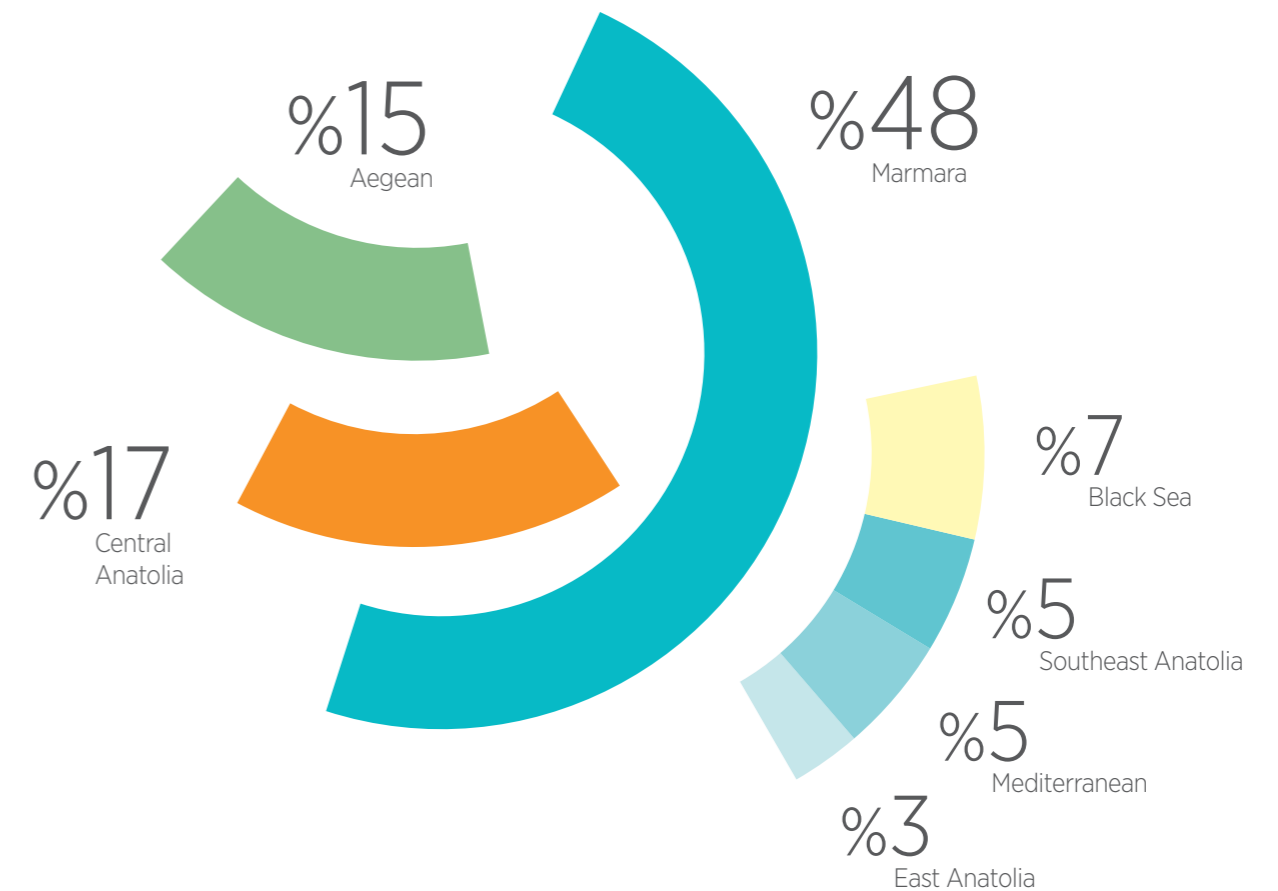
BREAKDOWN OF GUARANTEES ISSUED BY SECTORS (Million TL)  
(Equity, 1994-2018)

Sectors	Number	Amount of Guarantees	Rate
Manufacturing Industry	6.538	3.115	51%
Trade and services	8.483	1.863	31%
Construction	998	299	5%
Transportation and Maritime	1.190	269	4%
Agriculture and Livestock	800	229	4%
Tourism	1.063	140	2%
Mining and Natural Resources	98	64	1%
Health	176	64	1%
Education	90	35	1%
Electricity Gas and Water Resources	46	26	0%
<b>Total</b>	<b>19.482</b>	<b>6.104</b>	<b>100%</b>



BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TL)  
(Equity, 1994-2018)

Regions	Number	Amount of Guarantee	Rate
Marmara	4.932	2.954	48%
Central Anatolia	3.367	1.034	17%
Aegean	2.205	893	15%
Black Sea	4.337	409	7%
Southeast Anatolia	1.535	313	5%
Mediterranean	1.561	312	5%
East Anatolia	1.545	189	3%
<b>TOTAL</b>	<b>19.482</b>	<b>6.104</b>	<b>100%</b>



## C. BANK LOANS PROVIDED TO SMEs WITH TREASURY BACKED GUARANTEES

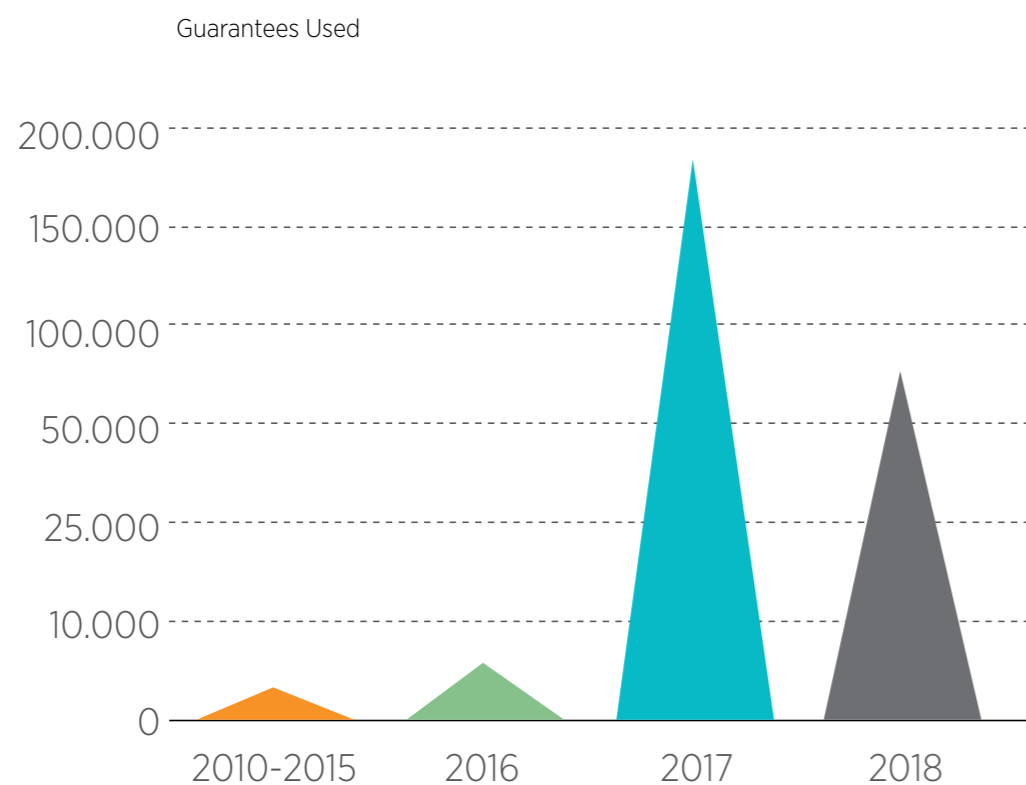
### GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TL)

(Treasury, 2010-2018)

Period	Guarantees Requested			Guarantees Approved			Guarantees Issued		
	Number of Firms	Amount of Loan	Amount of Guarantee	Number of Firms	Amount of Loan	Amount of Guarantee	Number of Firms	Amount of Loan	Amount of Guarantee
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
2010-2018*	456.204	529.909	470.034	444.303	403.927	359.253	421.280	315.343	280.572

\* 94 percent of total Treasury backed guarantees are issued in 2017 and 2018 .

\* Exchange rate as of 2018 year-end has been used.



The Treasury backed guarantees launched at the beginning of 2010 continued in 2018, too, and the amount of guarantees issued reached 75.088 million TL.

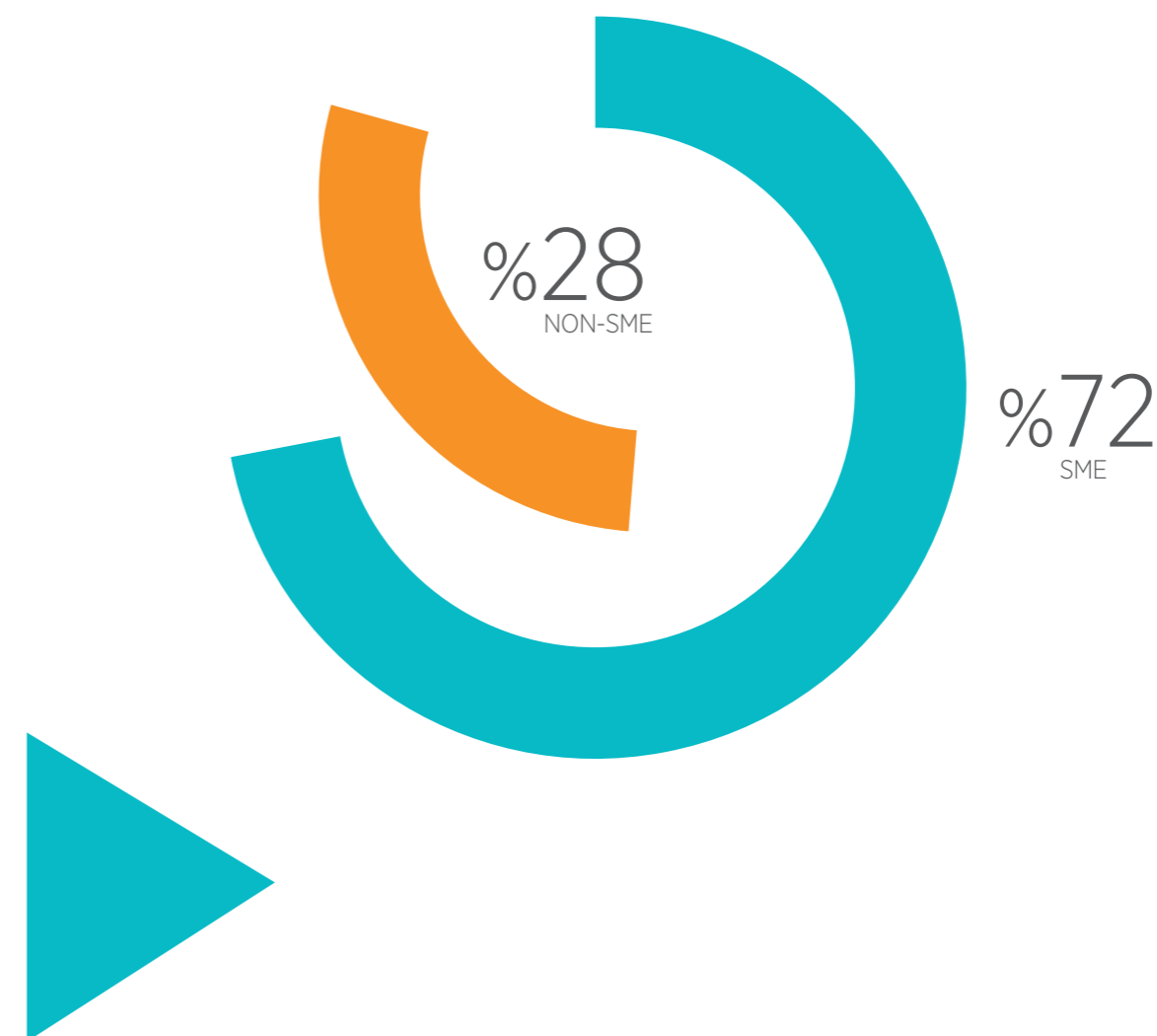
From the launch of the practice till the end of 2018, the requests of 456.204 SMEs were evaluated and 280.572 million TL worth guarantee was issued for 315.343 million TL loans used by 421.280 SMEs from banks.

The TOBB Nefes Loan practice launched at the end of December 2016 continued in 2017 and 2018 as well.

### SME and NON-SME BREAKDOWN OF GUARANTEES ISSUED (Million TL)

(Treasury, 2010-2018)

Segment	Number of Transactions	Volume of Loans extended with Guarantees Issued	Amount of Guarantees	Rate
SME	408.615	226.860	201.166	72%
NON-SME	12.665	88.483	79.406	28%
TOPLAM	421.280	315.343	280.572	100%



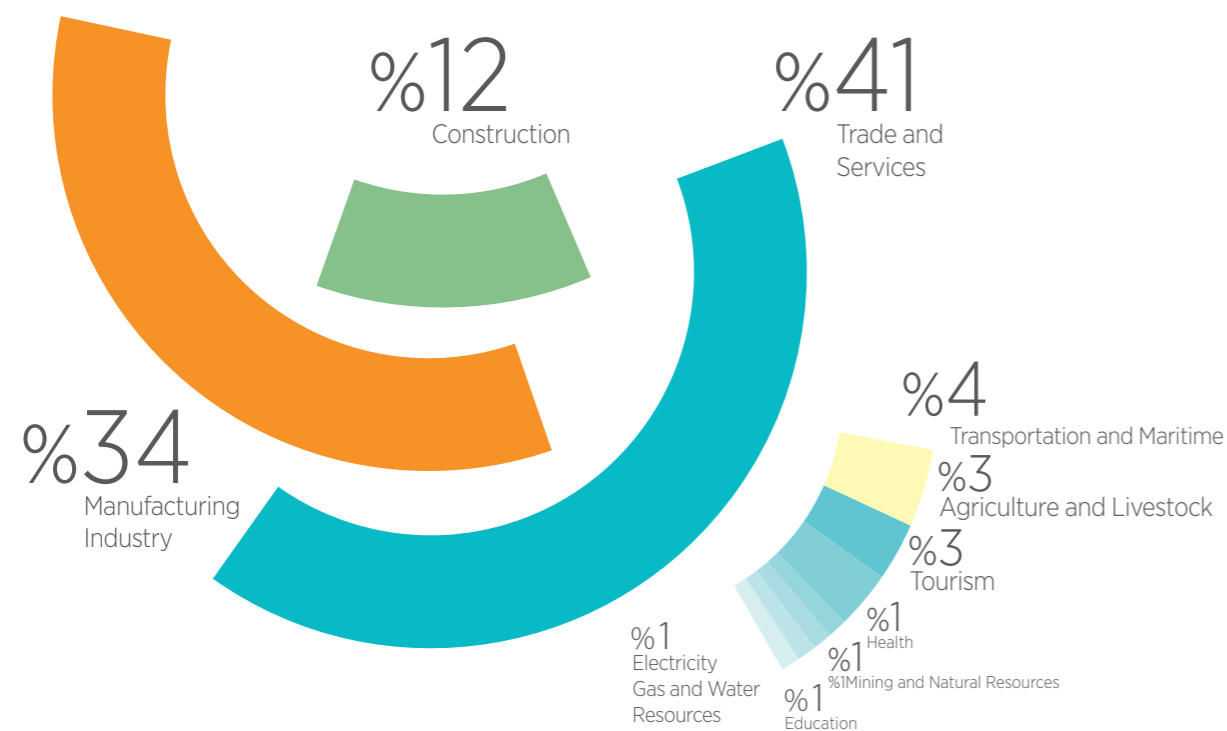


## C. BANK LOANS PROVIDED TO SMEs WITH TREASURY BACKED GUARANTEES

### GUARANTEES REQUESTED, APPROVED AND ISSUED BY YEARS (Million TL) (Treasury, 2010-2018)

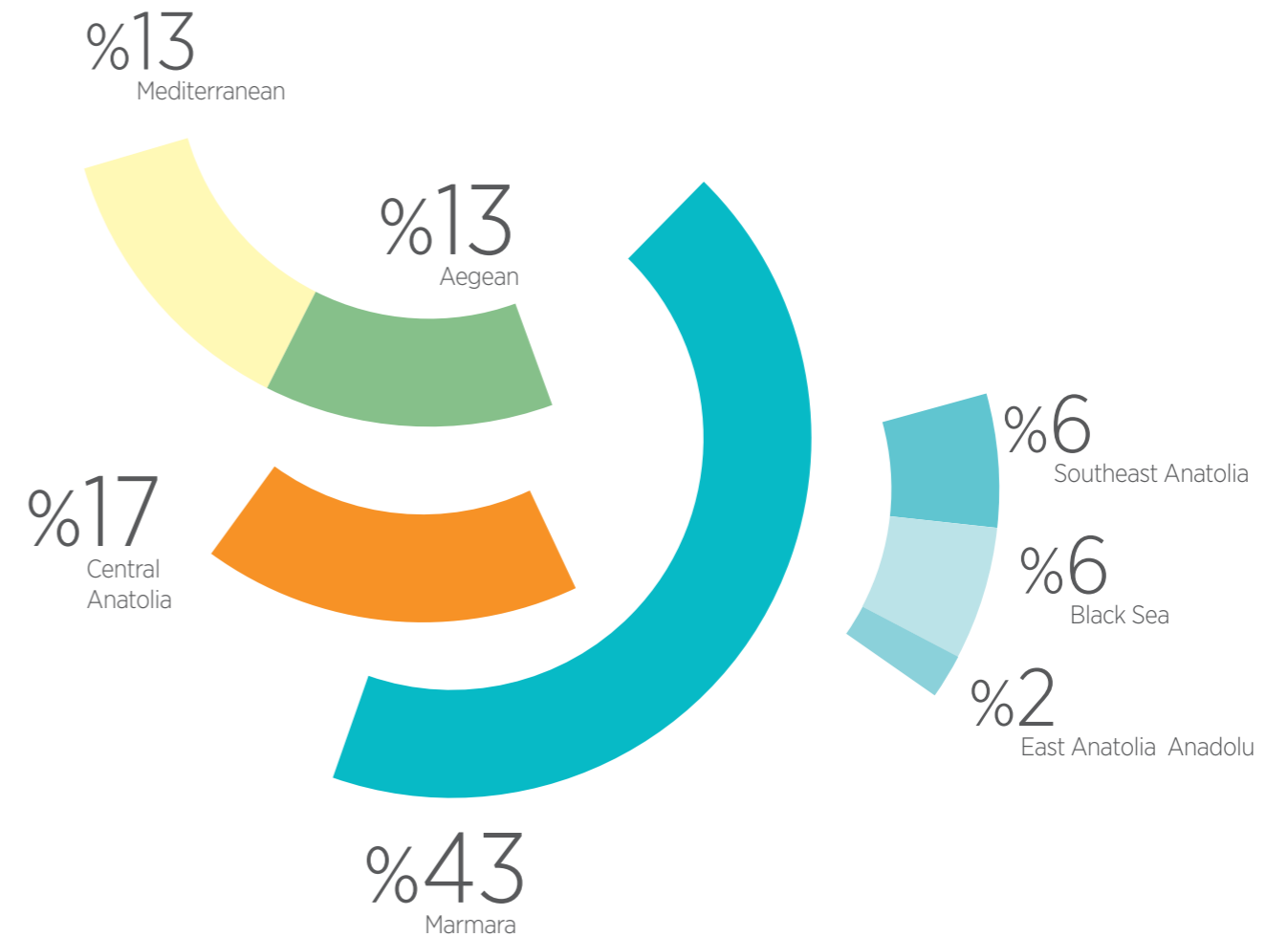
Sectors	Number	Amount of Guarantees	Rate
Trade and Services	210.366	115.647	41%
Manufacturing Industry	83.174	95.374	34%
Construction	45.925	33.319	12%
Transportation and Maritime	21.394	12.212	4%
Agriculture and Livestock	37.482	7.987	3%
Tourism	14.316	7.852	3%
Health	3.511	2.579	1%
Mining and Natural Resources	1.686	2.367	1%
Education	2.594	1.696	1%
Electricity Gas and Water Resources	832	1.541	1%
<b>Total</b>	<b>421.280</b>	<b>280.572</b>	<b>100%</b>

The guarantees issued to companies in the Industrial sector, which is the driving force of the economy and which makes significant contributions to production and employment, exceeded the total of Services and Agriculture sectors and reached 56 percent.



### BREAKDOWN OF GUARANTEES ISSUED BY REGIONS (Million TL) (Treasury, 2010-2018)

Regions	Number	Amount of Guarantee	Rate
Marmara	150.040	121.362	43%
Central Anatolia	74.118	46.313	17%
Aegean	65.372	37.846	13%
Mediterranean	52.810	35.162	13%
SE Anatolia	21.663	17.475	6%
Black Sea	40.394	15.932	6%
East Anatolia	16.883	6.483	2%
<b>TOTAL</b>	<b>421.280</b>	<b>280.572</b>	<b>100%</b>



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

Through protocols signed in 2014, the scope of direct guarantee practice executed with KOSGEB, TÜBİTAK, TTGV, and Ministry of Industry and Technology was expanded and the public subsidies offered to SMEs were also included in the scope of the guarantee program. When carrying out the support procedures of SMEs, the related agencies can now accept KGF guarantees as well in addition to bank letters of guarantee.

Direct supports continued in 2018 as well, and SMEs have been allowed to benefit from public subsidies without using their credit limits with banks in their collateral procedures.



## E. NON-PERFORMING LOANS

From 1994, when we started operation, till 2018 year-end, we issued guarantees of 286.675,90 million TL, of which 6.103,9 million was backed by own resources and 280.571,90 million was Treasury-backed. Of the total amount of guarantees issued, 4.212,4 million TL turned non-performing. The ratio of non-performing guarantees increased from 0,54% at the end of 2017 to 1,47% at the end of 2018. Of the amount that turned into non-performing guarantee, 10,8 percent was backed by own resources and 89,2 percent was Treasury-backed.

Of the guarantees backed by own resources, the rate of non-performing guarantees increased to 7,49 percent as of 2018 year-end, from 6,26 percent as of 2017 year-end.

As for Treasury-backed guarantees; the amount of non-performing guarantees was 3.755,3 million TL as of 2017 year-end. The rate of non-performing Treasury-backed guarantees increased to 1,34 percent as of 2018 year-end from 0,39 percent as of 2017 year-end.

### NON-PERFORMING GUARANTEES AND LEGAL FOLLOW-UP

Sources	01.01.1994 - 31.12.2018		Rate of Non-performing guarantees (%)	31.12.2018	
	Guarantees Issued	Non-performing guarantees		Outstanding Non-Performing Risk (incl. with protocol)	Rate of Non-Performing Risk (%)
Own resources	6.103.951.530	457.111.535	7,49	228.228.042	3,74
Treasury	280.571.904.641	3.755.317.258	1,34	3.626.742.687	1,29
<b>TOTAL</b>	<b>286.675.856.171</b>	<b>4.212.428.793</b>	<b>1,47</b>	<b>3.854.970.729</b>	<b>1,34</b>

Note: According to Board of Decisions dated 01/01/1994 and 31/12/2018, the balance of cancelled non-performing guarantees, out of non-performing guarantees supported by own resources, is 76.561.466,66TL.

Recoveries from non-performing guarantees are also increasing year by year. As of 2018 year-end, the principal amounts recovered from the non-performing guarantees supported from own resources and by Treasury are 141,8 million TL and 128,5 million TL, respectively.

As a result of these recoveries, out of the 3.854,9 million TL non-performing guarantee risk as of end-2018, 228,2 million TL consists of guarantees supported from own resources and 3.626,7 million TL consists of guarantees supported by Treasury, with shares of 5,9% and 94,1%, respectively.



**3**

**Activities  
in 2018**



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

► In 2018, a total of 34 national and international protocols were signed (28 new protocols and 6 addenda):

► With regard to Treasury backed guarantees, a total of 10 protocols were signed between the Ministry of Treasury and Finance and KGF pursuant to the Decision no. 2017/1177 dated December 26, 2017, published in the Official gazette dated January 01, 2018 and the Decision no. 2018/162 dated October 10, 2018, published in the Official Gazette dated October 11, 2018. In this direction, protocols have been signed with 27 shareholder banks and 12 financial leasing companies in which banks are dominant shareholders or which are shareholders of our Company and authorized pursuant to Law No. 6361.

1. A protocol valued at 55 billion TL was signed with the Ministry of Treasury and Finance on January 22, 2018, for guarantees to be issued from guarantee returns. In line with this guarantee limit, guarantee protocols have been signed with lenders.

2. A protocol valued at 35 billion TL was signed with the Ministry of Treasury and Finance on May 11, 2018, for guarantees to be issued from guarantee returns. In line with this guarantee limit, guarantee protocols have been signed with lenders.

3. The amounts of previously signed protocols of 55 billion TL and 35 billion TL have been revised as 52,5 billion TL and 32,5 billion TL, respectively.

4. The three protocols signed previously with the Ministry of Treasury and Finance in the amounts of 200 billion TL, 52,5 billion TL and 32,5 billion TL were revised in line with the Presidential decree published on October 10, 2018 and new protocols were signed on November 16, 2018. Thereafter, the guarantee protocols signed with 27 banks and 12 financial leasing companies have also been revised.

New provisions introduced under these protocols are as follows:

► In line with the decreasing guarantee risk as the loans provided with Treasury backed KGF guarantees are repaid in time, provisions have been introduced to enable the reuse of the unutilized guarantee limit.

► The upper limit of guarantees for exporters/ importers and investors qualifying as SME has been raised to 25 million TL.

► Lenders have been required to offer the companies the possibility of restructuring before they claim indemnification.

► In case the loans provided earlier are restructured, multiple restructuring possibility has been introduced by adding maximum 36 months to the maximum loan maturities, raising the maturities of working capital loans to 96 months and of investment loans to 156 months. In case of restructuring maximum additional grace period has been limited to 12 months.

► It has been made possible to restructure in Turkish Lira terms the foreign currency loans or loans indexed to foreign currency.

► Provisions have been introduced about the concordatum process of companies.

► A provision has been introduced to require payment of delay interest pursuant to Law No. 6183 if they transfer the recoveries after indemnification with a delay.

► The following provisions have been introduced about the collaterals received during application for guarantee;

- Provided that loan collateral rate is maintained throughout the loan lifecycle, collaterals may be replaced ex officio with collaterals in the same or higher group.

- In order to reduce the risk exposure / increase payment capacity, collaterals may be cancelled

partially / fully in proportion to the rate of reduction in the credit risk exposure, provided that the loan/collateral rate is maintained and the loan is not turned into an unsecured loan.

- Six protocols have been signed with KOSGEB:
  1. Emergency Support Loan Protocols have been signed for Osmaniye, Iğdır, Şanlıurfa separately.
  2. "Machinery and Equipment Loan Interest Support Protocol" was renewed on July 19, 2018.
  3. On October 16, 2018, the "Protocol for Direct KGF Guarantee for SMEs to Benefit from KOSGEB Supports" was renewed. Under the protocol, a provision has been introduced to allow for KGF guarantees backed by own resources, in an amount up to 3 million TL in favor of enterprise per risk group, with guarantee commission of 1,5% per annum.
- Three protocols have been signed with other organizations:
  1. On June 04, 2018, "Protocol on Travel Agencies Support Loan from Turkish EximBank" was signed among TÜRSAB, KGF and 3 banks.
  2. On May 08, 2018, "Protocol on System Integration with e-Government Gate" was signed between TÜRSAT and KGF.
  3. "Software Development, Maintenance and Support Contracts" were signed between SOFTTECH and KGF in April 2018.

- On May 10, 2018, A memorandum of Understanding was signed to bring in 300 million EUR funding to Turkey to be disbursed to female entrepreneurs within the framework of the "Turkey - Women in Business Program (TURWIB)" executed between KGF and European Bank for Reconstruction and Development (EBRD) during the annual meeting of EBRD held in Jordan. The MoU also calls for collateralization of these loans with Treasury-backed KGF guarantees.

- On February 14, 2018, TOBB Nefes Loan Protocol was signed by TOBB, KGF and 6 banks (Ziraat

Bankası, Denizbank, Halkbank, Vakıfbank, Ziraat Katılım Bankası, Vakıf Katılım Bankası) enabling SMEs to use loans with maturity of 18 months including a grace period of 6 months, with monthly interest rate of 0,99% and guarantee rate of 85%.

- On August 31, 2018, Protocol for SME Support Loan was signed under TOBB Nefes Project by TOBB, KGF and 8 banks (Ziraat Bankası, Halkbank, Vakıfbank, Ziraat Katılım Bankası, Vakıf Katılım Bankası, İş Bankası, Yapı Kredi Bankası, Garanti Bankası) enabling SMEs to use loans with maturity of 18 months including a grace period of 6 months, with monthly interest rate of 1,85% and guarantee rate of 85%.

- The questions, suggestions and complaints communicated through the call center of our Company are responded within the shortest period of time possible. In this scope, 55 calls and 180 e-mails are received per day on average, with a total of 45.000 e-mails responded in 2018.

- The company was represented in 77 domestic meetings.

- The internal regulations of the company consisting of 1 Policy, 14 Implementation Directives and 14 Regulations have been reviewed and the Loan Allocation Regulation has been revised.

### NEW COOPERATION INITIATIVES

Initiatives have been taken for international cooperation with many international institutions and organizations, including discussions held with the European Investment Fund, European Bank for Reconstruction and Development, German Development Bank, International Agricultural Development Fund and Islamic Development Bank:

- The European Union is implementing the EU Program for the Competitiveness of Small and Medium-Sized Enterprises (COSME) aimed at facilitating the access of SMEs to finance and support their growth within the framework

of the financial cooperation with Turkey. An application was filed by our company for the program in December 2017 and our application was approved by European Investment Fund in September 2018. In this scope, European Investment Fund will provide grant funds to our company through counter-guarantee agreement. The counterguarantee to be obtained from the European Investment Fund will provide guarantee support together with the co-finance to be provided from the own resources of our company. As part of this program, 2,8 billion TL worth loans are expected to be provided to SMEs.

- In order to collateralize the loans to be provided to female entrepreneurs with Treasury backed KGF guarantees, a Memorandum of Understanding was signed between EBRD (European Bank for Reconstruction and Development) and KGF on May 10, 2018 to bring in 300 million EUR external finance to Turkey under the Women in Business Program (TURWIB), and loan disbursements are expected to begin early in 2019 after signing protocols with banks.
- The project planned to support the employment of Turks and Syrians in Turkey's provinces with high incidence of Syrians is still under development. Under the "socioeconomic" component of the EU's facility for Refugees in Turkey (FRiT) which is executed by the European Commission and KfW (German Development Bank), it is planned to create lending volume by KGF's guarantee support and provide interest support for enterprises which achieve employment growth.
- Under the "Syrian Palestinian Employment and Entrepreneurship Development - SPEED Project" which aims at supporting Palestinians in Turkey, a Memorandum of Understanding was signed by IDB, KGF and other Project partners on November 22, 2017, and implementation is expected to start in 2019.

- KGF will provide guarantees for the access to finance component of Uplands Rural Development Program being executed by Turkish Ministry of Food, Agriculture and Livestock and IFAD (International Fund for Agricultural Development)
- Under the joint loan support project financed by BTC (Baku-Tblisi-Ceyhan) Crude Oil Pipeline company and KGF, a Project is planned to be implemented to provide guarantee for loans to be extended with loan interest subsidy for improving the economic performance of female and young entrepreneurs in Turkey.

## INTERNATIONAL CONTACTS

In 2018, our country was represented in international conferences organized in Germany, Bulgaria, Jordan, Spain, Poland, Japan and contacts were held with foreign credit guarantee institutions and international organizations.

### GMF (Global Microfinance Forum)

Our representatives participated in the 14th Global Micro-Finance Forum held in Munich on March 15-16, 2018, and made a presentation on KGF credit guarantee system and activities.

### AECM OTS (Operational Training Session)

Under the event hosted by the AECM member in Bulgaria, National Guarantee Fund (EAD), with the participation of AECM member credit guarantee agencies on May 3-4, 2018 in Sofia, an AECM Operational Training Session was organized and the pricing policies of guarantee agencies were evaluated.

### AECM General Assembly

KGF participated in the "General Assembly" meeting of European Association of Guarantee Institutions (AECM) held in Warsaw on June 13-16,

2018. KGF is a member of AECM since 2005 and the Association has 48 members in 29 countries.

### SME Finance Forum

KGF participated in the annual meeting titled "Role of SME Finance in promoting Growth and Productivity" of SME Finance Forum, which was organized in Spain on November 5-7, 2018.

### EBRD Annual Meeting

KGF participated in EBRD Annual Meeting held in Jordan on May 9-10, 2018. A Memorandum of Understanding was signed between EBRD and KGF under the TURWIB (Turkey Women in Business) Program.

### EAFRD Meeting

KGF participated in the 4th EAFRD (European Agricultural Fund for Rural Development) Financial Instruments Conference organized in Sofia on June 5-6, 2018 in response to the invitation of fi-compass platform co-organized by the European Commission and European Investment Bank.

### Japan Credit Support Mechanism

Under the program organized in Japan between November 24 and December 1, 2018, technical and administrative meetings were held with the Japanese public institutions, banks and other financial institutions to examine the Japanese credit support mechanism consisting of loan guarantee and guarantee insurance. EUR 10.000 part of the travel expenses incurred by KGF A.Ş. was financed by EFSE (European Fund for Southeastern Europe) under a sponsorship agreement.



As a result of updated business processes, institutionalization and high volume of transactions and increased level of recognition, delegations representing various institutions from many countries have visited us to obtain information about the original model implemented by KGF. These countries include Uzbekistan, Tataristan, Mongolia, Kazakhstan, Azerbaijan, Saudi Arabia and the Netherlands.

- ▶ Presentations have been made to a delegation of representatives from Microcreditbank of Uzbekistan on the functioning and products of KGF, application processes, collateral and indemnification processes,
- ▶ A delegation of 11 people from various institutions in Tataristan,
- ▶ Officials of SPARK which is a non-governmental organization based in Amsterdam,
- ▶ Nadir Imanov, Secretary General of SMB (Azerbaijani Small and Medium Enterprises Development and Support Administration) and the accompanying delegation,
- ▶ A delegation from Mongolian Small and Medium Enterprises Development Fund which supports SMEs in Mongolia,
- ▶ A technical delegation consisting of officials from the Kazakhstan International Chamber of Commerce (ATAMEKEN),
- ▶ Mr. Yousef Hasan Khalawi, Secretary General of Islamic Chamber of Commerce and Agriculture (ICCIA) which is an affiliated organization of Islamic Cooperation Organization (ICO) was briefed on KGF and recent developments.

## HUMAN RESOURCES ACTIVITIES IN 2018

The number of staff members, which was 197 people at the end of 2017 declined to 184 as of end-December 2018 as 19 people resigned and 6 new people were recruited. 52 percent of the

staff is female and 48 percent is male. 90 percent of staff is a graduate of university and/or higher school. KGF has a young employee profile, with an average age of 38. Average seniority is 5 years.

Total number of staff	184
Rate of female staff	52%
Rate of Senior-Medium Level Female Managers	44%
Rate of university graduates	90%
Average age	38
Average seniority	5 years

KGF has designed its human resources by acknowledging that employee are the most valuable resources.

In this framework, career planning, wage policy, duties, processes and all other rights have been secured through internal regulations. The human resources processes policies are based on the "Human Resources Regulation", which includes provisions on recruitment, promotion, appointment, resignation and other basic procedures. In addition, KGF employees are completely and accurately get information about their side benefits, responsibilities and relevant processes through "Regulation on Duties and Powers", "Performance Evaluation Regulation", "Disciplinary Regulation", "Allowance Regulation", "Implementation Instructions on Leaves", "Implementation Instructions on Training", etc. Thus, the rights of all employees are protected; and career and training plans are developed to guide their professional development and progress.

Human Resources and Performance Management Division executes recruitment and other ongoing processes solely on the basis of performance evaluation and internal regulations, without any discrimination on the basis of religion, language, race or gender. The primary goal is to ensure professional development of employees and offer an orderly, transparent and peaceful environment. It is possible to access employment data, leave rights, payrolls, qualifications based performance

evaluation and information on the in-service training, through the KOBİS system.

Career planning and promotion procedures are executed transparently and in compliance with the internal regulations. According to the "Qualifications-Based" Performance Evaluation for the year 2018, the promotion process and wages of employees have been established and data have been created for the training plans.

The needs analysis is conducted for all staff members concerning internal training; their interest in and expectations from the training as well as their training needs are identified; and these data are used as input for training planning.

As part of the training programs planned within a vision of continuous development and learning; staff members receive 4,2 man/hour classroom training; 4,4 man/hour e-learning training, with a total training of 8,6 hours (Classroom + e-learning). E-learning, which is a new generation learning method, is accessible uninterruptedly through PC and mobile channels using the KOBİT Akademi System.

As part of the efforts to improve the employment rights of KGF staff, individual accident insurance and complementary health insurance are offered since 2016, which continued in 2018 as well. Legal procedures are fulfilled and required

precautions are taken with regard to occupational health and safety, and an ergonomic work environment is provided. Specialist opinions are obtained and relevant practices are developed to achieve the ideal of healthier staff and less occupational disease.

In cooperation with TOBB University, 13 students attended internship program for 3,5 months in 2018. University students were deployed in various departments so that they can practical experience working life, working conditions, financial sector and the Company.

The 2018 annual audit of ISO 9001:2015 Service sector Quality certificate, which we hold to pursue the understanding and aspiration of maintaining

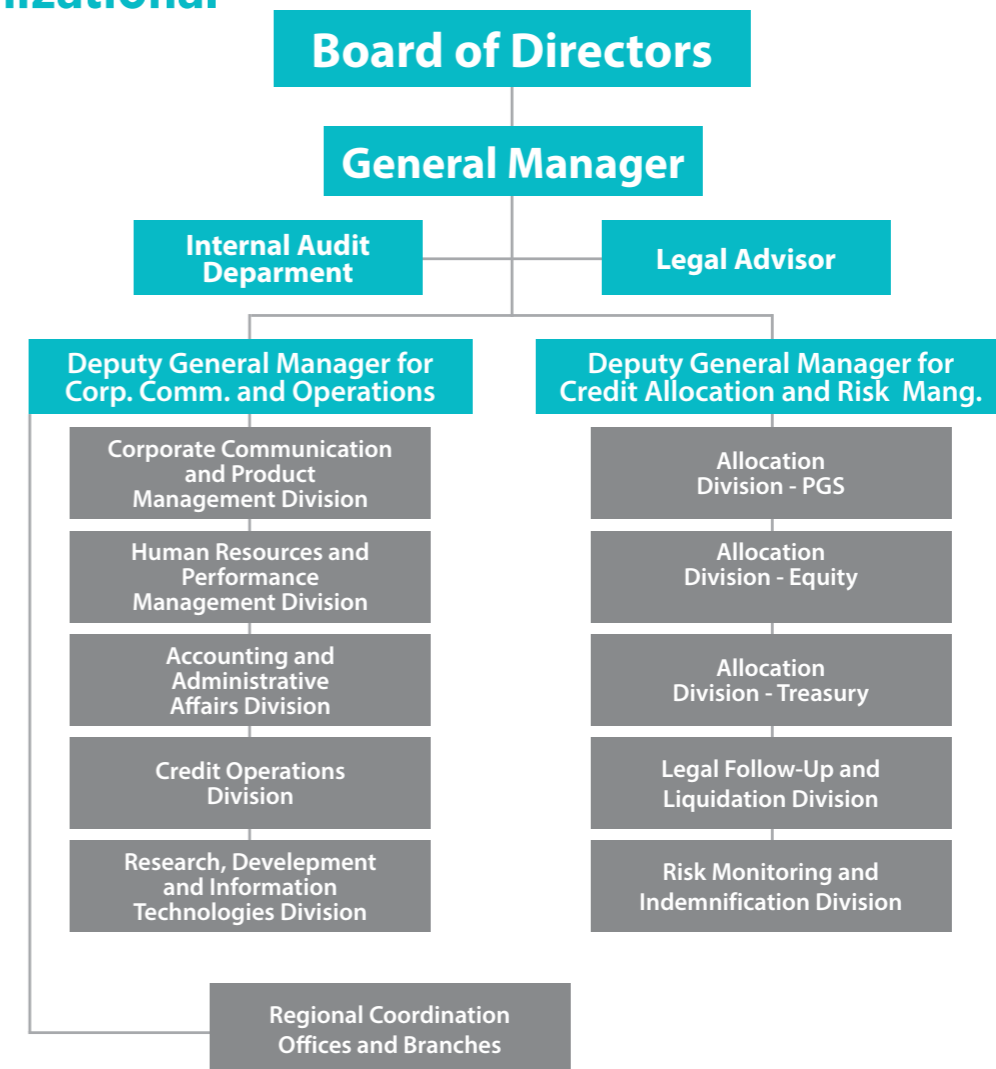
and improving stakeholder satisfaction in business processes, has been successfully completed, and we have been entitled to continue hold the certificate.

Due to the increased importance and recognition of KGF and the importance attached by the company to human resources, it has become a preferred institution for employment. Many job applications are received during the year.

KGF will continue investing in human resources in line with the evolving and needs, expectations of employees and new technologies.

As part of social responsibility projects, 3 students from TOBB ETU University were given scholarships with a total amount of 180.000 TL.

## Organizational Chart





## INFORMATION TECHNOLOGIES AND SECURITY ACTIVITIES

- ▶ The network system of KGF, internet access of user PCs, software components and applications were strengthened with various security systems.
- ▶ In order to maximize information security, data level protection (DLP) measures were completed. Due to the evolving nature of security needs, weakness analyses and improvements performed continuously.
- ▶ The disaster recovery system and General Management system infrastructure were strengthened through various equipment and security software products so that KGF automation system can run uninterruptedly.
- ▶ The capacities of server infrastructure and data storage systems have been expanded and the system software used has been updated.
- ▶ Corporate e-mail server has been moved to KGF and is protected with high-level security measures.
- ▶ Extensive system analysis and design studies have been started in order to facilitate business processes, provide faster service, speed up application processes and expand the transaction capacity of business units.
- ▶ The scope of project has been expanded and integration with online information sources has been enabled; thus, manually entered data or data uploaded as document have been reduced in the guarantee application process.
- ▶ The archives of KGF have been entirely digitalized and access has been provided for the KGF users who are authorized through the archive software. The scanned hardcopy files are stored in boxes and the space constraints of the archive have been resolved.
- ▶ Independent audit firm has audited business processes and information systems during the account period.

## INVESTMENTS OF THE COMPANY IN THE RELATED ACCOUNT PERIOD

New technological infrastructure investments have been made to maximize the security of the system of our company that is integrated with the banking system.

## AUDITS APPLICABLE TO THE COMPANY

PricewaterhouseCoopers (PWC) conducted a Risk Center member Audit at our company in 2018. In addition, as the ISO 9001 Services Sector Quality Management System audit was successfully completed in 2018, the quality version has been upgraded to the latest version of 9001:2015. As part of independent audit activities; the financial

statements of our company dated December 31, 2018 were audited by independent external auditors. The audit was conducted Pwc Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş., which was selected pursuant to the decision taken during the General Assembly meeting held on March 22, 2018.

## INTERNAL AUDIT ACTIVITIES

- ▶ Internal control mechanisms have been established to make sure that the operations of our company are compliant with the legislation and internal regulations, within the framework of policies and rules established by the Board of Directors, as well as to secure the completeness and reliability of accounting and reporting systems.
- ▶ Periodic and risk-based internal audit activities are carried out to assure the management that the company's operations are compliant with laws, other applicable legislation and internal strategies, policies, principles and goals and that the internal control systems are effective and sufficient.
- ▶ Internal Audit Department administratively reports to the General Manager and is responsible for the fulfillment of audit functions against the Audit Committee and the Board of Directors.
- ▶ The coverage of internal audit activities and applicable principles are established through annually prepared internal audit plans which are developed in line with the company's strategies and priorities and put into force upon the approval of Audit Committee following the general Manager's opinions.
- ▶ The recommendations developed in order to address the findings of internal audit activities and prevent their recurrence are submitted to related units. To address these findings, based on their degrees of importance and urgency, the Internal Audit Department follows up findings so that the related units take action within a reasonable period of time.
- ▶ Based on the instructions of General Manager or Audit Committee, the Internal Audit Department starts reviews to investigate or evaluate any issue.
- ▶ Based on the instructions of General Manager or Audit Committee, the Internal Audit Department conducts investigations over the actions and procedures of the company staff which violate laws and other applicable legislation and thus may require administrative, criminal or financial liability.
- ▶ The reports prepared as a result of investigations and reviews are submitted to the General Manager and Audit Committee.
- ▶ Where required by the General Manager or Audit Committee, the Internal Audit Department performs consultancy function.





## PRESS RELATIONS AND PROMOTION ACTIVITIES





## PRESS RELATIONS AND PROMOTION ACTIVITIES





**4**

**Financials**





## EVALUATION OF FINANCIAL STANDING

Our company's total net sales in 2018 amounted to 71.608.692 TL. While our operating profit was 20.075.793 TL, our net profit as of fiscal year 2018 amounted to 57.786.819 TL.

### ASSET STRUCTURE

In 2018, the asset size of our company grew by 12,38 percent year on year, and reached 530.188.365 TL. The share of current assets in total asset size was 95,96 percent, while the share of fixed assets was 4,04 percent.

In current assets, liquid assets had the largest share with 66,92 percent, accounting for 340.497.190 TL. The account item "Banks" had the largest share in Liquid Assets with 98,72 percent.

Another important item of Current Assets is "Trade Receivables". Amounting to 160.838.325 TL net of provisions set aside for Doubtful Trade Receivables, Trade Receivables had a share of 30,34 percent in current assets. Fixed assets consist mainly of Tangible Assets and Intangible Assets.

In line with the company's needs and future vision, we have tangible assets of 21.256.783 TL as a result of investments made in the field of technology in particular.

### LIABILITY STRUCTURE

The most important liability item is equity, which accounts for 97,28 percent (515.767.569 TL) of liabilities. The share of short and long-term liabilities is 2,72 percent.

Paid-in capital constitutes the largest share in equity with an amount of 318.281.750 TL and rate of 61,71 percent.

Another important item of equity is Retained Earnings with an amount of 124.637.562 TL and rate of 24,17 percent.

Short and long-term liabilities amount to 14.420.796 TL in total, of which 37,62 percent consists of provisions for severance pay.

### PROFIT DISTRIBUTION POLICY

Our company does not distribute profits pursuant to Article 4 (1-I) of Corporate Tax Law No. 5520.

### CONCLUSION

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

Given the importance of Credit Guarantee Fund for our country, and in line with the goal of increasing its weight and influence in the existing financial structure, it is intended to further strengthen the equity structure by admitting new shareholders and increasing the capital amount of existing shareholders.

**KREDİ GARANTİ FONU AŞ**  
**COMPARATIVE BALANCE SHEET FOR THE YEAR**  
**31.12.2017 - 31.12.2018 (T.L.)**

ASSETS	T.P.L		Liabilities	T.P.L	
	Previous period 31/12/2017	Current Period 31/12/2018		Previous period 31/12/2017	Current Period 31/12/2018
<b>1 CURRENT ASSETS</b>	<b>460.569.150</b>	<b>508.794.733</b>	<b>3 CURRENT LIABILITIES</b>	<b>9.320.483</b>	<b>8.995.443</b>
10 Liquid Assets	341.344.585	340.497.190	30 Financial payables		
100 Cash	3.251	3.014	32 Trade payables	2.041.131	2.405.871
102 Banks	339.712.069	336.144.525	309 Other financial payables	16.726	7.490
104 Treasury Bank Account	1.629.265	4.349.651	320 Sellers	358.512	261.602
11 Securities	3.485.273	4.015.773	326 Deposits and Collaterals Received	413.477	1.761.678
111 Pr. Sec. Bonds, Notes and Bills			329 Other Trade payables	1.252.416	375.101
112 Pub. Sec. Bonds, Notes and Bills	3.485.273	4.015.773	33 Other payables	2.465.370	4.277.983
12 Trade Receivables	111.836.375	160.838.325	335 Staff payables		985
120 Buyers			336 Other Misc. Payables	2.465.370	4.276.998
126 Deposits and Collaterals Given	503	503	34 Advances received	2.499.987	329.642
127 Other Trade Receivables	9.032.305	71.973.433	341 Fee and Commission advances	2.499.987	329.642
128 Doubtful Trade Receivables	176.252.712	162.162.103	36 Tax and Other Obl. Payable	2.313.995	1.944.674
129 Prov. for D. Trade Receivables (-)	-73.449.145	-73.297.714	360 Taxes and Funds payable	856.369	965.036
13 Other Receivables	92.027	240.273	361 Social security deductions payable	1.365.296	847.370
135 Receivables from Staff		81	362 Tax and Other Obl. Payable (KTVÜ)	92.330	132.265
136 Other Misc. Receivables	92.027	240.192	369 Other Obligations Payable		2
15 Inventories	311.000	54.000			
159 Advances given for purchase orders	311.000	54.000	38 Inc. r/t fut. Mon. & exp. accruals	0	0
18 Inc. r/t fut. Mon. & exp. accruals	3.445.990	3.073.780			
180 Prepaid expenses		104.832	380 Income and exp. r/t future months		
181 Income accruals	3.445.990	2.968.949	39 Other current liabilities	0	37.274
19 Other current asset	53.900	75.392	391 VAST Calculated		22.256
190 VAT transferred			393 Head-office and branch current accounts		15.018
191 VAT Deductible		775			
195 Business advances	53.900	74.617			
			<b>4 LONG-TERM LIABILITIES</b>	<b>4.480.081</b>	<b>5.425.353</b>
<b>TOTAL OF CURRENT ASSETS</b>	<b>460.569.150</b>	<b>508.794.733</b>	<b>40 Financial payables</b>		
<b>2 FIXED ASSETS</b>	<b>11.212.137</b>	<b>21.393.632</b>	42 Trade payables		
22 Trade receivables			43 Other Payables		
220 Buyers			47 Debt. and exp. Provisions	4.480.081	5.425.353
226 Deposits and Collaterals Given			472 Prov. For Severance Pay	4.480.081	5.425.353
23 Other Receivables	106.200	106.200	48 Income r/t future years &		
236 Other Misc. Receivables	106.200	106.200	Expense accruals		
25 Tangible Assets	9.046.312	14.931.601	<b>TOTAL OF LONG-TERM LIABILITIES</b>	<b>4.480.081</b>	<b>5.425.353</b>
250 Lands and Plots	1.030.302	889.074			
251 Land improvements			<b>5 EQUITIES</b>	<b>326.783.289</b>	<b>457.980.750</b>
252 Buildings	1.392.171	2.189.477	50 Paid-in capital	318.281.750	318.281.750
253 Mach., plant & equip.			500 Unpaid capital (-)	318.281.750	318.281.750
254 Vehicles	1.661.610	1.661.610	501		
255 Fixtures	4.977.694	6.576.779	52 Capital reserves	5.751.284	5.751.312
256 Other tangible assets			529 Other capital reserves	5.751.284	5.751.312
257 Accumulated depreciation (-)	-2.668.352	-4.365.520	54 Profit reserves	2.750.255	9.310.126
258 Investments in progress	2.652.887	7.980.181	540 Legal reserves	2.750.255	9.310.126
26 Intangible Assets	1.769.931	6.325.181	542 Extraordinary reserves		
260 Rights	30.194	36.481	548 Other profit reserves		
264 Special Costs	200.511	236.677	549 Special funds		
267 Other tangible Assets	2.821.122	12.293.950	57 Retained earnings	0	124.637.562
268 Accumulated depr. (-)	-1.281.896	-6.241.927	570 Retained earnings		124.637.562
28 Exp. r/t future years	289.694	30.649	58 Accumulated Losses (-)		
Income accruals			580 Accumulated Losses (-)		
280 Exp. r/t future years	289.694	30.649	59 Net Profit (Loss) for the period		
281 Income accruals			590 Net Profit for the period	131.197.434	57.786.819
<b>TOTAL OF FIXED ASSETS</b>	<b>11.212.137</b>	<b>21.393.632</b>	<b>TOTAL OF EQUITIES</b>	<b>457.980.723</b>	<b>515.767.569</b>
<b>TOTAL OF ASSETS</b>	<b>471.781.287</b>	<b>530.188.365</b>	<b>TOTAL OF LIABILITIES</b>	<b>471.781.287</b>	<b>530.188.365</b>
MEMORANDUM ITEMS	190.276.737.368	221.198.938.330	MEMORANDUM ITEMS	190.276.737.368	221.198.938.330
Equity Guarantee Debt Exp.	1.448.139.526	1.135.181.137	Equity Guarantee Credit Exp.	1.448.139.526	1.135.181.137
Treasury Guarantee Debt Exp.	174.952.529.927	199.424.959.000	Treasury Guarantee Credit Exp.	174.952.529.927	199.424.959.000
Guarantees from Treasury	13.876.067.915	16.923.257.313	Guarantees from Treasury	13.876.067.915	16.923.257.313
Other memorandum items	0	3.715.540.880	Other memorandum items	0	3.715.540.880

**KREDİ GARANTİ FONU AŞ**  
**DETAILED COMPARATIVE INCOME STATEMENT FOR THE PERIOD**  
**31.12.2017 - 31.12.2018**

	T.P.L	
	31/12/2017	31/12/2018
<b>A- GROSS INCOME</b>	<b>134.292.275</b>	<b>72.907.150</b>
1. Commissions from domestic guarantees	133.324.154	71.566.128
2. Commissions from overseas guarantees		
3. Other income	968.121	1.341.022
<b>B- SALES DEDUCTIONS (-)</b>	<b>715.236</b>	<b>1.298.458</b>
1. Sales Returns (-)	715.236	1.298.458
2. Sales Discounts (-)		
3. Other discounts (-)		
<b>C- NET SALES</b>	<b>133.577.039</b>	<b>71.608.692</b>
<b>D- COST OF SALES (-)</b>		
<b>GROSS SALES PROFIT OR LOSS</b>	<b>133.577.039</b>	<b>71.608.692</b>
<b>E- OPERATING COSTS (-)</b>	<b>41.217.433</b>	<b>51.532.899</b>
1. Research and development costs		
2. Operating costs of branches (-)	17.219.058	
3. Overhead costs (-)	23.998.375	51.532.899
<b>OPERATING PROFIT OR LOSS</b>	<b>92.359.606</b>	<b>20.075.793</b>
<b>F- ORDINARY INCOME OR PROFITS FROM OTHER OPERATIONS</b>	<b>57.678.606</b>	<b>102.874.611</b>
1. Dividends from affiliates		
2. Dividends from subsidiaries		
3. Interest income	34.317.070	57.283.851
4. Commission income		
5. Provisions no longer required	4.761.861	2.579.541
6. Securities sales profit		
7. Foreign exchange profit	18.599.675	43.011.219
8. Rediscount interest income		
9. Other operational income and profits		
<b>G- COSTS AND LOSSES FROM OTHER OPERATIONS (-)</b>	<b>24.193.188</b>	<b>47.798.496</b>
1. Commission expenses		
2. Provision expenses	15.000.002	25.525.651
3. Securities sales losses		
4. Foreign exchange losses	9.193.186	22.272.845
5. Rediscount interest expenses		
6. Other ordinary costs and losses		
<b>ORDINARY PROFIT OR LOSS</b>	<b>125.845.024</b>	<b>75.151.908</b>
<b>I- EXTRAORDINARY INCOME AND PROFITS</b>	<b>5.762.132</b>	<b>4.174.594</b>
1. Retained income and profit	414.735	360.874
2. Other extraordinary income and profits	5.347.397	3.813.720
<b>J- EXTRAORDINARY COSTS AND LOSSES (-)</b>	<b>409.722</b>	<b>21.539.683</b>
1. Idle capacity expenses and losses (-)		
2. Accumulated expenses and losses (-)		
3. Other extraordinary expenses and losses (-)	409.722	21.539.683
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>131.197.434</b>	<b>57.786.819</b>
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>131.197.434</b>	<b>57.786.819</b>

**NON-PERFORMING GUARANTEE EXPOSURE**

	31.12.18
Sources	NPG exposure (including with protocols)
Equity	228.228.041,73
Treasury	3.626.742.687,45
<b>TOTAL</b>	<b>3.854.970.729,18</b>



**5**

**INDEPENDENT  
AUDITOR'S  
REPORT**

# Kredi Garanti Fonu A.Ş. FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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

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

### INDEPENDENT AUDITOR'S REPORT

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

#### A. Audit of the Financial Statements

##### 1. Opinion

We have audited the accompanying financial statements of Kredi Garanti Fonu A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2018, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

##### 2. Basis for Opinion

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

##### 3. Key Audit Matters

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





<b>Key Audit Matters</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p><b>Expected Credit Loss in Accordance With TFRS 9</b></p> <p>The Company has total expected credit losses of TRY 131.135.528 in respect to indemnified guarantees (trade receivables) amounting to TRY 234.147.737 which represent a significant portion of the Company's total assets in its financial statements as at 31 December 2018. In addition, the Company has total expected credit losses of TRY 41.943.010 in respect to guarantees financed by its own equity amounting to TRY 1.135.181.137. Explanations and notes related to expected credit losses are presented in the notes 2.6, 3.3, 6 and 12 of the accompanying financial statements as at 31 December 2018.</p> <p>TFRS 9 Financial Instruments Standard published by the Public Oversight Accounting and Auditing Standards Authority (the "POA") has been effective as of 1 January 2018 and has replaced TAS 39 Financial Instruments: Recognition and Measurement. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous POA regulation have changed with the application of expected credit loss model under TFRS 9.</p> <p>Application of TFRS 9 lead to an increase in complexity and in the degree of judgment required to calculate the provision for trade receivables and guarantees financed by own equity. First time application of the standard, required significant judgment and interpretation especially in development of expected credit losses models.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the expected credit losses assessment such as macro-economic expectations, current conditions, historical loss experiences. The level of judgements and estimations made by the management have significant impacts on the amount of expected credit losses on balance sheet. Therefore, this area is considered as key audit matter.</p>	<p>With respect to calculation of expected credit losses in accordance with TFRS 9 within our audit procedures, we have assessed policy, procedure and principles established by the management of the Company.</p> <p>We have evaluated and tested default definition, probability of default, loss given default and estimations and assumptions related to macroeconomic variables used in the calculation of expected credit losses together with our financial risk experts.</p> <p>We have tested the calculations in expected credit loss models through re-performance together with our financial risk experts on a sample basis.</p> <p>We have checked expected credit losses determined based on individual assessment as per the Company's policy, by reviewing supporting data, and evaluated its appropriateness through discussions with management.</p> <p>We have checked data input used in models developed for the calculation of expected credit losses on a sample basis.</p> <p>We have assessed accuracy and completeness of the disclosures in the financial statements the Company presented in relation to expected credit losses.</p>



#### 4. Other Matter

The financial statements of the Company for the year ended 31 December 2017 were audited by another auditor, whose report dated 28 February 2018 expressed an unmodified opinion on those statements.

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

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

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

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

#### 6. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



#### B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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

Talar Gül, SMMM  
Partner

İstanbul, 22 March 2019

## STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

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

	Notes	Current year audited	Prior year audited
		31 December 2018	31 December 2017
<b>Assets</b>			
<b>Current assets</b>		<b>450.870.241</b>	<b>456.239.791</b>
Cash and cash equivalents	4	343.420.209	344.155.326
Financial investments	5	4.019.108	3.514.937
Trade receivables	6	103.012.209	107.318.775
Other receivables	7	208.536	318.820
Prepaid expenses	8	135.481	289.694
Other current assets	13	74.698	642.239
<b>Non-current assets</b>		<b>25.822.075</b>	<b>11.548.107</b>
Property, plant and equipment	9	4.772.709	4.468.752
Intangible assets	10	18.032.769	4.718.830
Other non-current assets	13	3.016.597	2.360.525
<b>Total assets</b>		<b>476.692.316</b>	<b>467.787.898</b>
<b>Current liabilities</b>		<b>46.381.335</b>	<b>31.254.234</b>
Trade payables	6	271.431	379.030
Employee benefit obligations	11	1.653.239	2.238.004
Other payables	7	2.366.687	3.917.611
Deferred income	14	22.164.098	13.270.611
Short-term provisions:		9.468.918	2.908.185
-Short-term provisions for employee benefits	11	1.898.718	2.060.561
-Other short-term provisions	12	7.570.200	847.624
Other short-term liabilities	13	10.456.962	8.540.793
<b>Non-current liabilities</b>		<b>37.342.154</b>	<b>2.407.340</b>
Long-term provisions		37.342.154	2.407.340
-Long-term provisions for employee benefits	11	2.464.100	2.407.340
-Other long-term provisions	12	34.878.054	-
<b>Total Liabilities</b>		<b>83.723.489</b>	<b>33.661.574</b>
<b>Shareholders' equity</b>		<b>392.968.827</b>	<b>434.126.324</b>
<b>Attributable to equity holders of parent</b>			
Paid-in share capital	15	318.281.750	318.281.750
Other accumulated comprehensive income that will not be reclassified in profit or loss		452.058	86.290
Restricted reserves	15	9.310.126	2.750.255
Retained earnings/(accumulated losses)	15	31.883	(22.809.647)
<b>Net profit for the year</b>		<b>64.893.010</b>	<b>135.817.676</b>
<b>Total liabilities and shareholders' equity</b>		<b>476.692.316</b>	<b>467.787.898</b>

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Current year audited	Prior year audited
		1 January - 31 December 2018	1 January - 31 December 2017
<b>Revenue</b>	<b>16</b>	<b>61.374.183</b>	<b>133.037.159</b>
Cost of sales (-)	16	(44.833.126)	(17.653.785)
<b>Gross profit</b>		<b>16.541.057</b>	<b>115.383.374</b>
General administrative expenses (-)	17	(1.795.382)	(23.539.085)
Other operating income	18	19.761.257	9.600.406
Other operating expense (-)	18	(47.917.665)	(11.225.159)
<b>Operating (loss) / profit</b>		<b>(13.410.733)</b>	<b>90.219.536</b>
Income from investment activities	19	688.809	835.391
<b>Operating (loss)/profit before financial expenses</b>		<b>(12.721.924)</b>	<b>91.054.927</b>
Financial income	20	100.274.150	53.973.060
Financial expense (-)	20	(22.659.216)	(9.210.311)
<b>Net profit for the year</b>		<b>64.893.010</b>	<b>135.817.676</b>
Other comprehensive income			
Other accumulated comprehensive income that will not be reclassified in profit or loss			
-Actuarial gain	11	365.768	808.226
<b>Total other comprehensive income</b>		<b>365.768</b>	<b>808.226</b>
<b>Total comprehensive income</b>		<b>65.258.778</b>	<b>136.625.902</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Paid-in share capital	Other accumulated comprehensive income that will not be reclassified in profit or loss Actuarial gain/ (loss) arising from employee benefits	Restricted reserves	Retained earnings/ (Accumulated losses)	Net profit / (loss) for the year	Total
Balance at 1 January 2017	278.438.892	(721.936)	2.473.743	(12.442.586)	372.455	268.120.568
Transfers	10.463.004	-	276.512	(10.367.061)	(372.455)	-
Other comprehensive income	-	808.226	-	-	-	808.226
Share capital increase (*)	29.379.854	-	-	-	-	29.379.854
Net profit for the year	-	-	-	-	135.817.676	135.817.676
Balance at 31 December 2017	318.281.750	86.290	2.750.255	(22.809.647)	135.817.676	434.126.324
Balance at 1 January 2018	318.281.750	86.290	2.750.255	(22.809.647)	135.817.676	434.126.324
Effects of changes in accounting policies (IFRS 9) (Note 2)	-	-	-	(106.416.275)	-	(106.416.275)
Adjusted Balance at 1 January 2018	318.281.750	86.290	2.750.255	(129.225.922)	135.817.676	(327.710.049)
Transfers	-	-	6.559.871	129.257.805	(135.817.676)	-
Other comprehensive income	-	365.768	-	-	-	365.768
Net profit for the year	-	-	-	-	64.893.010	64.893.010
Balance at 31 December 2018	318.281.750	452.058	9.310.126	31.883	64.893.010	392.968.827

(\*) The Company increased the capital in 2017 and a portion of TL 10.463.004 of this increase is made using internal resources consisted of prior year earnings. The remaining part amounting to TL 29.379.854 is equally provided by the newly entering banks (Turkland Bank A.Ş., Fibabanka A.Ş., Anadolubank A.Ş., Odeabank A.Ş., TSKB, Nurol Yatırım Bankası A.Ş.) into partnership in cash.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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

		Current year audited	Prior year audited
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
<b>A. Cash flows from operating activities</b>		<b>(41.122.762)</b>	<b>64.167.457</b>
<b>Net profit</b>		<b>64.893.010</b>	<b>135.817.676</b>
<b>Adjustments for reconciliation of net profit/ (loss)</b>		<b>(63.526.949)</b>	<b>(22.867.142)</b>
Adjustment for depreciation and amortisation expense	9, 10	2.890.530	1.915.973
Adjustments for expected credit loss provisions		(11.338.280)	-
Adjustment for provisions and written-off receivables	6	2.604.907	9.104.864
Adjustment for interest income		(57.370.769)	(35.373.387)
Adjustment for gain on sale of property, plant and equipment	19	(688.809)	(835.391)
Adjustment for litigations provisions	12	(342.380)	641.600
Adjustment for unpaid vacation liability and bonus accrual	11	(161.843)	492.430
Adjustment for employee termination benefits	11	879.695	1.186.769
<b>Changes in working capital</b>		<b>(42.031.655)</b>	<b>(48.757.849)</b>
Change in trade receivables		(51.430.061)	(51.948.154)
Change in prepaid expenses	8	154.213	(233.287)
Changes in other receivables	7	110.284	(277.009)
Change in other current assets	13	567.541	(496.513)
Change in trade payables	6	(107.599)	77.823
Changes in short-term liabilities	13	1.916.169	3.372.909
Change in employee benefit obligations	11	(584.765)	546.149
Change in other payables	7	(1.550.924)	652.737
Change in deferred revenues	14	8.893.487	(452.504)
<b>Net cash flows used in operating activities</b>		<b>(457.167)</b>	<b>(25.228)</b>
<b>Employment termination benefits paid</b>		<b>(457.167)</b>	<b>(25.228)</b>
<b>B. Cash flows from investing activities</b>		<b>(16.940.775)</b>	<b>624.935</b>
Proceeds from sale of property, plant and equipment, intangible assets and other non-current assets		713.877	1.195.516
Purchases of property, plant and equipment	9	(1.727.084)	(2.330.794)
Purchases of intangible assets	10	(14.806.409)	(3.595.220)
Purchases of other-current assets		(656.072)	-
Changes in financial investments		(465.087)	5.355.433
<b>C. Cash flows from financing activities</b>		<b>57.262.931</b>	<b>62.961.002</b>
Capital increase	15	-	29.379.854
Interest received	20	57.262.931	33.581.148
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(800.605)</b>	<b>127.753.394</b>
Cash and cash equivalents at beginning of the year	4	341.297.795	213.544.401
Cash and cash equivalents at the end of the year	4	340.497.190	341.297.795



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 27 banks in

equal shares; by the shares of 29,16%, 29,15%, 0,12%, 0,01%, 0,008% of and 41,53%, respectively. (Note 15)

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

As of December 31, 2018, the Company has 185 employees (December 31, 2017: 197).

### 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 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.

#### 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 31 December 2018 with the statement of financial position prepared as of 31 December 2017, the statement of profit or loss with the statement of profit or loss and other comprehensive income, cash flow statement, and statement of changes in equity for the period 1 January – 31 December 2018 with the accounting period of 1 January - 31 December 2017 comparatively. Financial statements and related footnotes of the previous period have not been restated according to transition regulations of TFRS 9.

The Company's personnel expenses, depreciation expenses, office-rent expenses, consulting expenses and other miscellaneous service expenses amounting to TL 21.454.297 which

was presented under "General Administrative Expenses" in the statement of profit or loss for the period ended 31 December 2017 has been reclassified under "Cost of Sales" in the statement of profit or loss for the period of 1 January-31 December 2017 presented for comparison with the statement of profit or loss for the period ended 1 January - 31 December 2018.

#### 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 any 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 9 "Financial Instruments", there is no change in the accounting policies of the Company in 2018.

#### 2.6. First time adoption to TFRS 9 "Financial Instruments" standard

KTFRS 9 "Financial Instruments", which is effective as of 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official

Gazette numbered 29953 dated 19 December 2017. "TAS 39 Financial Instruments: Recognition and Measurement" has been replaced with TFRS 9, related to the classification and measurement of financial instruments.

In the application of TFRS 9 Financial Instruments Standard, the Company has benefited from the exemption, which allows it to be shown without restatement of comparative information on prior periods related to classification and measurement (including impairment) changes. Therefore, there is no need to revise the financial statements of the previous years and these financial statements are presented in accordance with TAS 39. The differences in the carrying amount of financial assets and liabilities resulting from the application of TFRS 9 are accounted under retained earnings as of 1 January 2018.

### 2.6.1 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 aims 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 shortterm 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 2018 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 2018 the Company has no financial assets at fair value through other comprehensive income.

#### c. Financial Assets Measured at Amortized Cost

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

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

#### Financial assets measured at amortized cost of the Company include:

	31 December 2018	31 December 2017
<b>Cash and cash equivalents</b>		
-Cash	3.014	3.251
-Banks	343.420.216	344.152.075
- Demand deposit	5.028.619	2.173.782
-Time deposit	338.391.597	341.978.293
<b>Financial investments</b>		
-Financial assets measured at amortized cost	4.019.108	3.514.937
<b>Trade receivables</b>		
-Indemnified guarantees financed by own equity (net)	103.012.209	107.318.775
<b>Total</b>	<b>450.454.547</b>	<b>454.989.038</b>

#### 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). Changes in the classification of financial assets and liabilities under TFRS 9 are presented below:

Financial Assets	Before TFRS 9		In scope of TFRS 9	
	Measurement Bases	Book Value December 31, 2017	Measurement Bases	Book Value January 1, 2018
Cash and cash equivalents	Measured at amortized cost	344.155.326	Measured at amortized cost	344.153.199
	Fair value through profit and loss	-	Fair value through profit and loss	-
	Fair value through other comprehensive income (Available-for-sale)	-	Fair value through other comprehensive income	-
	Measured at amortized cost (Held to Maturity Investments)	3.514.937	Measured at amortized cost	3.514.797
Trade Receivables	Amortized cost	107.318.775	Amortized cost	54.187.055

#### 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, 2017, 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. The amount of extra risk that can be incurred in the event of indemnification is included in the calculations by using the credit conversion rate (CCR) calculated for the portfolio guarantee system (PGS) which is guarantees financed by own equity.

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, all 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.



## 2.6.2. Reconciliation of financial assets in accordance with TFRS 9

In the transition to TFRS 9, there is no any classification differences in the financial assets of the Company.

### a) Reconciliation of the opening balances of the provision for expected credit losses to TFRS

	Book value before TFRS 9		Book value after TFRS 9	
	31 December 2017	Remeasurements	1 January 2018	
Trade Receivables	77.978.442	53.131.720	131.110.162	
Stage 3 (*)	77.978.442	53.131.720	131.110.162	
Financial Assests (**)	-	2.267	2.267	
Guarantees financed by own equity	-	53.282.288	53.282.288	
Stage 1 and 2	-	53.282.288	53.282.288	
<b>Total</b>	<b>77.978.442</b>	<b>106.416.275</b>	<b>184.394.717</b>	

(\*) Including provisions for indemnified guarantees financed by own equity which are classified as administrative or legal follow-up.

(\*\*) Including provisions for financial assets measured at amortized cost and bank deposit amounts in scope of TFRS 9.

### b) Effects on equity with TFRS 9 transition:

TL 106.416.275 expense, consisted from the Company's prior period's provisions and new loss provisions that measured in accordance with TFRS 9 expected loss model as of 1 January 2018 is classified as retained earning.

## 2.7. Going concern

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

## 2.8. Adoption of new and revised Turkish Financial Reporting Standards

The Company has applied the new and revised standards and interpretations which are related to its own operations and that are effective from 1 January 2018.

### a) Standards, amendments and interpretations applicable as at 31 December 2018:

► TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The effects of the amendment on the financial position and performance of the Company are explained in Note 2.6.

► TFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

► Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The amendment does not have any material impact on the financial position or performance of the Company.

► Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.

The amendment does not have any impact on the financial position or performance of the Company.

► Amendment to TAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or

after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The amendment does not have any impact on the financial position or performance of the Company.

► Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendment does not have any impact on the financial position or performance of the Company.

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

- TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

The amendment does not have any impact on the financial position or performance of the Company.



► IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The amendment does not have any impact on the financial position or performance of the Company.

**b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:**

► Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The impact of the amendment on the financial position and performance of the Company is assessed.

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

► TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts.

► The IASB has included an optional exemption short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The impact of the amendment on the financial position and performance of the Company is assessed.

► IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation is not expected to have a significant impact on the financial position or performance of the Company.

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

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

- TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.

• TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The effects of these improvements on the financial position and performance of the Company are assessed.

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

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

The effects of these improvements on the financial position and performance of the Company are assessed.

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

- ii) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in TAS 1 about immaterial information.

The effects of these improvements on the financial position and performance of the Company are assessed.

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

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

#### 3.1. Foreign currency transactions

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

The exchange rates ruling as at December 31, 2018 and 2017 are as follows:

	2018	2017
USD	5,2609	3,7719
EUR	6,0280	4,5155

#### 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 12).

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 2.6).

#### 3.4. Property, plant and equipment

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

carried at acquisition cost less accumulated depreciation and impairment losses.

#### Depreciation

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

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

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

#### Subsequent costs

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

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

#### 3.5. 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.

#### 3.6. 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.

#### 3.7. 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.

### 3.8. Employee benefits

#### **Provision for employee severance indemnity**

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

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

#### **Short-term employee benefits**

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

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

### 3.9 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).

### 3.10. 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.

### 3.11. 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 comprehensive income includes interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

Foreign exchange gains and losses are presented as gross under financial income and expenses in the statement of comprehensive income.

### 3.12. 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. 5422 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 no.2 Table V- Papers for Corporations, are exempted from stamp duty.

### 3.13. 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 Group's operations.

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

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

### 3.14. 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 informations.



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.

### 3.15. 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 informations with respect to estimations about future economic conditions. Explanations on the relevant estimation and inputs are stated in Note 2.6.

## NOTE 4 - CASH AND CASH EQUIVALENTS

As of 31 December 2018 and 2017; the details of cash and cash equivalents are as follows:

	31 December 2018	31 December 2017
Cash	3.014	3.251
Banks	343.420.216	344.152.075
-Demand deposits	5.028.619	2.173.782
-Time deposits	338.391.597	341.978.293
Provisions for expected credit loss	(3.021)	-
<b>Total</b>	<b>343.420.209</b>	<b>344.155.326</b>

As of 31 December 2018, original maturities of TRY, Euro and USD denominated time deposits are less than 3 months and the average interest rates are 23.58%, 3.38% and 5.38% respectively. (31 December 2017: 15,18%, 2,56% and 4,57%)

As of 31 December 2018, there is no blocked deposit balances (31 December 2017: None).

As of 31 December 2018 and 31 December 2017, the Company's cash and cash equivalents are shown by subtracting interest accruals from cash and cash equivalents and adding expected credit loss provisions.

	31 December 2018	31 December 2017
<b>Cash and cash equivalents</b>	343.420.209	344.155.326
Provisions for expected credit loss	3.021	-
Accrued Interest (-)	(2.926.040)	(2.857.531)
<b>Cash and cash equivalents presented in the table of cash flow</b>	<b>340.497.190</b>	<b>341.297.795</b>

## NOTE 5 - FINANCIAL INVESTMENTS

As of December 31, 2018 and December 31, 2017, the details of financial investments measured at amortized cost are as follows:

	31 December 2018		31 December 2017	
	Avg. Interest rate	Carrying amount (TL)	Avg. Interest rate	Carrying amount (TL)
Public sector bonds	%20,45	4.019.352	%12,25	3.514.937
Provisions for expected credit loss	-	(244)	-	-
<b>Total</b>		<b>4.019.108</b>		<b>3.514.937</b>

## NOTE 6 - TRADE RECEIVABLES AND PAYABLES

### a) Trade receivables

As of 31 December 2018 and 31 December 2017 the details of trade receivables arising from collaterals are as follows:

	31 December 2018	31 December 2017
Indemnified guarantees financed by own equity	234.147.737	185.297.217
Provision for indemnified guarantees financed by own equity	(131.135.528)	(77.978.442)
<b>Total</b>	<b>103.012.209</b>	<b>107.318.775</b>

The movement of provision for doubtful receivables for 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
<b>1 January</b>	<b>77.978.442</b>	<b>73.635.439</b>
Transition effects of TFRS 9	53.131.720	-
Written - off receivables	(44.196.583)	-
Reversal of provision (Note 18)	(2.579.541)	(4.761.861)
Provision within the year (Note 18)	46.801.490	9.104.864
<b>31 December</b>	<b>131.135.528</b>	<b>77.978.442</b>

## b) Trade payables

As of 31 December 2018 and 2017; trade payables of the Company are as follows:

	31 December 2018	31 December 2017
Trade payables	271.431	379.030
<b>Total</b>	<b>271.431</b>	<b>379.030</b>

**NOTE 7 - OTHER RECEIVABLES AND PAYABLES**

## a) Other receivables

	31 December 2018	31 December 2017
Advances given	56.339	314.790
Treasury transactions receivables	36.637	-
Deposits and guarantees given	503	503
Other receivables	15.057	3.527
<b>Total</b>	<b>208.536</b>	<b>318.820</b>

## b) Other payables

	31 December 2018	31 December 2017
Received deposits and collaterals (*)	1.761.678	1.252.416
Wage and commision advances	329.642	2.499.987
Retainer expenses	260.349	165.208
Debts to branches	15.018	-
<b>Total</b>	<b>2.366.687</b>	<b>3.917.611</b>

(\*) Consist of amounts derived from payments made by third parties after companies that are warranted due to the guarantees given within the scope of guarantees financed by own equity and recieved cash balances.

**NOTE 8 - PREPAID EXPENSES**

	31 December 2018	31 December 2017
Expenses for the following months	135.481	289.694
<b>Toplam</b>	<b>135.481</b>	<b>289.694</b>

**NOTE 9 - PROPERTY PLANT AND EQUIPMENT**

## a) Current year

Cost	1 January 2018	Addition	Disposal (-)	31 December 2018
Vehicles	1.661.610	-	-	1.661.610
Equipment	4.977.693	1.690.917	(91.831)	6.576.779
Leasehold improvments	200.510	36.167	-	236.677
<b>Total</b>	<b>6.839.813</b>	<b>1.727.084</b>	<b>(91.831)</b>	<b>8.475.066</b>

Accumulated	1 January 2018	Addition (-)	Disposal	31 December 2018
Vehicles	(899.372)	(332.322)	-	(1.231.694)
Equipment	(1.358.729)	(1.020.268)	66.764	(2.312.233)
Leasehold improvments	(112.960)	(45.470)	-	(158.430)
<b>Total</b>	<b>(2.371.061)</b>	<b>(1.398.060)</b>	<b>66.764</b>	<b>(3.702.357)</b>

Carrying amount	4.468.752	4.772.709

As of 31 December 2018, all depreciation expenses are recognized in "Cost of Sales" account in the income statement.

As of 31 December 2018, there are no mortgages on property, plant and equipment.

## b) Prior year

Cost	1 January 2017	Addition	Disposal (-)	31 December 2017
Vehicles	1.743.596	-	(81.986)	1.661.610
Equipment	2.938.426	2.166.877	(127.610)	4.977.693
Leasehold improvements	221.638	163.917	(185.045)	200.510
<b>Total</b>	<b>4.903.660</b>	<b>2.330.794</b>	<b>(394.641)</b>	<b>6.839.813</b>
Accumulated	1 January 2017	Addition (-)	Disposal	31 December 2017
Vehicles	(574.019)	(348.451)	23.098	(899.372)
Equipment	(559.561)	(891.101)	91.933	(1.358.729)
Leasehold improvements	(185.926)	(27.802)	100.768	(112.960)
<b>Total</b>	<b>(1.319.506)</b>	<b>(1.267.354)</b>	<b>215.879</b>	<b>(2.371.061)</b>
<b>Carrying amount</b>	<b>3.584.154</b>			<b>4.468.752</b>

As of 31 December 2017, all depreciation expenses are recognized in "Cost of Sales" account in the income statement.

As of 31 December 2017, there are no mortgages on property, plant and equipment.

**NOTE 10 - INTANGIBLE ASSETS**

## a) Cari dönem

Costs	1 January 2018	Additions	Disposals (-)	Transfers	31 December 2018
Rights	30.194	6.287	-	-	36.481
Other intangible assets	2.795.398	4.217.285	-	5.255.543	12.268.222
Construction in progress (*)	2.652.887	10.582.837	-	(5.255.543)	7.980.181
<b>Total</b>	<b>5.478.479</b>	<b>14.806.409</b>	<b>-</b>	<b>-</b>	<b>20.284.888</b>
Accumulated depreciation	1 January 2018	Additions(-)	Disposals	Transfers	31 December 2018
Rights	(540)	(4.936)	-	-	(5.476)
Other intangible assets	(759.109)	(1.487.534)	-	-	(2.246.643)
<b>Total</b>	<b>(759.649)</b>	<b>(1.492.470)</b>	<b>-</b>	<b>-</b>	<b>(2.252.119)</b>
<b>Carrying amount</b>	<b>4.718.830</b>				<b>18.032.769</b>

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

As of 31 December 2018, all redemptions are recognized in "Cost of Sales" account on the income statement.

## b) Prior period

Costs	1 January 2017	Additions	Disposals (-)	31 December 2017	
Rights	29.634	560	-	30.194	
Other intangible assets	923.895	1.955.773	(84.270)	2.795.398	
Construction in progress (*)	1.014.000	1.638.887	-	2.652.887	
<b>Total</b>	<b>1.967.529</b>	<b>3.595.220</b>	<b>(84.270)</b>	<b>5.478.479</b>	
Accumulated depreciation	1 January 2017	Additions(-)	Disposals	Transfers	31 December 2017
Rights	(199)	(341)	-	-	(540)
Other intangible assets	(229.750)	(603.295)	73.936	-	(759.109)
<b>Total</b>	<b>(229.949)</b>	<b>(603.636)</b>	<b>73.936</b>	<b>-</b>	<b>(759.649)</b>
<b>Carrying amount</b>	<b>1.737.580</b>				<b>4.718.830</b>

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

As of 31 December 2017, all redemptions are recognized in "Cost of Sales" account on the income statement.

**NOTE 11 - EMPLOYEE BENEFITS**

## a) Short-Term Employee Benefits

	31 December 2018	31 December 2017
Social security payables	847.370	1.365.294
Taxes and funds payables	804.884	856.369
Payables to personnel	985	16.341
<b>Total</b>	<b>1.653.239</b>	<b>2.238.004</b>

## b) Short-Term Provisions for Employee Benefits

	31 December 2018	31 December 2017
Bonus accruals	1.348.800	1.292.040
Provision for unused vacation	549.918	768.521
<b>Total</b>	<b>1.898.718</b>	<b>2.060.561</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 2018 and 31 December 2017, movements the allowance for vacation is as follows:

	31 December 2018	31 December 2017
1 January	768.521	556.272
(Used) / charged, net	(218.603)	212.249
31 December	549.918	768.521

For the years ended 31 December 2018 and 31 December 2017, movements of the allowance for premium are as follows:

	2018	2017
1 January	1.292.040	1.011.859
Accrued, net	56.760	280.181
31 December	1.348.800	1.292.040

c) Long-term provisions for employee benefits

	31 December 2018	31 December 2017
Provision for termination indemnities	2.464.100	2.407.340
Total	2.464.100	2.407.340

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 December 31, 2018 and 2017, the maximum amount of severance pay is respectively TL 6.017,60 and TL 5.001,76.

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

	31 December 2018	31 December 2017
1 January	2.407.340	2.054.026
Interest expense	386.371	236.213
Service cost	493.324	950.555
Compensations paid during the year (-)	(457.167)	(25.228)
Actuarial (gain)/ loss	(365.768)	(808.226)
December 31	2.464.100	2.407.340

TFRS, requires the development of the company's actuarial valuation methods in determining the provision for employee termination benefits. As of 31 December 2018 and 2017, the principal actuarial assumptions used in the calculation of severance pay liability in the attached financial statements are as follows:

	31 December 2018	31 December 2017
Net discount rate	5,16%	4,69%
Expected wage increase rate	99,14%	99,87%

## NOTE 12 - OTHER PROVISIONS

a) Short-term provisions

	31 December 2018	31 December 2017
Litigation provisions	505.244	847.624
Expected credit loss provisions zarar karşılıkları for guarantees financed by own equity	7.064.956	
Total	7.570.200	847.624

b) Long-term provisions

	31 December 2018	31 December 2017
Expected credit loss provisions for guarantees financed by own equity	34.878.054	-
Total	34.878.054	-

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

	2018
1 January	-
Transition effect of TFRS 9	53.282.288
Reversal of provision (Note 18)	(12.013.813)
Expected credit loss provided within the year (Note 18)	674.535
31 December	41.943.010

**NOTE 13 - OTHER ASSETS AND LIABILITIES**

## a) Other current assets

	31 December 2018	31 December 2017
Job advances	74.617	642.239
Receivables from employees	81	-
<b>Total</b>	<b>74.698</b>	<b>642.239</b>

## b) Other non-current assets

	31 December 2018	31 December 2017
Land	2.127.523	1.330.223
Buildings	889.074	1.030.302
<b>Total</b>	<b>3.016.597</b>	<b>2.360.525</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 December 2018	31 December 2017
Funds (*)	5.751.312	6.164.762
Payables from guarantee transactions containing Treasury (**)	4.148.913	2.376.031
Debt for counterguarantees	375.101	-
Tax payables	181.636	-
<b>Total</b>	<b>10.456.962</b>	<b>8.540.793</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.

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

**NOTE 14 - DEFERRED INCOME**

As of December 31, 2018 and 2017 deferred income and realization periods are as follows:

	31 December 2018	31 December 2017
1 month	208.597	122.708
1-3 months	5.048.852	1.485.043
3-6 months	6.852.932	2.527.224
6-12 months	10.053.717	9.135.636
<b>Total</b>	<b>22.164.098</b>	<b>13.270.611</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 15 - SHAREHOLDERS' EQUITY**

## a) Paid-in share capital

As of 31 December 2018 and 2017, the shareholding structure of the Company is as follows:

	Share (%)	Group A	Group B	Group C	Group D	Total
TOBB	29,17%	92.832.389	-	-	-	92.832.389
KOSGEB	29,16%	-	92.805.641	-	-	92.805.641
27 BANKA	41,54%	-	-	132.209.342	-	132.209.342
TESK	0,12%	-	-	-	395.990	395.990
TOSYOY	0,01%	-	-	-	25.584	25.584
MEKSA	0,00%	-	-	-	12.804	12.804
<b>Nominal Capital</b>	<b>100,00%</b>	<b>92.832.389</b>	<b>92.805.641</b>	<b>132.209.342</b>	<b>434.378</b>	<b>318.281.750</b>

The main capital of the Company is TL 318.281.750. This capital is divided into 31.828.175.000 in the name of the holder written shares each with a nominal value of 1 Kr. (one Kr).

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

Shareholding structure details of the Company are as follows:

Shareholders	Capital (TL)	Ratio (%)	Group
	%29,17	92.832.389	-
TOBB	92.832.388.73	29,166	A
KOSGEB	92.805.640.82	29,1582	B
TESK	395.989.86	0,1243	D
TOSYÖV	25.584.40	0,0080	D
MEKSA	12.803.55	0,0040	D
TÜRKİYE HALK BANKASI A.Ş.	4.896.642.32	1,5385	C
AKBANK T.A.Ş.	4.896.642.32	1,5385	C
ALBARAKA TÜRK KATILIM BANKASI A.Ş.	4.896.642.32	1,5385	C
DENİZBANK A.Ş.	4.896.642.32	1,5385	C
BURGAN BANK A.Ş.	4.896.642.32	1,5385	C
FİNANSBANK A.Ş.	4.896.642.32	1,5385	C
HSBC BANK A.Ş.	4.896.642.32	1,5385	C
ING BANK A.Ş.	4.896.642.32	1,5385	C
KUVEYT TÜRK KATILIM BANKASI A.Ş.	4.896.642.32	1,5385	C
ŞEKERBANK T.A.Ş.	4.896.642.32	1,5385	C
TÜRK EKONOMİ BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE GARANTİ BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE İŞ BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE VAKIFLAR BANKASI T.A.O.	4.896.642.32	1,5385	C
YAPI VE KREDİ BANKASI A.Ş.	4.896.642.32	1,5385	C
ZİRAAT KATILIM BANKASI A.Ş.	4.896.642.32	1,5385	C
ALTERNATİFBANK A.Ş.	4.896.642.32	1,5385	C
VAKIF KATILIM BANKASI A.Ş.	4.896.642.32	1,5385	C
TURKLAND BANK A.Ş.	4.896.642.32	1,5385	C
ANADOLUBANK A.Ş.	4.896.642.32	1,5385	C
FİBANKA A.Ş.	4.896.642.32	1,5385	C
ODEABANK A.Ş.	4.896.642.32	1,5385	C
NUROL YATIRIM BANKASI A.Ş.	4.896.642.32	1,5385	C
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.	4.896.642.32	1,5385	C
<b>Total</b>	<b>318.281.750</b>	<b>100</b>	

## b) Legal reserves

	31 December 2018	31 December 2017
Legal reserves	9.310.126	2.750.255
<b>Total</b>	<b>9.310.126</b>	<b>2.750.255</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 December 2018	31 December 2017
Retained earnings/(Accumulated loss)	31.883	(22.809.647)
<b>Total</b>	<b>31.883</b>	<b>(22.809.647)</b>

## NOTE 16 - SALES AND COST OF SALES

### a) Sales

	1 January - 31 December 2018	1 January - 31 December 2017
Income from collateral transactions	62.672.641	133.752.394
Sales returns (-)	(1.298.458)	(715.235)
<b>Total</b>	<b>61.374.183</b>	<b>133.037.159</b>

### b) Cost of sales

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	33.243.000	30.295.546
Depreciation and amortization expense	2.890.530	1.915.973
Information technology expenses	1.763.403	1.692.361
Litigation expenses	1.749.697	1.458.996
Travel, transportation and vehicle lease expenses	1.386.759	1.130.892
Rent expenses	1.144.306	1.021.214
Taxes, duties, fees and membership expenses	1.127.074	851.592
Other	1.528.357	741.508
<b>Total</b>	<b>44.833.126</b>	<b>39.108.082</b>



**NOTE 17 - GENERAL ADMINISTRATION EXPENSES**

	1 January - 31 December 2018	1 January - 31 December 2017
General administration expenses (*)	(1.795.382)	(2.084.788)
<b>Total</b>	<b>(1.795.382)</b>	<b>(2.084.788)</b>

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

**NOTE 18 - OTHER OPERATING INCOME/EXPENSES INCOME/EXPENSE**

## a) Other operating income

	1 January - 31 December 2018	1 January - 31 December 2017
Reversal of provisions (*)	14.935.734	4.761.861
-Collection of indemnified guarantees financed by own equity (Note 6)	2.579.541	4.761.861
-Reversal of provisions for guarantees financed by own equity (Note 12)	12.013.813	-
-Reversal of litigation provision	342.380	-
Social security incentive income	1.225.154	968.121
Collections from written of receivables	360.874	414.735
Income related to costs incurred for indemnified collaterals	345.828	1.442.988
Grants	115.868	-
Rent income	-	4.746
Other	2.777.799	2.007.955
<b>Total</b>	<b>19.761.257</b>	<b>9.600.406</b>

## b) Other operating expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Provision for expected credit losses	(47.477.023)	(9.104.864)
- Indemnified guarantees financed by own equity (Note 6)	(46.801.490)	(9.104.864)
- Guarantees financed by own equity (Note 12)	(674.535)	-
-Other	(998)	-
Other expenses	(440.642)	(2.120.295)
<b>Total</b>	<b>(47.917.665)</b>	<b>(11.225.159)</b>

**NOTE 19 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES**

	1 January - 31 December 2018	1 January - 31 December 2017
Gain on sale of property, plant and equipment	688.809	835.391
<b>Total</b>	<b>688.809</b>	<b>835.391</b>

**NOTE 20 - FINANCIAL INCOME AND EXPENSES**

## a) Financing income

	1 January - 31 December 2018	1 January - 31 December 2017
Interest income	57.262.931	35.373.387
Foreign exchange gain	43.011.219	18.599.673
<b>Total</b>	<b>100.274.150</b>	<b>53.973.060</b>

## b) Financing expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange loss	(22.272.845)	(9.193.186)
Interest expense (Note 11)	(386.371)	-
Marketable securities sales loss	-	(17.125)
<b>Total</b>	<b>(22.659.216)</b>	<b>(9.210.311)</b>

**NOTE 21 - EARNINGS PER SHARE**

	1 January - 31 December 2018	1 January - 31 December 2017
Net profit/ (loss)	64.893.010	135.817.676
Each one TL 0,01 par value stock	31.828.175.000	31.828.175.000
<b>Earnings per share</b>	<b>0,00204</b>	<b>0,00427</b>

**NOTE 22 - RELATED PARTY DISCLOSURES**

	1 January - 31 December 2018	1 January - 31 December 2017
Receivables from related parties		
Cash and cash equivalents (*)	343.420.215	344.155.326
Interest income from related parties - shareholders	56.641.933	35.371.478
Benefits and rights provided to executives	2.585.873	1,963,631

(\*) 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 15.

As of December 31, 2018, the Company has a commission received from related parties, amounting to TL 45.501.721 (31 December 2017: TL 89.693.160).

**NOTE 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS****Capital risk management**

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

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

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

	1 January - 31 December 2018	1 January - 31 December 2017
Total liabilities	(83.732.489)	(33.661.574)
Less: Cash and cash equivalents (Not 4)	343.420.209	344.155.326
Net cash	259.696.720	310.493.752
Total equity	392.968.827	434.126.324
Debt/ equity balance	-	-
Net financial debt/ total equity ratio	-	-

**Credit risk**

As of 31 December 2018 and 2017, the maximum credit risk exposure of the Company is as follows:

Balance sheet	1 January - 31 December 2018	1 January - 31 December 2017
Trade receivables	103.012.209	107.318.775
Cash and cash equivalents	343.420.209	344.155.326
Financial investments measured at amortized cost	4.019.108	3.514.937
<b>Off balance sheet</b>		
Guarantees financed by own equity	1.135.181.137	1.448.139.526
<b>Total</b>	<b>1.135.181.137</b>	<b>1.448.139.526</b>

As of 31 December 2018, 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 2.939.584.735.

As of 31 December 2018, treasury risk balance that is monitored in off-balance sheet and sourced by bailment operations amounting to TL 199.424.959.000 (31 December 2017: TL 174.952.539.927).

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

	31 December 2018	31 December 2017
EURO	28.337.386.545	17.525.565.646
USD	15.352.141.557	9.910.074.265
TL	156.853.228.595	147.516.890.016
Other	17.383.440	-

**Liquidity risk**

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

The amounts shown in the table below refer to contractual undiscounted cash outflows as of 31 December 2018:

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 -12 months	1-2 Year
Trade payables	271.431	271.431	271.431	-	-
<b>Total</b>	<b>271.431</b>	<b>271.431</b>	<b>271.431</b>	<b>-</b>	<b>-</b>

As of 31 December 2017;

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 -12 months	1-2 Year
Trade payables	379.030	379.030	379.030	-	-
<b>Total</b>	<b>379.030</b>	<b>379.030</b>	<b>379.030</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 2018 and 2017.

## 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 2018 and 2017:

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

December 31, 2017	USD	EUR	Total
Cash and cash equivalents	17.285.055	38.208.068	55.493.123
<b>Total assets</b>	<b>17.285.055</b>	<b>38.208.068</b>	<b>55.493.123</b>
Total liabilities	-	-	-
<b>Net foreign currency position</b>	<b>17.285.055</b>	<b>38.208.068</b>	<b>55.493.123</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 2018 and 2017 is shown in the table below:

	31 December 2018		31 December 2017	
	Profit&Loss	Total comprehensive income	Profit&Loss	Total comprehensive income
USD	2.952.281	2.952.281	1.728.506	1.728.506
EURO	5.491.376	5.491.376	3.820.807	3.820.807
<b>Total</b>	<b>8.443.657</b>	<b>8.443.657</b>	<b>5.549.313</b>	<b>5.549.313</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 2018 and 2017, the Company has no financial assets and liabilities with variable interest rates and the financial instruments with fixed interest components are as follows:

Financial instruments with fixed interest rates	31 December 2018	31 December 2017
Banks - time deposits	338.391.597	343.020.125
Financial assets measured at amortized cost (Note 5)	4.019.352	3.514.937

As of 31 December 2018 and 2017, the weighted average interest rates applied to financial instruments are as follows:

Financial Assets	31 December 2018	31 December 2017
Banks - time deposits (TL)	%23,58	%13,20
Banks - time deposits (USD)	%5,38	%4,57
Banks - time deposits (EUR)	%3,38	%2,56
Financial investments measured at amortized cost - bonds (TL)	20,45%	12,25%
Financial investments measured at amortized cost - time deposits (USD)	-	-
Financial investments measured at amortized cost - time deposits (EUR)	-	-



## 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.

Financial assets	31 December 2018		31 December 2017	
	Book value	Fair value	Book value	Fair value
Indemnified guarantees financed by own equity	103.012.209	103.012.209	107.318.775	107.318.775
Cash and cash equivalents	343.420.209	343.420.209	344.155.326	344.155.326
Financial investments measured at amortized cost	4.019.108	4.032.428	3.514.937	3.517.822
<b>Financial liabilities</b>				
Trade payables	271.431	271.431	379.030	379.030

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 24 - CONTINGENT LIABILITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Guarantees financed by own equity	1.135.181.137	1.448.139.526
<b>Total</b>	<b>1.135.181.137</b>	<b>1.448.139.526</b>

As of 31 December 2018, the Company also has treasury secured collaterals that is monitored in off-balance sheet and are derecognized amounting to TL 199.424.959.000 (31 December 2017: TL 174.952.539.927).

## NOTE 25 - MATTERS AFTER THE DATE OF FINANCIAL STATUS TABLE

In January 2019, with the fund support that opened by the Republic of Turkey Ministry of Treasury and Finance, TL 20 billion bailment limit has been provided under the name of SME Value Loan. In this context, the Company has signed Bailment Contract with 14 banks to provide support to SMEs. With the decision of the President of the Republic dated 29 January 2019 and numbered 681, the principles regarding the allocation were determined.

In February 2019, with the fund support that opened by the Republic of Turkey Ministry of Treasury and Finance, TL 20 billion bailment limit has been provided under the name of SME Value Loan-2. In this context, the Company has signed Bailment Contract with 17 banks to provide support to SMEs. With the decision of the President of the Republic dated 27 February 2019 and numbered 793, the principles regarding the allocation were determined.

Since, the Company is subject to the registered capital system and the capital ceiling is TL 500.000.000, with the Board of Directors' decision on 21 February 2019, under the shareholders' equity, the Company increased its capital to TL 497,816,789.93 by adding capital of TL 179,535,039.93 based in accumulated retained earnings account and increased the capital of existing shareholders compared to their capital shares.



# 6

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

## KEY ACTIONS PLANNED FOR 2019

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

- ▶ Efforts are underway to increase the company's revenues.
- ▶ It is planned to improve system infrastructure and software (IT) and implement the software infrastructure as of 2019 year-end.
- ▶ 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 repayable 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.
- ▶ As part of the EU Finance for Innovators (InnovFin) which is a sub-program of the Science and Technological Innovation Program (Horizon 2020) implemented to create a knowledge and innovation based social and economic structure in Europe, our company is planning to file an application for the "SME Guarantee Instrument" which is one of the two financial instruments offered to enterprises. Through the InnovFin support, which is financed by the European Commission and which involves 50% European Investment Fund (EIF) guarantee, it will be possible for our company to provide guarantee support of maximum 7,5 million EUR per SME.
- ▶ Our efforts will continue to secure cash or counter-guarantee resources from the funds allocated by the European Union to candidate states. In this scope, an application has been filed for the Employment and Social Innovation Program (EaSI) and 10.000 SMEs will be given access to credit once this project is implemented.
- ▶ Efforts will continue to develop cooperative initiatives with the credit guarantee funds operating abroad and work on new products and projects.
- ▶ Discussions will continue with international financial organizations including European Bank for Reconstruction and Development, (EBRD), Islamic Development Bank (IDB), French Development Agency (AFD) and German Development Bank (KfW) both to secure new resources and to develop cooperation on new products and projects.
- ▶ Cooperative initiatives with EFSE fund, which provides technical assistance and business development support to the commercial banks, microfinance institutions and non-bank financial institutions in Southeast Europe are planned to continue in 2019, too.
- ▶ As a requirement of our social responsibility role, we will continue developing new products and services for both the refugees we host in our country and for social entrepreneurship programs.
- ▶ KGF will continue offering solutions to the conjunctural needs that emerge in our country, with a proactive management understanding, in addition to our primary functions.

## RISKS

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

## 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 management organ provided that the provisions of the Regulation are not breached. (n/a)







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## Contact Details



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**ANTALYA BRANCH**

**Area of Responsibility: Antalya, Burdur, Mersin**  
Antalya Ticaret ve Sanayi Odası Binası Çevreyolu Üzeri Göksu Mah. Gazi Blv. No: 531 Kat:1 Kepez / ANTALYA  
t. 0242 338 07 00  
f. 0242 338 06 07  
kgfantalya@kgf.com.tr

**AYDIN BRANCH**

**Area of Responsibility: Aydın**  
Aydın Ticaret Borsası Binası Ata Mah. Denizli Blv. No:18 - 09010 AYDIN  
t. 0256 211 63 66 / 0256 211 63 99  
f. 0256 211 46 88  
kgfaydin@kgf.com.tr

**BALIKESİR BRANCH**

**Area of Responsibility: Balıkesir, Çanakkale**  
Balıkesir AVLU Balıkesir Sanayi Odası Binası Balıkesir Gümüşçeşme Mah. Avlu Cad. No:4/42 K:2 Altıeylül / BALIKESİR  
t.0266 281 11 42  
f. 0266 281 11 46  
kgfbalikesir@kgf.com.tr

**BATMAN BRANCH**

**Area of Responsibility: Batman, Siirt, Şırnak**  
Batman Ticaret ve Sanayi Odası Gap Mah. İnsan Hakları Blv. No:3 Kat:3 Merkez / BATMAN  
t. 0488 215 25 10 / 0488 215 25 11  
f. 0488 215 25 30  
kgfbatman@kgf.com.tr

**BURSA BRANCH**

**Area of Responsibility: Bursa, Yalova**  
Bursa Ticaret ve Sanayi Odası Binası Organize Sanayi Bölgesi Mavi Cad. 2. Sk. No: 2 - 16140 Nilüfer / BURSA  
t. 0224 275 17 82  
f. 0224 242 13 93  
kgfbursa@kgf.com.tr

**ÇORUM BRANCH**

**Area of Responsibility: Amasya, Çorum, Kırıkkale, Yozgat**  
Karakeçili Mah. Fuar Cad. Fuar Alanı Çorum Ticaret ve Sanayi Odası Binası No:2 Kat:2 - 19200 / ÇORUM  
t. 0364 210 11 34  
f. 0364 210 11 35  
kgfcorum@kgf.com.tr

**DENİZLİ BRANCH**

**Area of Responsibility: Denizli, Isparta**  
Denizli Ticaret Odası Binası Kat: 4 Saraylar Mah. Saltak Cad. No: 5 - 20100 Merkezefendi / DENİZLİ  
t. 0258 241 46 38  
f. 0258 241 82 28  
kgfdenizli@kgf.com.tr

**DIYARBAKIR BRANCH**

**Area of Responsibility: Diyarbakır, Mardin**  
Diyarbakır Ticaret Ve Sanayi Odası Binası Dr. Yusuf Azizoğlu Cad. Fiskaya - Yenişehir / DİYARBAKIR  
t. 0412 255 04 99  
f. 0412 255 04 98  
kgfdiyarbakir@kgf.com.tr

**ELAZIĞ BRANCH**

**Area of Responsibility: Bingöl, Elazığ, Tunceli**  
Elazığ Ticaret ve Sanayi Odası Kat:2 Cumhuriyet Mah. Korgeneral Hulusi Sayın Cad. No:117 Merkez / ELAZIĞ  
t. 0424 247 44 68  
kgfelazig@kgf.com.tr

**ERZURUM BRANCH**

**Area of Responsibility: Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır, Kars**  
Erzurum Ticaret ve Sanayi Odası Binası Muratpaşa Mah. Ömer Nasuhi Bilmen Cad. No:7/2 Yakutiye / ERZURUM  
t. 0442 233 40 55  
f. 0442 233 40 96  
kgferzurum@kgf.com.tr



**ESKİŞEHİR BRANCH****Area of Responsibility:** Bilecik, Eskişehir, Kütahya

Eskişehir Ticaret Odası Binası İstiklal Mah. 2 Eylül Cad. No: 28 Kat:5 - 26010 Odunpazarı / ESKİŞEHİR

t. 0222 221 03 47 / 0222 221 03 46

f. 0222 234 02 34

kgfeskisehir@kgf.com.tr

**GAZİANTEP BRANCH****Area of Responsibility:** Gaziantep, Kilis

Gaziantep Ticaret Odası Binası İncilipınar Mah. 16 Nolu Sk. Kat:2 - 27002 Şehitkamil / GAZİANTEP

t. 0342 230 07 13 / 0342 230 07 14

f. 0342 230 07 15

kgfgaziantep@kgf.com.tr

**GEBZE BRANCH****Area of Responsibility:** Kocaeli

Gebze Ticaret Odası Binası Güzeller Mah. Kavak Caddesi No:3 Kat:6 Gebze / KOCAELİ

t. 0262 644 63 58 / 0262 644 72 19

f. 0262 644 88 26

kgfgebze@kgf.com.tr

**İSTANBUL BRANCH****Area of Responsibility:** Arnavutköy, Beşiktaş, Beyoğlu, Esenler, Eyüp, Kağıthane, Sarıyer, Sultangazi, Şişli

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

kgfistanbul@kgf.com.tr

**İSTANBUL / EMİNÖNÜ BRANCH****Area of Responsibility:** Bahçelievler, Bakırköy, Bayrampaşa, Fatih, Gaziosmanpaşa, Güngören, Zeytinburnu

İstanbul Ticaret Odası Merkez Bina Reşadiye Caddesi Kat:2 Eminönü - Fatih / İSTANBUL

t. 0212 528 58 28

f. 0212 527 22 30

kgfeminonu@kgf.com.tr

**İSTANBUL / İKİTELLİ BRANCH****Area of Responsibility:** Avcılar, Bağcılar, Başakşehir, Beylikdüzü, B.Çekmece, Esenyurt, K.Çekmece

Dolapdere Sanayi Sitesi Sosyal Tesisler A Blok Halkbank İkitelli Şubesi Üstü, İkitelli, Başakşehir / İSTANBUL

t. 0212 671 51 46

f. 0212 671 43 92

kgfikitelli@kgf.com.tr

**İSTANBUL / KADIKÖY BRANCH****Area of Responsibility:** Adalar, Ataşehir, Beykoz, Çekmeköy, Kadıköy, Kartal,

Maltepe, Pendik, Sancaktepe, Sultanbeyli, Şile, Tuzla, Ümraniye, Üsküdar

Osmanağa Mah. Söğütluçeşme Cad. Halkbank Anadolu Bölge Koordinatörlüğü No:11 Kat:4 Kadıköy / İSTANBUL

t. 0216 550 49 32 / 0216 541 02 70

f. 0216 550 49 33

kgfkadikoy@kgf.com.tr

**İZMİR BRANCH****Area of Responsibility:** İzmir

Cumhuriyet Blv. No:58 Kat:2 - 35250 Konak / İZMİR

t. 0232 441 37 70 / 0 232 441 45 88

f. 0232 425 56 73

kgfizmir@kgf.com.tr

**KAHRAMANMARAŞ BRANCH****Area of Responsibility:** Kahramanmaraş

Kahramanmaraş Ticaret ve Sanayi Odası Binası İstasyon Mah. İlahiyat Cad. No:6 - 46060 / KAHRAMANMARAŞ

t. 0344 235 28 01

f. 0344 235 28 02

kgfkahramanmaras@kgf.com.tr

**KARABÜK BRANCH****Area of Responsibility:** Bartın, Çankırı, Karabük, Kastamonu

Karabük Ticaret ve Sanayi Odası Binası Hürriyet Cad. No:58 Kat:5 - 78100 / KARABÜK

t. 0370 424 67 91 / 0370 412 28 19

f. 0370 424 16 81

kgfkarabuk@kgf.com.tr

**KAYSERİ BRANCH****Area of Responsibility:** Kayseri, Kırşehir, Nevşehir, Niğde

Kayseri Ticaret Odası Binası Yeni Pervane Mah. Kocasinan Blv. No:167 - 38040 Kocasinan / KAYSERİ

t. 0352 220 25 53 / 0352 220 25 54

f. 0352 231 01 17

kgfkayseri@kgf.com.tr

**KOCAELİ BRANCH****Area of Responsibility:** Kocaeli

Kocaeli Ticaret Odası Binası Karabaş Mah. Ömer Türkçakal Blv. No:2 İzmit / KOCAELİ

t. 0262 324 01 17

f. 0262 324 01 18

kgfkocaeli@kgf.com.tr

**KONYA BRANCH****Area of Responsibility:** Aksaray, Karaman, Konya

Konya Sanayi Odası Binası 1. Organize Sanayi Bölgesi İstikamet Cad. - 42300 Selçuklu / KONYA

t. 0332 251 06 07 / 0332 251 06 13

f. 0332 251 06 14

kgfkonya@kgf.com.tr

**MALATYA BRANCH****Area of Responsibility:** Malatya

Malatya Ticaret ve Sanayi Odası Binası Niyazi Mah. Çevre Yolu (Buhara Blv.) Cad.

No:195 Kat:2 - 44100 / MALATYA

t. 0422 326 26 53 / 0422 326 26 65

f. 0422 326 26 71

kgfmalatya@kgf.com.tr

**MANİSA BRANCH****Area of Responsibility:** Manisa

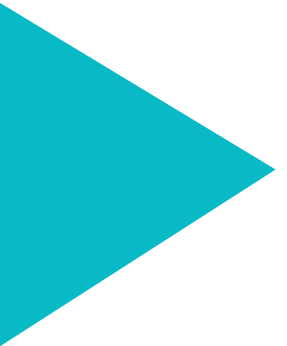
Manisa Ticaret ve Sanayi Odası Binası Merkez Efendi Mah. Mimar Sinan Blv.

No:127 Kat:1 - 45120 Yunusemre / MANİSA

t. 0236 237 95 15

f. 0236 234 23 28

kgfmanisa@kgf.com.tr



**MUĞLA / BODRUM BRANCH****Area of Responsibility: Muğla**

Konacık Mahallesi, Atatürk Blv. No:148/1 Bodrum / MUĞLA

t. 0252 313 57 67 / 0252 313 57 07

f. 0252 313 57 37

kgfmugla@kgf.com.tr

**ORDU BRANCH****Area of Responsibility: Giresun, Ordu**

Düz Mah. Stadyum Cad. No:2 Ordu Ticaret ve Sanayi Odası Binası Kat.3 Altınordu / ORDU

t. 0452 666 24 24 / 0452 666 24 25

f. 0452 666 24 26

kgfordu@kgf.com.tr

**SAKARYA BRANCH****Area of Responsibility: Bolu, Düzce, Sakarya**

Sakarya Ticaret ve Sanayi Odası Binası Sakarya Mah. No:19 Kat:2 Hanlı - Adapazarı / SAKARYA

t. 0264 291 27 88

f. 0264 291 37 88

kgfsakarya@kgf.com.tr

**SAMSUN BRANCH****Area of Responsibility: Samsun, Sinop**

Samsun Ticaret ve Sanayi Odası Hançerli Mah. Abbasağa Sk.

No: 8 Kat:7 - 55020 Buğdaypazarı - İlkadım / SAMSUN

t. 0362 431 21 21

f. 0362 432 09 00

kgfsamsun@kgf.com.tr

**SİVAS BRANCH****Area of Responsibility: Sivas, Tokat**

Sivas Ticaret ve Sanayi Odası Binası 1. Kat Kaleardı Mah. Turgut Özal Blv. - 58070 / SİVAS

0346 223 77 74

0346 223 65 77

kgfsivas@kgf.com.tr

**ŞANLIURFA BRANCH****Area of Responsibility: Şanlıurfa**

Şanlıurfa Ticaret Borsası Binası Paşabağı Mah. Zafer Cad. No:13 Haliliye / ŞANLIURFA

t. 0414 312 09 63

f. 0414 315 71 18

kgfurfa@kgf.com.tr

**TEKİRDAĞ / ÇORLU BRANCH****Area of Responsibility: Edirne, Kırklareli, Tekirdağ, Çatalca, Silivri**

Muhittin Mh Salih Omurtak Cd. N:57 Denizbank Trakya Bölge Müdürlüğü Binası K:3 Çorlu/TEKİRDAĞ

t. 0282 652 79 74

f. 0282 654 72 36

kgftekirdag@kgf.com.tr

**TRABZON BRANCH****Area of Responsibility: Artvin, Gümüşhane, Rize, Trabzon**

Trabzon Ticaret ve Sanayi Odası Binası Pazarkapı Mah. Sahil Cad. No:103 Kat:7 - 61200 Ortahisar / TRABZON

t. 0462 321 62 75 / 0462 321 62 25

f. 0462 321 62 29

kgftrabzon@kgf.com.tr

**VAN BRANCH****Area of Responsibility: Bitlis, Hakkâri, Muş, Van**

Van Ticaret ve Sanayi Odası Binası Alipaşa Mah. İskele Cad. No: 51 K:5 İpekyolu / VAN

t. 0432 215 73 79

f. 0432 215 15 17

kgfvan@kgf.com.tr

**ZONGULDAK / EREĞLİ BRANCH****Area of Responsibility: Zonguldak**

Karadeniz Ereğli Tic. ve San. Odası Binası Giriş Katı

Müftü Mah. Meydanbaşı Cad. Müftülük Karşısı Çamlık Sk. - 67300 Ereğli / ZONGULDAK

t. 0372 310 07 82

f. 0372 310 07 83

kgfzonguldak@kgf.com.tr

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