





Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502



(Convenience translation of a report originally issued in Turkish)

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

To the Board of Directors of Kredi Garanti Fonu A.Ş.

**Report on the Audit of the Annual Report of the Board of Directors in accordance with the
Independent Auditing Standards**

We have audited the annual report of Kredi Garanti Fonu A.Ş. the year ended December 31, 2016.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC"), the management of the Company is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements there on which auditor's report dated March 10, 2017 has been issued.

Our independent audit has been performed in accordance with the Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited



Necati Tolga Kirelli, SMMM
Partner

March 10, 2017
Ankara, Turkey

CONTENTS

Page

I. GENERAL INFORMATION

A. Trade Registry Information	18
B. Shareholders and Shareholding Structure	19
C. The Legal Laws and Regulations governing the Enterprise	20
D. Branches	21

II. KGF IN FIGURES

A. Developments in our Guarantee Volume	24
B. Guarantees Issued by KGF through Own Equity via Bank Loans	26
C. Guarantees Issued by KGF through Treasury Support Funds via Bank Loans	28
D. Our Direct Guarantees (EXIMBANK, TÜBİTAK, KOSGEB, TTGV, Ministry of Science-Industry and Technology)	30

III. OUR OTHER ACTIVITIES FOR YEAR 2016

34

IV. FINANCIAL STATEMENTS

46

V. INDEPENDENT AUDIT REPORT

52

VI. FUTURE OF THE INSTITUTION, EXPECTATIONS, PLANNED IMPORTANT NEW PRODUCTS AND SERVICES

87

VII. CONTACT INFORMATION

96

VIII. CONTACT US – SOCIAL MEDIA

103

KREDİ GARANTİ FONU A.Ş. AGENDA OF ORDINARY SHAREHOLDERS' MEETING DATED 30/03/2017

1. Opening and Meeting Council appointment,
2. Vesting authority with the Meeting Council for the signing of minutes of meeting on behalf of Shareholders Meeting,
3. Reading, discussing and approving the "Board of Directors' Annual Report" in respect of the activities in 2016,
4. Reading, discussing and approving the report of the Independent Audit firm in respect of the activities in 2016,
5. Reading, discussing and approving the 2016 year-end Balance Sheet and Profit-Loss Statement,
6. Releasing the members of the Board of Directors based upon the activities and accounts of our company in 2016,
7. Approving by the Shareholders of appointments made for the member positions of the Board of Directors being vacated on reason of resignation,
8. Selecting the members of Board of Directors whose commission will expire in 2017,
9. Discussing and approving the requests of banks and other financial institutions which intend to become a shareholder in our company,
10. Discussing and approving the amendment of Article 6 of the Articles of Incorporation,
11. Selecting and approving the Independent Audit Firm as selected by the Board of Directors for 2017 operational period.,
12. Determining the salaries and attendance fees to be granted to the Chairman and Board members,
13. Wishes and requests,
14. End of meeting.

We are now and will always be the greatest supporter not only of the SMEs, but also of any enterprises in terms of accessing finance.

Dear Our Shareholders,

2016 was a very critical year for our economy, especially for our SMEs. The stable growth trend continuing for years was disrupted owing to certain internal and external factors. However, thanks to a series of measures taken by our government in respect of supporting the real sector, increasing the employment and continuing with and accelerating the reforms, our economy has resumed to move forward to our 2023 goals. The Credit Guarantee Fund has become the most significant actor of such measures.

Over the past year, we accomplished certain things in KGF. KGF, which provided guarantee in the amount of 14 Billion TL in total to 25 thousand SMEs having a total exposure of 2.6 Billion TL as at the end of 2015 and attaining a magnitude of 6.3 Billion TL as at the end of 2016 by an increase of 144%, has now achieved a system in which the Banking System is taken as a basis and the request thereof have a priority. A clearer, comprehensible and practical system has replaced the structure which led to various issues in the past.

The essence of this system is based upon the confidence in Banks. The Portfolio Guarantee System which we used to utilize through our equity is now replaced with guarantees issued by the Treasury.

In respect of "Breath Loan" for which we practiced this system for the first time, 6 thousand applications were received in a single week and all was evaluated within the same day. The "Breath Loan" project which is interpreted by our President Recep Tayyip Erdoğan as "innovation in financing" stands as an unprecedented exemplary model for other banks to conduct loan campaigns based upon low interest rates and costs.

Besides the benefits provided to enterprises by the Credit Guarantee Fund, the contribution made to Banks are undeniable.

That is to say; thanks to Treasury backed guarantees listed among the first class guarantees, the banks do not make any provisions for such loans which is coupled also with low credit costs, and the capital adequacy ratio is favorable affected by this practice. This fact underlines the importance and contribution of KGF in and to the Turkish economy.

A new era has begun in Credit Guarantee Fund.

We are now at a position, ensuring that the banking sector and real sector find a common ground and watching the interest of both parties. We care for the interests of the Banks; but ensure that real sector is able to access and utilize financing in lower interest cost.

As KGF, with the consciousness of how critical are the SMEs for the economy of the country, we have acted as the guarantees for them over the past 25 years; however, we are now and will always be the greatest supporter not only of the SMEs but also of any enterprises in terms of accessing financing.

"We care for the benefits of the Banks; but ensure that real sector is able to access and utilize financing in lower interest cost."

FAİK YAVUZ
Chairman of The Board of Directors



A change is a door which could be opened only from inside

A change is not difficult but troublesome. However, from employees to senior management to shareholders and affiliates, if all shareholders are involved in this process and embrace the process, mechanism becomes more viable.

What may change in a year?

An organization which may be found in the back row in "Google" search results may have turned out to be the most strategic organization of Turkey about which various new articles are written daily and which is included in the agenda of authorities with priority.

We have achieved this.

We have accomplished something unconceivable.

We have started the change with our employees. The human brain comes first in the finance sector and is the fundamental thereof. Thus, we had to make a great investment in human resources. We have made some arrangements with the existing structure without increasing the number of our employees. There must be a sort of system through which we should be able to eliminate the lack of knowledge of the qualified people. This could only be achieved through training. We have taken certain training, ensuring our employees to perform their duties in a better and more efficient manner and assume different tasks.

We have established our corporate culture.

The culture and standards of judgment of an organization precede its business strategy and further is a strength which enables such organization to achieve one thing after another. Opportunities in the business world appear on and off while the human factor has a permanent critical distinction. People who are able to put forth a teamwork are those who have innovative and responsible minds, assisting and supporting each other to attain success, bearing the love of service in their hearts and may swiftly mobilize for the purpose of sorting out any issue they and their country faces. Our team also acts and works in such manner. We have taken a decision in the aftermath of July 15; and we have finished the work that we used to finish in a single day within half day.

We have established and set up all processes, policies, regulations and standard operating procedures in writing.

We are now able to evaluate all request in a single day.

We have abolished credit approval committees, and started to use the internal credit evaluation system, namely KOBIS in order to evaluate the requests in accordance with objective criteria. We have initiated the practice of Portfolio Guarantee System used in respect of our equity in relation to the Treasury backed guarantees. In such manner, we have shortened the evaluation of any request in one day which used to normally take around 35-40 days in the past.

Further to such "troublesome" efforts, we have attained 2 folds of the number of enterprises and guarantee amount in 2016 of the amount KGF has reached over the past 25 years.

- The amount of our deposits which was 206 Million TL as of end of 2015 is now 261 Million TL.
- Our commission revenues increased to 40 Million TL from 20 Million TL.
- Our operation loss recorded as 1 Million 500 Thousand TL in 2015 has turned out to be an operation profit of 10 Million TL despite intensive infrastructure investments.
- Our non-performing guarantee volume decreases to 10,5% from 16,5%.
- The radical modification made to the KGF resulted in having obtained a profit of 5,5 Million TL to the contrary of increasing costs involved.

The success of Credit Guarantee Fund which now regulates the Turkish economy, ensuring the real sector and banking sector finds a common ground, being a great supporter for not only for the SMEs but also all commercial enterprises in accessing finance, has become viable through you, our dearest shareholders, and our self-sacrificing team.

However, administering success is harder than attaining it. The biggest obstacle in front of the new successes is the success itself. As KGF, we will keep our search for brand-new business cooperation, continue with our studies intended to develop new systems and keep on changing through improvement.

We have great belief in breaking new records in 2017 and have full confidence in ourselves.

“We have attained 2 folds of the number of enterprises and guarantee amount in 2016 of the amount KGF has reached over the past 25 years.”

İSMET GERGERLİ
General Manager





1. FAİK YAVUZ
Chairman

2. RECEP BİÇER
Vice Chairman

3. İSMET GERGERLİ
Member of Board and General Manager

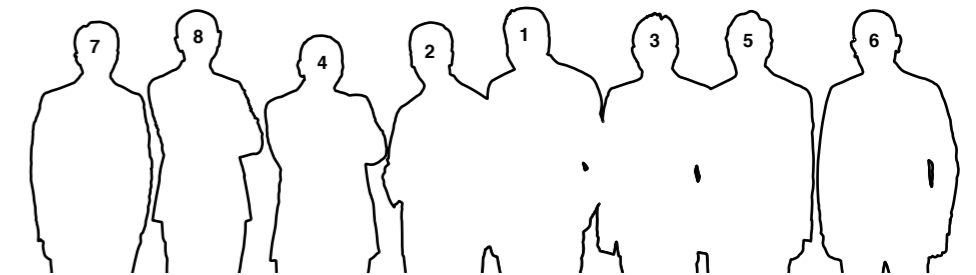
4. ÖZER MATLI
Member of Board

5. AHMET KARAKOÇ
Member of Board

6. TURGUT GÜLCİHAN
Member of Board

7. MURAT KULAKSIZ
Member of Board

8. MEHMET ALPER BATUR
Member of Board



MEMBERS OF THE BOARD OF DIRECTORS AND THEIR BACKGROUNDS

1. FAİK YAVUZ

Chairman
Intitution Represented: TOBB

Born in 1953 in Şereflikoçhisar of Ankara province, Faik Yavuz is a graduate of Department of Mathematics of Gazi University, Faculty of Education. He still acts as the Chairman of Ankara Commodity Exchange Market, Treasurer Member of TOBB Board of Directors, ICC Vice Chairman, TEPAV Member of Board of Directors and TOBB ETÜ- Member of Board of Trustees.

2. RECEP BİÇER

Vice Chairman
Intitution Represented: KOSGEB

He was born in 1967 in Ankara. He graduated from the Department of International Relations of Ankara University, Faculty of Political Sciences in 1989. He completed his post-graduate education in Northeastern University (Boston - USA) in 1996-1998 in the field of "Economic Policy and Planning". He worked in the Ministry of Finance in 1994-1996 in "Public Finance Management Project". He was in charge as an "Advisor to Minister of Health and Minister of Finance" in 2002-2003. In 2006-2007, he worked as the Head of Department of Administration and in Statistical, Economic and Social Research and Training Center for Islamic Countries of the Finance in Organization of the Islamic Conference. He acted as the Member of Board of Directors and General Manager of National Lottery in 2007-2015. He is in charge as President of KOSGEB since January 28, 2015.

3. İSMET GERGERLİ

Member of Board and General Manager

He was born in 1969 in Kahta of Adiyaman province. He graduated from the Department of International Relations of Ankara University, Faculty of Political Sciences in 1989. He had his graduate education is Ankara University, Department of Sociology. He started his banking career in Pamukbank. He took roles in the branches in charge of marketing and in credit departments. He assumed the duty of Manager of Entrepreneurs Credits Department. In 2005-2011, he took the post of Head of Department of Tradesmen Banking, Head of Department of Artisans and Small-size Enterprises, Head of KOBİ Marketing Department and Head of training department. He was in charge as the Coordinator of Ankara 3. Region and Coordinator of Istanbul 3. Region of Halkbankası.

He took the position as a Member of the Board of Directors in Credit Guarantee Fund in 2008-2011.

4. ÖZER MATLI

Member of Board
Intitution Represented: TOBB

Özer Matlı was born in 1968 in Karacabey/Bursa and is still acts as the Board Member of Bursa Commodity Exchange Market and Matlı Group, one of the leading industrial enterprises of our country.

5. AHMET KARAKOÇ

Member of Board
Intitution Represented: KOSGEB

He was born in 1969 in Ankara. He graduated from the Faculty of Economics and Administrative Sciences of Hacettepe University in 1992. He completed his post-graduate study in 2010 in the Department of Finance of the Institute of Social Sciences of Hacettepe University.

In 1995, he started in the Ministry of Finance as an Intern Revenue Controller. He worked as an audit inspector in the Ministry of Finance until 2003. He has been continuing his careers in KOSGEB since 2003, and he was appointed and worked as the Accounting Manager in 2003-2008 and as the Head of Department of Strategy Development and Financial Services in 2008-2014. He has been in charge as the Vice President of KOSGEB since May 2014. He is married with two children.

6. TURGUT GÜLCİHAN

Member of Board
Intitution Represented:
The Banks Association of Turkey

He was born in 1973 in the county of Hopa of Artvin province. Further to Imam Hatip High School, he graduated from the Department of Political Sciences and Public Administration of the Middle East Technical University with high honor student degree.

From year 1995, he worked in private equity Commercial and Development Banks as inspector branch Manager (Çorum, Trabzon, Kahramanmaraş, Gaziantep) and then in 2007, he as in charge as Commercial Branch Manager of Halkbank (Istanbul) and then, acted as the Head of Commercial marketing Department in 2010..

Turgut Gülcihan, who worked as the Group Head of SME and Entrepreneur Marketing of Ziraat Bankası from 2011, has been continuing his post as the Group head of Branch Banking of the same bank since the end of 2011 and he has a good command of English and Arabic.

7. MURAT KULAKSIZ

Member of Board
Intitution Represented:
The Banks Association of Turkey

Kulaksız, born in 1972, graduated from the Faculty of Economics and Administrative Sciences of Çukurova University in 1996 with a Bachelor's degree in the field of management in English. He started his banking career in 1998 in Toprakbank A.Ş. as a bank examiner. Worked in the Ayazağa Maslak Coommercial Center and İstanbul Public Branches of DenizBank A.Ş. in 2003-2004. He was appointed as the manager of Ayazağa Branch in 2007 and thereafter, worked as a Branch manager in Maslak Commercial branch and Istanbul Public Financing Branch. In 2012-2016, he worked as the Europe 2. Region Manager. Kulaksız was appointed as the Assistant General manager of SME Banking group in 2016. He is married with two kids and speaks English and Russian.

8. MEHMET ALPER BATUR

Member of Board
Intitution Represented:
Undersecretariat of Treasury

He graduated from the Department of Management of Çankaya University (scholarship student) in 2003 as the best student of the Department. He started his professional career as Assistant Specialist in Undersecretariat of Treasury of the republic of Turkey. He completed his Treasury Specialist thesis on "the place of Regional Financial Regulations (Asia Money Fund) on the International Financial Architecture".

He successfully completed his post-graduate study in the Management School of Berkeley Haas of the California University in 2012. Further to having worked as the Head of Department of Financial Sector Policies and Coordination for a period of about four years, he has been in charge as the Assistant General Manager since November 2016. At the same time, he assumes roles in the secretariats of Financial stability committee and Interest-free Finance Coordination Board.

He is still continuing with his doctorate studies in the Field of Banking and Finance of Yıldırım Beyazıt University.

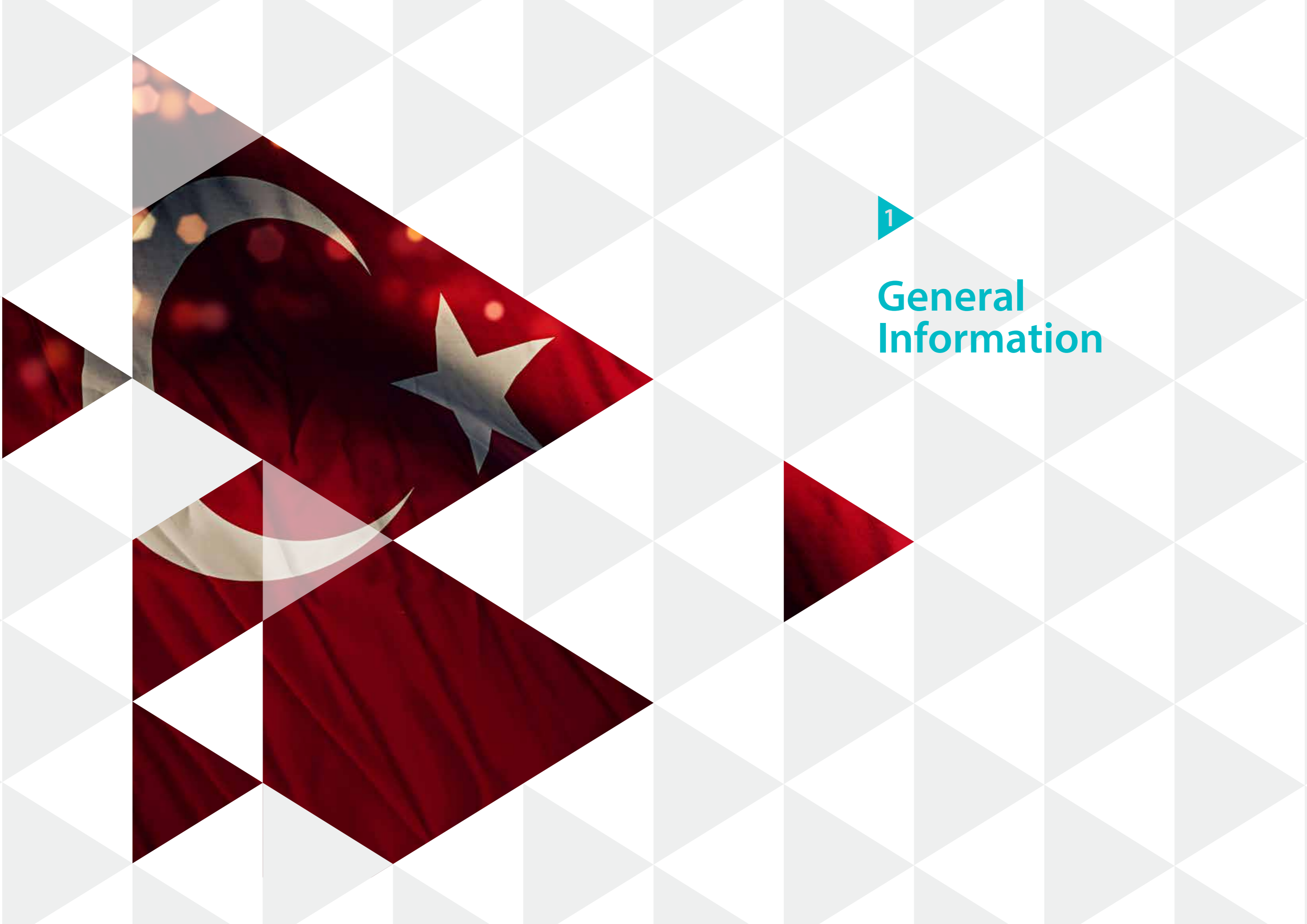


OUR MISSION

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

OUR VISION

To become a financial support agency of Turkey, ensuring access of SMEs and Non-SMEs to credit in association with national and international cooperation.



1

General Information

A. TRADE REGISTRY INFORMATION

Accounting Period

01.01.2016 – 31.12.2016

Trade name

Kredi Garanti Fonu Anonim Şirketi

Number of Employees

Year 2015: 158

Year 2016: 178

Mersis Number

0589005350800014

Trade Registration Number

83408

Tax Office/Number

Maltepe Tax Office – 5890053508

Address

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

Call Center

444 7 543

Telephone

0 312 204 00 00 (pbx)

Fax

0 312 219 58 72

Website

<http://www.kgf.com.tr>

B. SHAREHOLDING STRUCTURE

OUR SHAREHOLDERS	GROUP	AMOUNT OF CAPITAL (TL)	SHARE PERCENTAGE (%)
 TOBB (The Union of Chambers and Commodity Exchanges of Turkey)	A	89.470.327,94	32,1328
 KOSGEB (Small and Medium Business Development and Support Administration)	B	89.444.548,76	32,1236
 TESK (Confederation of Turkish Tradesmen and Craftsmen)	D	381.648,51	0,1371
 TOSYÖV (Foundation of Small and Medium Sized Enterprises, Self-Employed, and Administrators of Turkey)	D	24.658,36	0,0089
 MEKSA (Foundation of Vocational Training and Small Industry Support)	D	12.339,85	0,1371
 TÜRKİYE HALK BANKASI A.Ş.	C	4.719.303,25	1,6949
 AKBANK T.A.Ş.	C	4.719.303,25	1,6949
 ALBARAKA TÜRK KATILIM BANKASI A.Ş.	C	4.719.303,25	1,6949
 VAKIF KATILIM BANKASI A.Ş.	C	4.719.303,25	1,6949
 DENİZBANK A.Ş.	C	4.719.303,25	1,6949
 BURGAN BANK A.Ş.	C	4.719.303,25	1,6949
 QNB FINANSBANK A.Ş.	C	4.719.303,25	1,6949
 HSBC BANK A.Ş.	C	4.719.303,25	1,6949
 ING BANK A.Ş.	C	4.719.303,25	1,6949
 KUVEYT TÜRK KATILIM BANKASI A.Ş.	C	4.719.303,25	1,6949
 ŞEKERBANK T.A.Ş.	C	4.719.303,25	1,6949
 TÜRK EKONOMİ BANKASI A.Ş.	C	4.719.303,16	1,6949
 T. C. ZİRAAT BANKASI A.Ş.	C	4.719.303,25	1,6949
 TÜRKİYE FINANS KATILIM BANKASI A.Ş.	C	4.719.303,25	1,6949
 TÜRKİYE GARANTİ BANKASI A.Ş.	C	4.719.303,25	1,6949
 TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	C	4.719.303,25	1,6949
 TÜRKİYE İŞ BANKASI A.Ş.	C	4.719.303,25	1,6949
 TÜRKİYE VAKIFLAR BANKASI TA.O.	C	4.719.303,25	1,6949
 YAPI VE KREDİ BANKASI A.Ş.	C	4.719.303,30	1,6949
 ZİRAAT KATILIM BANKASI A.Ş.	C	4.719.303,24	1,6949
 ALTERNATİFBANK A.Ş.	C	4.719.303,24	1,6949
TOTAL		278.438.891,61	100

C. THE LEGAL LAWS AND REGULATIONS GOVERNING THE ORGANIZATION

The legal law governing our organization

Our company which was incorporated under the trade name Kredi Garanti Fonu İşletme ve Araştırma Ticaret Anonim Şirketi on 29.07.1991 continued to grow in accordance with the Turkish-German Technical Cooperation Agreement of the Council of Ministers dated 14.07.1993 and No. 93/4496 and the project entitled as "Assistance in Establishing a Credit Guarantee Fund for Small and Medium-Sized Enterprises" and amended its trade name as "Kredi Garanti Fonu Anonim Şirketi" on 28.06.2007.

Our organization was granted with 1 Billion TL Treasury counter guarantee (increased to 2 Billion TL in 2015) through the "Resolution in respect of Principles and Procedures for the Treasury Subsidy to be granted to the Credit Guarantee Agencies" of the Council of Ministers dated 14.07.2009 and No. 2009/15197.

Furthermore, the guarantees granted by our organization from the Treasury funding are considered in Group 1 and such guarantees granted from Equity are considered in Group 3 (elevated to Group 2 in 2015) by virtue of "Regulation on Determination of Nature of Loans lent by Banks and Other Receivables and Provisions to be made for such Receivables".

In 2016, the Articles of Incorporation of KGF was amended in accordance with the provisions of Turkish Commercial Code and developing field of activity, and such amendment was approved and put into effect by the Ordinary Shareholders' Meeting which took place on December 20, 2016.

Active Sectors and Place of Organization among such Sectors

KGF was established in 1991 for assisting SMEs to access financing.

Since then, the organization has undertaken the basic responsibility of being a guarantee for and providing collateral support for SMEs which are deemed bankable by the banks, but not capable of borrowing in the absence of necessary collaterals.

Because, we know that SMEs are life-blood for the economy. 99.8% of the enterprises existing in Turkey and such SMEs provide for 77.8% of employment needs. Moreover, 35.7% of all investments in Turkey, 54.2% of production and 55% of the added value are provided by SMEs.

In summary, such data clearly exhibits that SMEs must be supported for a stronger Turkish economy.

The efficiency of SMEs must be increased, and their integration process to international markets must be supported, and assistance of technical information and advisory must be provided in the field of investment, production and marketing and access to low cost, long-term borrowing facilities must be provided.

KGF is involved at this point and grants guarantees to SMEs and non-SME companies through recent regulations up to hundred percent.

Exemptions and reliefs granted to our Organization

- Our Organization is exempted from corporate tax in accordance with article 4 of the Corporate Income Tax Act No. 5520, regulating the exemptions.
- Our organization is exempted from imposition of value added tax applicable in credit collateral procedures in accordance with sub-paragraph 4/e of Article 17 regulating the Social and Military Purpose Exemptions of the Value Added Tax Act No. 3065.
- The instruments issued by our Organization are exempted from stamp duty for the purpose of providing credit collateral in accordance with Table 2 of Article 9 of the Stamp Duty Law No. 488 regulating the exemptions of stamp duty.
- Our company are exempted from any fees as set out in the law for provision of guarantees in respect of bank borrowing and collateral procedures pertaining to providing collaterals for Public Agencies and Institutions pursuant to Article 123 of Act of Fee No. 492.

Financial Remunerations provided to Members of Board and Senior Managers

The benefits, salaries, Social Security Institution employer's contribution and attendance fees of the Members of Board as of December 31, 2015 and December 31, 2016 year-ends are listed below.

January 1 - December 31 2015	January 1 - December 31 2016
1.723.425,79 TL	2.075.020 TL

D. BRANCHES

Our organization having 38 branches other than our Head Office in 2015 has increased the number of branches to 39 with a new branch opened in Adiyaman and is continuing to grow within every single day and contributing to many enterprises in a faster manner.



- | | | |
|-----------------------------|-------------------------------|-------------------------------|
| 1 ► ADANA BRANCH | 14 ► ERZURUM BRANCH | 27 ► KONYA BRANCH |
| 2 ► ADIYAMAN BRANCH | 15 ► ESKİŞEHİR BRANCH | 28 ► MANİSA BRANCH |
| 3 ► ANKARA / OSTİM BRANCH | 16 ► GAZİANTEP BRANCH | 29 ► MALATYA BRANCH |
| 4 ► ANKARA / KIZILAY BRANCH | 17 ► İSTANBUL BRANCH | 30 ► BODRUM /MUĞLA BRANCH |
| 5 ► ANTALYA BRANCH | 18 ► KADIKÖY/İSTANBUL BRANCH | 31 ► ORDU BRANCH |
| 6 ► AFYONKARAHİSAR BRANCH | 19 ► İKİTELLİ/İSTANBUL BRANCH | 32 ► SAKARYA BRANCH |
| 7 ► AYDIN BRANCH | 20 ► EMİNÖNÜ/İSTANBUL BRANCH | 33 ► SAMSUN BRANCH |
| 8 ► BALIKESİR BRANCH | 21 ► İZMİR BRANCH | 34 ► SİVAS BRANCH |
| 9 ► BATMAN BRANCH | 22 ► KAHRAMANMARAŞ BRANCH | 35 ► ŞANLIURFA BRANCH |
| 10 ► BURSA BRANCH | 23 ► KAYSERİ BRANCH | 36 ► ÇORLU/TEKİRDAĞ BRANCH |
| 11 ► ÇORUM BRANCH | 24 ► KARABÜK BRANCH | 37 ► TRABZON BRANCH |
| 12 ► DENİZLİ BRANCH | 25 ► KOCAELİ BRANCH | 38 ► VAN BRANCH |
| 13 ► DİYARBAKIR BRANCH | 26 ► GEBZE/KOCAELİ BRANCH | 39 ► EREĞLİ/ ZONGULDAK BRANCH |



2

KGF in Figures

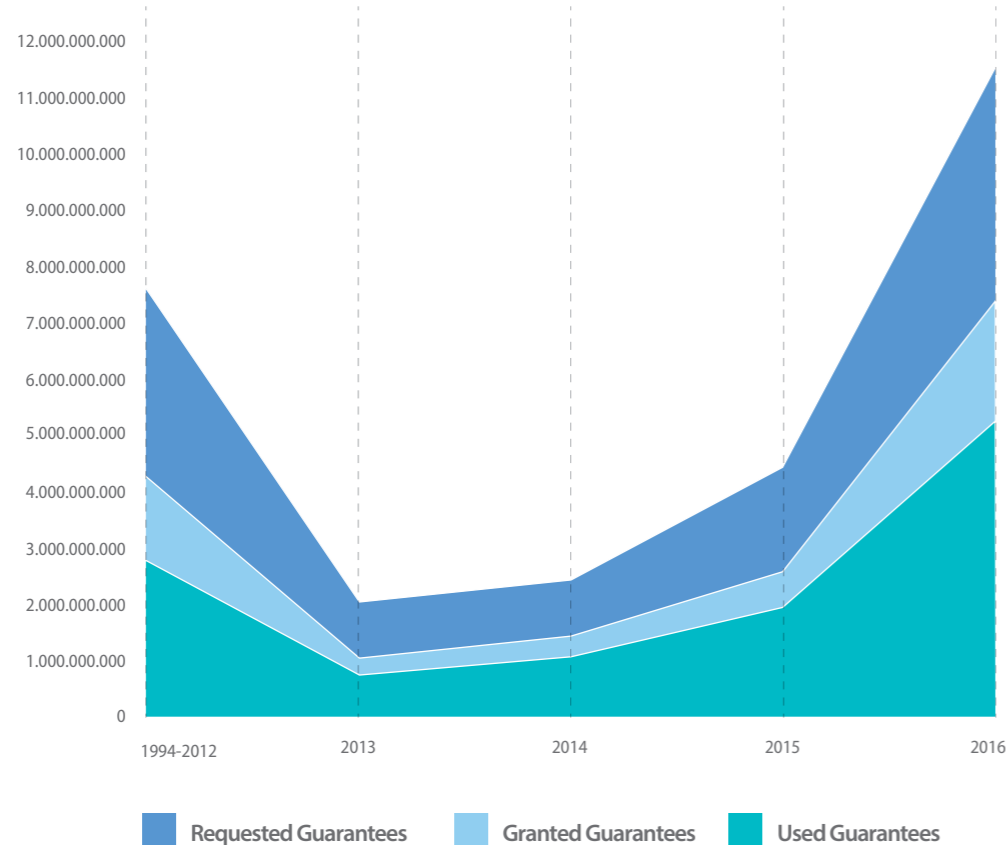
A. DEVELOPMENTS IN OUR GUARANTEE VOLUME

STATUS OF PROVISION OF GUARANTEE APPLICATIONS PER YEARS (TL)

(EQUITY+TREASURY 1994-2016)

PERIOD	Requested Guarantees (Incoming Demand)			Authorized Guarantees (Approved Demands)			Guarantees in Use (Opened Demands)		
	Number of SMEs	Credit Amount	Guarantee Amount	Number of SMEs	Credit Amount	Guarantee Amount	Number of SMEs	Credit Amount	Guarantee Amount
1994-2012	18.946	10.034.354.834	7.273.973.837	12.615	5.961.117.226	4.230.867.690	8.036	3.867.335.534	2.806.833.626
2013	4.107	2.704.616.086	2.017.920.732	2.462	1.467.406.113	1.061.378.253	2.118	1.007.778.894	760.575.736
2014	5.662	3.115.261.712	2.341.999.214	4.233	1.887.621.435	1.391.917.903	4.579	1.353.449.105	1.049.795.242
2015	8.764	5.626.880.473	4.237.564.532	6.015	3.324.047.085	2.445.967.341	4.736	2.417.635.842	1.848.791.475
2016	30.220	14.387.448.543	11.388.989.893	23.365	9.579.927.724	7.375.030.469	19.506	6.681.693.217	5.127.824.694
1994-2016	65.628	39.697.356.514	30.083.622.049	47.450	24.633.598.216	18.287.718.263	37.180	16.341.609.824	12.316.949.883

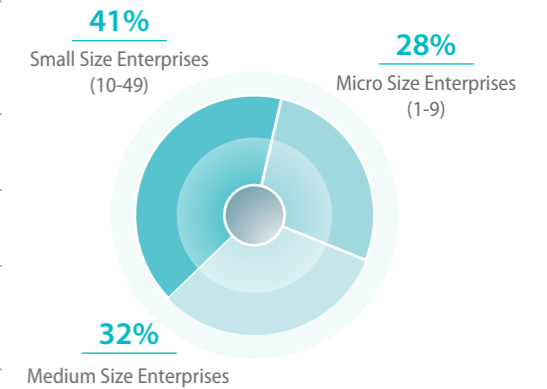
The number of SMEs granted with guarantee in 2016 (52%) is greater than those SMEs combined between years 1994 and 2015.



DISTRIBUTION OF GUARANTEES ISSUED BY SCALE OF ENTERPRISES (TL)

(EQUITY+TREASURY 1994-2016)

Scales	Number of Transactions	Volume of Credits in use via Guarantees issued	Number of Guarantees	Rate
Micro Size Enterprises (1-9)	19.655	4.442.374.921	3.418.331.810	28%
Small Size Enterprises (10-49)	13.171	6.657.107.031	5.001.672.417	41%
Medium Size Enterprises (50-249)	4.354	5.242.127.872	3.896.945.657	32%
TOTAL	37.180	16.341.609.824	12.316.949.883	100%



DISTRIBUTION OF GUARANTEES ISSUED PER SECTORS (TL)

(EQUITY+TREASURY 1994-2016)

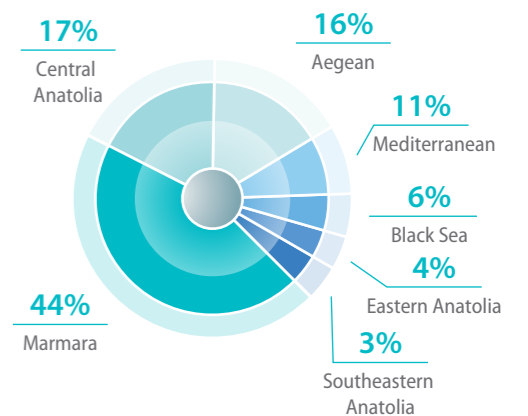
Sectors	Number of Transactions	Number of Guarantees	Rate
Industry	13.898	5.528.180.434	45%
Services	22.407	6.511.332.178	53%
Agriculture	875	277.437.272	2%
TOTAL	37.180	12.316.949.883	100%



DISTRIBUTION OF GUARANTEES ISSUED PER REGIONS (TL)

(EQUITY+TREASURY 1994-2016)

Regions	Number of Transactions	Number of Guarantees	Rate
Marmara	12.567	5.366.813.671	44%
Central Anatolia	6.786	2.041.563.376	17%
Aegean	5.288	1.939.278.437	16%
Mediterranean	2.985	1.406.767.742	11%
Black Sea	4.456	689.032.042	6%
Eastern Anatolia	1.811	521.770.793	4%
Southeastern Anatolia	3.286	351.723.822	3%
TOTAL	37.180	12.316.949.883	100%



In 2016, Marmara Region ranked as the first region with a share of 44%, by rising its guarantee amount to 5.366 TL among such loans utilized on the collateral of KGF guarantee. The highest credit utilization took place in mediterranean Region with an amount of 471 Thousand TL and the lowest utilization took place in the Southeastern region with an amount of 107 Thousand TL.

B. GUARANTEES ISSUED BY KGF THROUGH OWN EQUITY VIA BANK LOANS

The Credit Guarantee Fund which accomplished brand-new innovations and transformation in 2016, and has become the most preferable organization that enabled more SMEs access financing in 2016 through the support backed by its own equity.

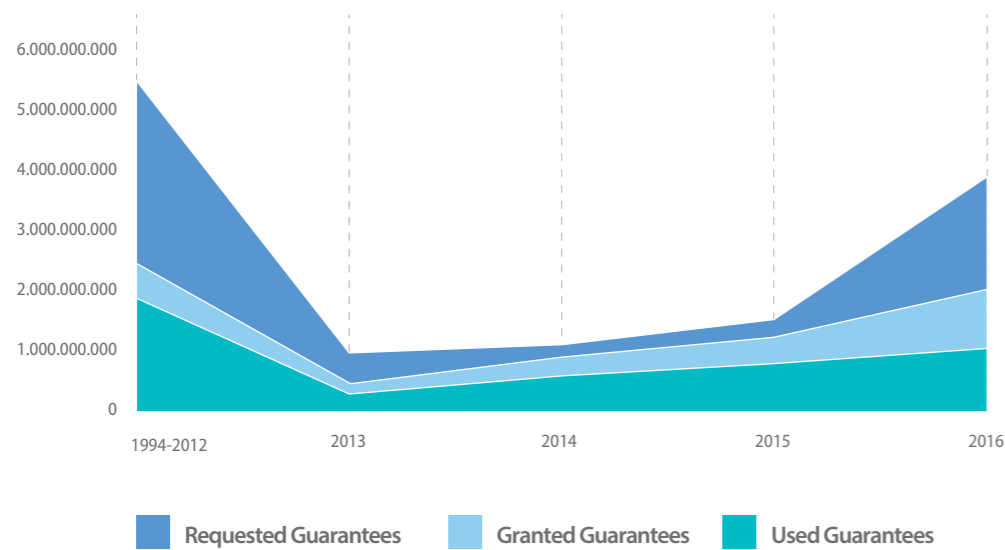
Having attained a growth rate of 91%, in 2016 compared to the rate of previous year, a support of 1.199 Million TL loan borrowing was provided from the Banking System to 3.170 SMEs backed by the guarantee of 1.033 TL.

From 1994 up until the end of 2016, KGF mediated the borrowing of 4.419 Million TL worth of loan further to the evaluations of 28.627 SMEs in total backed by a guarantee amount of 4.323 Billion TL.

STATUS OF PROVISION OF GUARANTEE DEMANDS PER YEARS (TL)

(EQUITY 1994-2016)

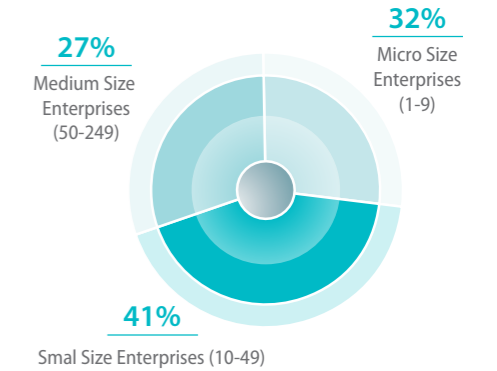
PERIOD	Guarantees Demanded (Incoming Demand)			Guarantees Granted (Approved Demands)			Guarantees Utilized (Opened Demands)		
	Number of SMEs	Credit Amount	Guarantee Amount	Number of SMEs	Credit Amount	Guarantee Amount	Number of SMEs	Credit Amount	Guarantee Amount
1994-2012	13.330	7.458.591.493	5.533.368.453	7.698	3.856.830.036	2.819.222.373	5.328	2.339.457.016	1.769.754.049
2013	2.458	1.379.292.411	1.082.383.284	1.199	585.106.203	451.494.977	860	335.069.389	269.916.095
2014	3.505	1.373.613.677	1.103.732.866	2.573	723.954.916	573.209.927	2.199	455.867.703	380.094.905
2015	3.540	1.778.876.143	1.475.454.221	2.426	989.823.422	805.156.069	1.888	650.979.337	541.453.409
2016	6.154	4.563.596.057	3.930.790.277	4.446	2.392.038.691	2.056.532.753	3.170	1.199.108.047	1.033.188.298
1994-2016	28.627	18.270.214.022	14.423.142.665	18.719	9.858.553.822	7.701.136.517	13.133	5.418.888.990	4.323.577.310



DISTRIBUTION OF GUARANTEES GRANTED BY SCALE OF ENTERPRISES (TL)

(EQUITY+TREASURY 1994-2016)

Scales	Number of Transactions	Volume of Credits in use via Guarantees issued	Number of Guarantees	Rate
Micro Size Enterprises (1-9)	7.532	1.705.921.888	1.376.972.597	32%
Small Size Enterprises (10-49)	3.929	2.235.119.175	1.763.130.313	41%
Medium Size Enterprises (50-249)	1.671	1.477.847.927	1.183.474.400	27%
TOTAL	13.133	5.418.888.990	4.323.577.310	100%

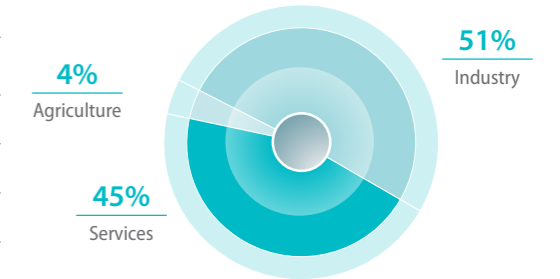


While the share of Micro Size Enterprises among the guarantees granted in 2016 risen to 32% in overall sum, the Small Size Enterprises got a share of 449 Thousand TL on the average from the total sum. The share of 1671 Medium Size Enterprises remained at the same rate of 27% compared to the previous year with guarantee amount of 1.447 Million TL.

DISTRIBUTION OF GUARANTEES GRANTED PER SECTORS (TL)

(EQUITY+TREASURY 1994-2016)

Sectors	Number of Transactions	Number of Guarantees	Rate
Industry	4.984	2.216.261.788	51%
Services	7.735	1.948.481.297	45%
Agriculture	413	158.834.225	4%
TOTAL	13.133	4.323.577.310	100%

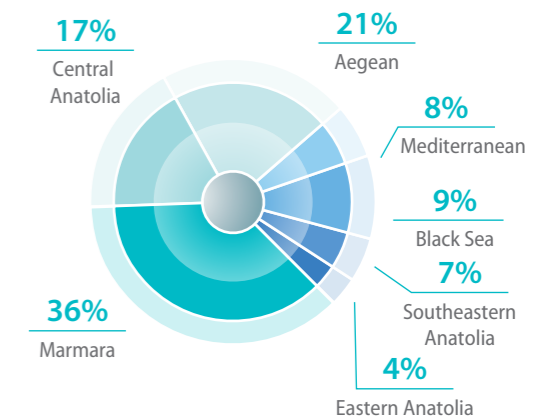


The sureties granted to the companies involved in the Industrial Sector which is the driving force of economy and contributes greatly to the employment realized less than that of Service and Agricultural Sector as 51%.

DISTRIBUTION OF GUARANTEES GRANTED PER REGIONS (TL)

(EQUITY+TREASURY 1994-2016)

Regions	Number of Transactions	Number of Guarantees	Rate
Marmara	3.752	1.542.190.179	36%
Central Anatolia	1.572	893.361.167	21%
Aegean	2.241	727.839.666	17%
Mediterranean	2.745	367.698.383	9%
Black Sea	885	333.511.554	8%
Eastern Anatolia	982	304.775.323	7%
Southeastern Anatolia	956	154.201.039	4%
TOTAL	13.133	4.323.577.310	100%



C. GUARANTEES ISSUED BY KGF THROUGH TREASURY SUPPORT FUNDS VIA BANK LOANS

The Treasury backed Guarantee practice initiated in 2010 has increased 3 folds in 2016 and the guarantee granting reached to 4.094 Million TL in 2015.

From the start of such practice until the end of 2016, the demand of 37.001 SMEs was evaluated and a guarantee support was given in the amount of 7.993 Million TL against a loan volume of 10.923 Million TL borrowed from the banking system by 24.047 SMEs.

The similar practice of PGS (Portfolio Guarantee System) that we utilize from our equity was started to be granted for Treasury subsidies and the initial practice is the TOBB Breath Credit initiated towards December.

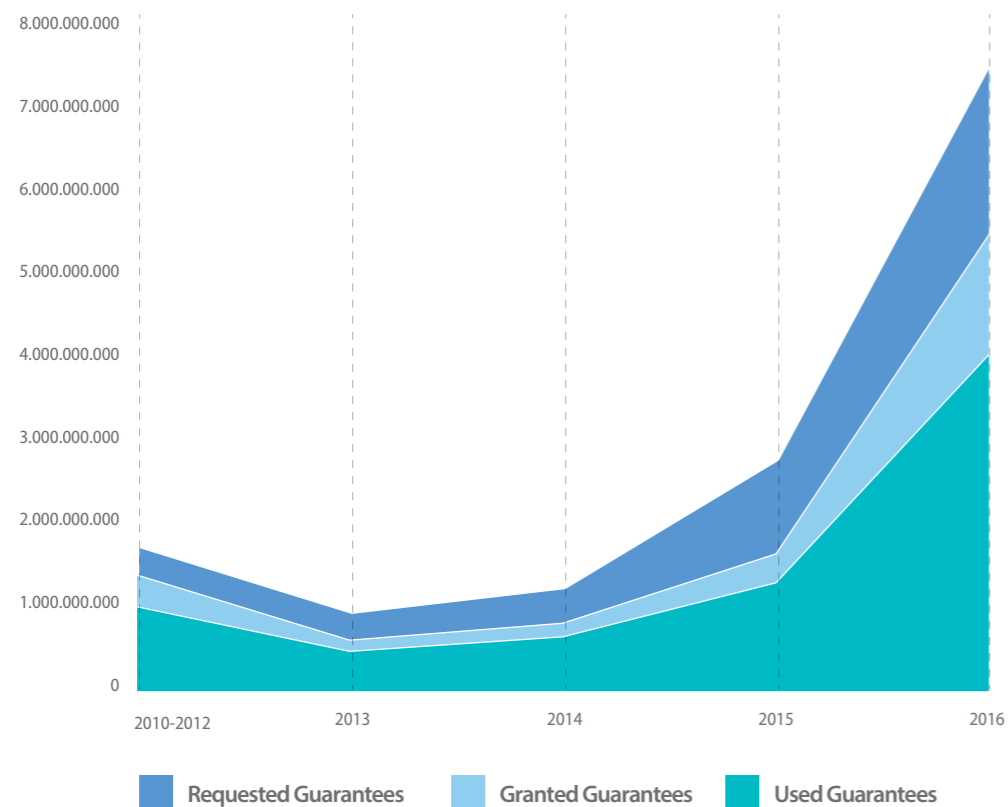
Under a protocol entered into with a Private and a Public Bank, a guarantee support of 905 Million TL was granted to 11.062 SMEs by the end of 2016.

STATUS OF PROVISION OF GUARANTEE DEMANDS PER YEARS (TL)

(TREASURY 2010-2016)

PERIOD	Guarantees Demanded (Incoming Demand)			Guarantees Granted (Approved Demands)			Guarantees Utilized (Opened Demands)		
	Number of SMEs	Credit Amount	Guarantee Amount	Number of SMEs	Credit Amount	Guarantee Amount	Number of SMEs	Credit Amount	Guarantee Amount
2010-2012	5.616	2.575.763.341	1.740.605.384	4.917	2.104.287.190	1.411.645.317	2.708	1.527.878.517	1.037.079.576
2013	1.649	1.325.323.675	935.537.449	1.263	882.299.910	609.883.276	1.258	672.709.505	490.659.641
2014	2.157	1.741.648.035	1.238.266.348	1.660	1.163.666.519	818.707.976	2.380	897.581.401	669.700.336
2015	5.224	3.848.004.330	2.762.110.311	3.589	2.334.223.663	1.640.811.272	2.848	1.766.656.505	1.307.338.066
2016	24.066	9.823.852.486	7.458.199.615	18.919	7.187.889.033	5.318.497.716	16.336	5.482.585.170	4.094.636.396
2010-2016	37.001	21.427.142.492	15.660.479.383	28.731	14.775.044.395	10.586.581.746	24.047	10.922.720.833	7.993.372.573

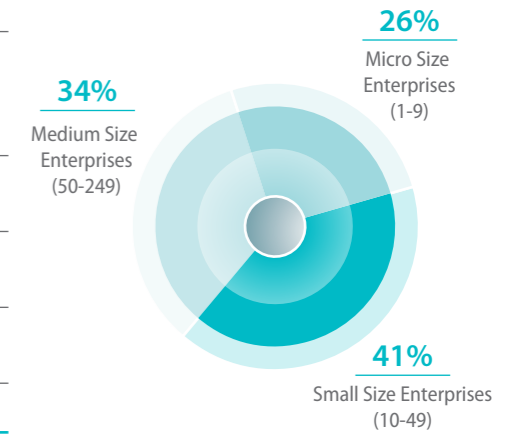
70% of the Treasury backed Guarantees granted in 2010-2016 was realized in 2016.



DISTRIBUTION OF GUARANTEES GRANTED BY SCALE OF ENTERPRISES (TL)

(TREASURY 2010-2016)

Scales	Number of Transactions	Volume of Credit based on Guarantee Granted	Amount of Guarantee	Rate
Micro Size Enterprises (1-9)	12.123	2.736.453.032	2.041.359.213	26%
Small Size Enterprises (10-49)	9.241	4.421.987.855	3.238.542.104	41%
Medium Size Enterprises (50-249)	2.682	3.764.279.946	2.713.471.257	34%
TOTAL	24.047	10.922.720.833	7.993.372.573	100%



DISTRIBUTION OF GUARANTEES GRANTED PER SECTORS (TL)

(TREASURY 2010-2016)

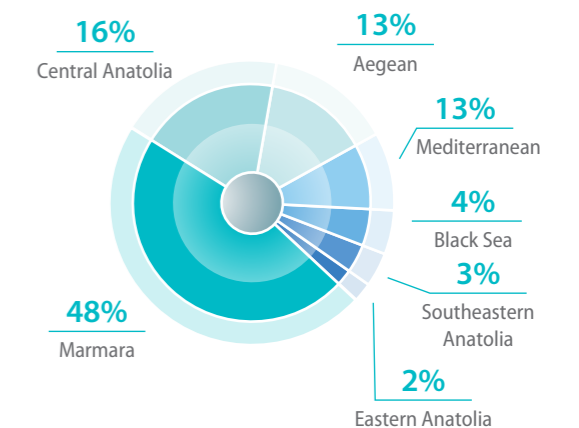
Sectors	Number of Transactions	Amount of Guarantee	Rate
Industry	8.913	3.311.918.646	41%
Services	14.672	4.562.850.881	57%
Agriculture	462	118.603.047	1%
TOTAL	24.047	7.993.372.573	100%



DISTRIBUTION OF GUARANTEES GRANTED PER REGIONS (TL)

(TREASURY 2010-2016)

Regions	Number of Transactions	Amount of Guarantee	Rate
Marmara	8.815	3.824.623.493	48%
Central Anatolia	4.545	1.313.723.710	16%
Aegean	2.100	1.073.256.188	13%
Mediterranean	3.717	1.045.917.270	13%
Black Sea	1.711	321.333.659	4%
Eastern Anatolia	829	216.995.470	3%
Southeastern Anatolia	2.330	197.522.783	2%
TOTAL	24.047	7.993.372.573	100%



D. OUR DIRECT GUARANTEES (EXIMBANK, TÜBİTAK, KOSGEB, TTGV, Ministry of Science-Industry and Technology)

The scope of guarantee facility has been expanded by virtue of the guarantee agreements established on various dates with EXİMBANK, KOSGEB, TÜBİTAK, TTGV. Finance provided by Eximbank with favorable conditions and other facilities provided by official institutions are included in guarantee coverage. KGF issued guarantees has become an alternative collateral to substitute bank guarantees for SMEs while Eximbank and other public organizations request assurances to secure financial support that they provide. Thus, SME access to public financial supports has been eased.

By proceeding current direct guarantee support programmes during 2016, KGF has led to provide possibility of utilizing public supports by SMEs without disbursing their credit line at the counters of banks.

Additionally, guarantee protocols with Eximbank have been renewed in 2016 as with the opportunity of providing better conditions for SMEs. Moreover, a new guarantee protocol with the Ministry of Science, Industry and Technology has been signed with the aim of covering the advance payments made by Ministry to those SMEs which are awarded under Ministry's Technological Product Investment Support Programme.

E. OUR NON-PERFORMING GUARANTEES

From 1994 where we started our operations up until 2016, 12.316,9 Million TL guarantee in total, 4.323,5 Million TL of which is funded through our Equity and 7.993,3 TL of which is backed by the Treasury, were utilized. Totally 449,3 Million TL of the utilized guarantees has turned out to be non-performing receivables, and the ratio of 4.67% of being non-performing guarantee in 2015 dropped to 3.65% in 2016. 57.9% of the non-performing amount belongs to Equity guarantees and 42.1% thereof belongs to Treasury backed guarantees.

The equity backed non-performing receivables reduced by 5.37% at the end of 2016 compared to the previous year upon collections made (and through the effect of cancellation enacted based upon the resolution of the Board of Directors). While the ration of non-performance in guarantees backed by equity was 6.91% by the end of 2015, such ration tuned out to be 6.02% at 2016 year-end.

As for Treasury backed guarantees, totally 189.2 Million TL was tuned to non-performing guarantees as of the end of 2016, the ratio of increase compared to 2015 is 85.25%. The non-performing guarantee ratio of 2.75% in at the end of 2015 in Treasury backed guarantees decreased to 2.37% as of end of 2016.

Until the end of 2016, the loans of 1.258 SMEs in equity backed guarantees and loans of 642 SMEs in Treasury backed guarantees tuned to non-performing guarantee.

NON-PERFORMANCE AND NON-PERFORMANCE EXPOSURE RATIOS PER RESOURCE (TL)

Resources	01.01.1994 - 31.12.2016		Non-performing Ratio %	31.12.2016	Non-performance Exposure Ratio %
	Utilized Guarantees	Non-performing Amount		Balance of Non-performance (including those tied up by protocol)	
Equity	4.323.577.000	260.154.260	6,02	143.233.148	3,31
Treasury	7.993.373.000	189.220.090	2,37	165.636.321	2,07
TOTAL	12.316.950.000	449.374.350	3,65	308.869.469	2,51

Note: The amount of 33.159.558,89 TL of the non-performing receivables backed by Equity was cancelled based upon the resolution of the Board of Directors.

The collections made from non-performing receivables exhibits an increase by years. Until the end of 2016, 85.4 Million TL in total principal amount of the Equity backed non-performing receivables and 23.5 Million TL principal amount in total of the Treasury backed non-performing receivables were collected.

Upon such collections, 46.37% of the total non-performing exposure of 308.8 Million TL, consisting of 143.2 Million TL equity backed and 165.6 Million TL Treasury backed exposure as of the end of 2016, are Equity guarantee whereas 56.63% thereof is Treasury backed guarantee.



3

Our Other Activities in 2016

OPERATIONS IN 2016

CORPORATE STANDARDIZATION STUDIES IN RESPECT OF HUMAN RESOURCES

- ▶ The following processes and operating procedures have been prepared and put into practice.
 - Organization Chart
 - Human Resources Regulations,
 - Disciplinary Regulations,
 - Per diem Allowance Regulations,
 - Salary Practice Directives
 - Vacation Practice Directives,
 - Performance Evaluation Regulations,
 - Regulations relating to Evaluation of Guarantee Demands,
 - Directives for Setting Limits for Lender
- ▶ The internal rating system of our organization, namely **KOBİS**, was completed and put into practice for evaluating the guarantee demands for Equity and Treasury backed Eximbank Guarantees made directly or through banks. In such manner, the evaluation is made standardized, the processes are shortened, and the evaluations are ensured to be made free of personal judgment and in accordance with more equitable and objective criteria.
- ▶ In our organization, Competency-based Performance Evaluation has been conducted for the 1st and 2nd half of 2016 for all employees.
- ▶ As of end of December 2015, 29 employees quit working when the number of employees is 159 and 48 new employees were recruited. Our number of employees is 178 as of end of December 2016.
- ▶ Human Resources tab has been created in KOBİS system, and the personal and vacation information of the employees have been transferred to such tab. Moreover, a screen was created wherein the payroll information may be displayed to eliminate the process of sending payroll reports to the branches via mail through which money and time saving is ensured.
- ▶ In accordance with improving the personal rights of employees, supplementary health and personal accident insurance coverages were provided for the employees in 2016.
- ▶ In compliance with the obligation to hire Occupational Health and Safety Specialist imposed on companies and organizations, an outsourced company was hired in to provide services in December 2016 and necessary

trainings were initiated for the employees.

- ▶ Trainings programs were initiated in April 2016 in order to enable our human resources to acquire knowledge and experience, and an intensive training schedule was conducted.
 - Basic Law and Security Law
 - Surety Certification Program
 - Balance Sheet Analysis Methods, Company Due Diligence and Credit Evaluation
 - Sector Analysis
 - Economic Data, Money Markets, banking sector and Expectations
 - Bankruptcy and Enforcement Law
 - Corporate and Professional Imaging, Communication,
 - Financial Mathematics
 - Call Center Training
 - ISO Service Sector Quality Trainings
 - Basic First Aid Training
 - Basic Cyber Security Training
 - Information Technologies Training
 - IFRS
 - Effective Presentation Techniques
- ▶ Classroom trainings conducted turned out to be 1.036 man/day in total. Each employee received a training at the rate of 5.8 man/day per capita.
- ▶ Our employees were sent certain trainings to be completed in every month through e-learning platform KOBİT, started in August 2016 for the purpose of ensuring a contribution to their personal and professional development. Totally, 315 man/day training was provided in E-learning.
- ▶ Furthermore, our employees were ensured to participate in project-based outsourced trainings. Our employees were also made to participate in trainings regarding system security and IFRS.
- ▶ Questionnaires were conducted at the end of trainings and the instructors, scope of trainings, hotels accommodated during trainings are kept under control and the interest of employees in the trainings and their expectations are identified and measured.
- ▶ Upon certification trainings, exams were conducted and the extent of benefits obtained from such trainings were measured.

- ▶ ISO 9001:2008 Quality Certification was obtained. Studies are underway to obtain the updated version thereof, namely ISO 9001:2015.

STUDIES IN RESPECT OF KGF LEGAL REGULATIONS

- ▶ The attempts made by our organization resulted in a legal regulation allowing a withholding relief of 15% on KGF deposits. In accordance with such regulation, significant steps were taken for the purpose of growing our Organization and increasing the assets and resources thereof.
- ▶ The books that must be maintained pursuant to Tax Procedural Law and Turkish Commercial Code are kept electronically and E-Books practice was initiated to keep and present the accounting records.
- ▶ Instead of issuing separate power of attorneys to the employees dealing with the security procedures in respect of the formalities performed in the Land Registry Offices, a general power of attorney has been added electronically into the system of the Land Registry Office and the operational costs involved for our Organization have been reduced.
- ▶ Further to the arrangement made to Law No. 6728, a fee relief has been imposed with regards to the formalities arising from our guarantees granted to companies and organizations which are not banks, and thus, enterprises are enabled to benefit from the fee relief in their guarantee applications filed.

STUDIES INTENDED TO INCREASE THE EFFICIENCY OF KGF

- ▶ In place of the existing Logo accounting software, a new accounting software created under KOBİT was put into practice.
- ▶ Barcoded fixture and furniture recording and monitoring system was initiated in recording and monitoring the fixtures and furniture of our Organization.
- ▶ The vehicle requirements of Branches and Head Office are provided for through procurement and leasing method was adopted in line with the principle of utilization of assets in an efficient manner.
- ▶ The securities taken by our Organization are appraised by 6 appraisal companies licensed by Capital Markets Board of Turkey and Banking Regulation and Supervision Agency. In such context, 1.450 appraisal reports in total have been issued.

- ▶ From October 2016, document security system was activated in respect of guarantee letters. Therefore, banks may access easily and confirm the guarantee letters over KOBİT.

INFORMATION TECHNOLOGIES AND SECURITY STUDIES

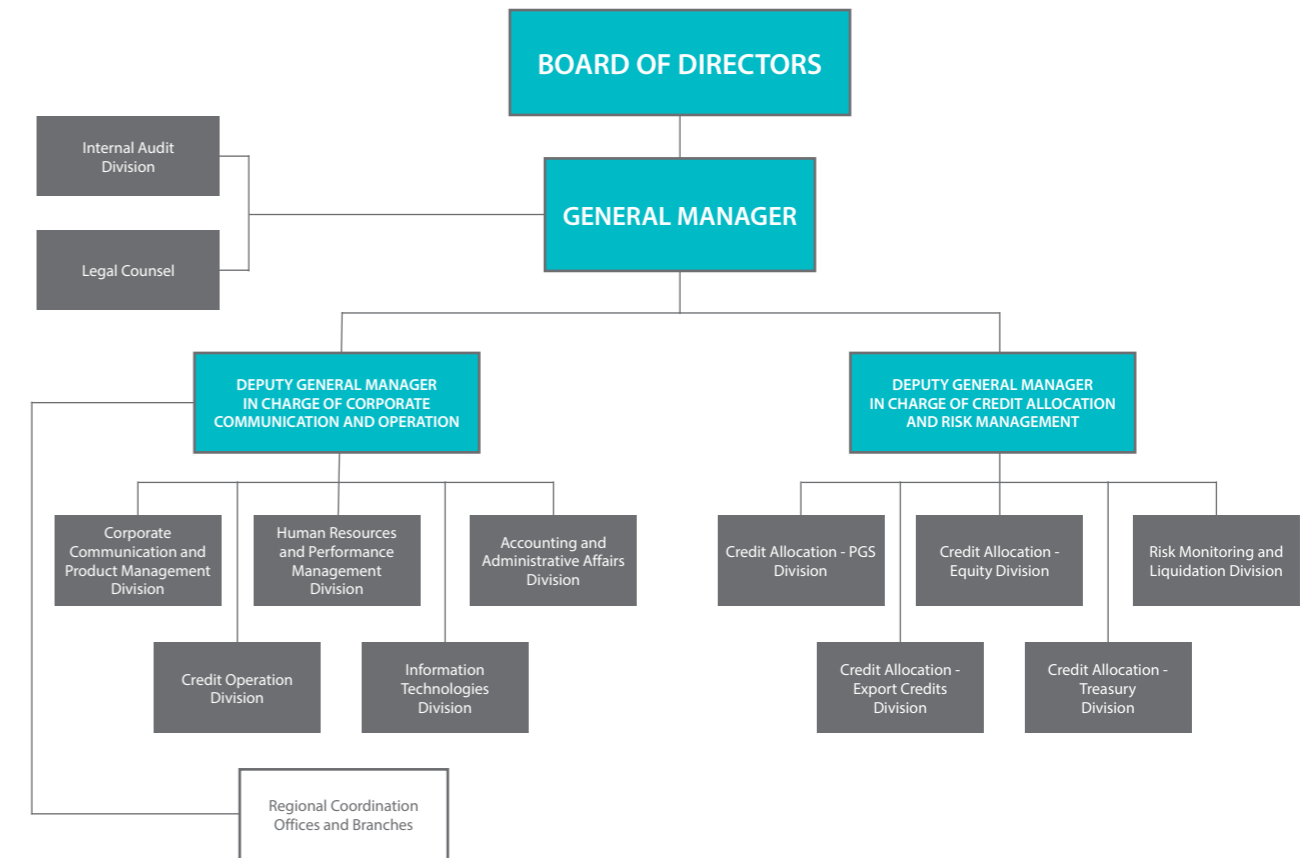
- ▶ All of our network systems have been replaced and the data communications have been upgraded to satisfy the requirements of the organization to the maximum extent possible to include both internal and external network.
- ▶ State-of-the-art products were purchased for the security of the systems and backed-up structure was put into practice.
- ▶ For the purpose of carrying out the KGF guarantee processes in respect of the bank loans which comprise the majority of our activities in a more reliable, swift and effective manner, studies were initiated to establish a full integration with the banks by maximizing the system security through infrastructure investments.
- ▶ New investments were made pertaining to the telecommunication infrastructure replacement project.
- ▶ All employees were provided with awareness and information security training.
- ▶ System security software were installed for the system security of the end-users to carry the security of the users to the maximum extent possible.
- ▶ All computers and printers which have become insufficient in meeting the current needs of the users were all replaced and the users were provided with a capability of trouble-free working.

CORPORATE COMMUNICATION STUDIES

- ▶ With the use of new logo designed to invoke the Surety mission assume by our organization in enabling the SMEs access financing (K: SME, G: Guarantee, F: Financing), the updated, practical corporate internet website with plain outlook is in use now.
- ▶ Our 39th Branch was opened in Adıyaman through a ceremony held on October 28, 2016 with the participation of Customs and Trade Minister, Bülent Tüfekçi, TOBB President Rifat Hisarcıkloğlu and TBMM Deputy Chairman Ahmet Aydın.

- ▶ Divisions in charge of KGF procedures with our business partner banks were created and all communication is implemented over such divisions and interagency possible confusion and information complexities are thus avoided. All communication is implemented through Corporate Communication and Product Management Directorate to respond in short notice to any queries, suggestions and complaints sent via social media accounts and e-mail.
- ▶ The new regulations in relation to the Treasury backed KGF guarantees came into full force and effect by the Decree of the Council of Ministers dated 31.10.2016 and No. 2016/9538 whereby;
 - The total balance sum of the Treasury backed guarantees to be granted by KGF which was 15 Billion TL was increased to 20 Billion TL.
 - The resolution was made in order to implement the line of credit allocation formalities by virtue of Internal Rating System (KOBİS) which is based upon objective and numerical criteria instead of Credit Approval Committee. KOBİS was put into operation for the purpose of evaluating the Eximbank guarantee demands provided by Equity and Treasury communicated directly or through banks.
 - The Portfolio Guarantee System which was practiced successfully by the KGF based on the assets provided by the European Investment Fund (EIF) was used for the KGF guarantees backed by the Treasury. The minimum 70% of the funding provided by the Treasury was allocated to the use of SMEs in such regard.
 - The guarantee ceiling of SMEs was increased to 3 Million TL from 1.5/2.5 Million TL.
 - The guarantee ceiling was determined as 20 Million TL by incorporating the "enterprises beyond the description of SME" in the definition of user.
 - It is resolved that the guarantees granted directly to by KGF are included 100% within the scope of Treasury aid.
 - The guarantee rate of 75% granted to banks for the Eximbank loans was increased to 85%, and the "enterprises beyond the description of SME" was also included within the scope.
 - While the companies without any overdue liability towards Social Security Organization and Tax office cannot benefit from the KGF guarantees backed by the Treasury, the new regulation enables such enterprises to benefit from such guarantees; provided that the overdue liability does not exceed 20% of the loan to be secured by the guarantee and that such liability is discharged through the loan to be utilized.
- ▶ In order to shorten the operational processes, guarantee demands made for only bank allocated loans are processed.
- ▶ As of June 2016, demands are only accepted from our partner banks in guarantees granted from our equity in a manner similar to the practice applied in the Treasury backed KGF guarantees.
- ▶ The demand evaluation duration which was used to take 35-40 days in the past was shortened to one day. The KGF indemnification processes manually followed up in the past was accelerated further to the activation of KOBİT system.
- ▶ The Prime Minister, Binali Yıldırım officially announced in accordance with the resolutions of Economic Coordination Committee that the guarantee volume will be increased to 250 Billion TL with the help of additional funding to be provided to KGF.
- ▶ For the first time in 2016, the activities of the branches were monitored to end up with the numerical performance evaluation thereof.
- ▶ Our organizational structure was revised in accordance with the current requirements.

ORGANIZATION CHART



ABOUT KOBİS

The guarantee evaluation process which had been performed manually based upon personal opinion, is now implemented by means of a scoring module, namely Credit Guarantee Fund Internal Rating Module KOBİS (Guarantee Approval Information System) having a parametric structure.

In such manner, it is intended;

- to standardize the evaluation formalities and procedures,
- to ensure faster and faultless request filing,
- to shorten the evaluation process,
- to provide access to more companies in a short notice,
- to accelerate and increase efficiency of the process by automatically obtaining from the system the data pertaining to the companies.

KOBİS, the Credit Guarantee Fund Internal Rating System,

was put into service effective from January 2017. The evaluations are carried out based upon the company segments (Micro enterprises, Small and Large-Sized enterprise) and sectors (Manufacturing, Commerce, Service, Education, Health, Mining, etc.) by means of specially produced score cards, and selection of score cards compatible with the company, calculation of financial ratios and producing of risk grades are all automatically performed. In such structure, the verbal and numerical data of the companies are employed, and the companies is given scores on the basis of both current period and previous period performance data.

Upon evaluations, the companies are scored in a scale containing 10 risk groups in total, and such scores are recorded in the system. The data archived in such manner may be reported on the basis of date, score result, sector, region, etc. and various other criterion and the monitoring of the companies in a statistical manner is ensured.

► PRESS AND PROMOTION FACILITIES



HABER TÜRK 24.11.2016

'Finansmana erişimde yeni sayfa açtık'

Kredi Garanti Fonu (KGF) AS Genel Müdürü İsmet Gergeli...

SABAH 08.12.2016

KGF'den KOBİ'lere MÜJDELİ HABER

İmza törenine Hazine Müsteşarı Osman Çelik, Kredi Garanti Fonu Yönetim Kurulu Başkanı Faik Yavuz ve Genel Müdür İsmet Gergeli de katıldı.

Hürriyet 28.11.2016

Bankalardan destekle erişim kolaylaştı

Kredi Garanti Fonu (KGF) AS Genel Müdürü İsmet Gergeli, kredi garantisi sunulan Kurumların Finansman Destek Programı çerçevesinde...

DÜNYA 19.12.2016

"KOBİ'lere ilave 250 milyar TL kredi imkanı yaratabileceğiz"

İçerisindeki 250 milyar TL kredi imkanı, KOBİ'lere ilave 250 milyar TL kredi imkanı yaratabileceğiz...

Star 17.12.2016

Yeni Şafak Kredi Garanti Fonu KOBİ'lere merhem oldu

KOBİ'lerin finansmana erişiminde yardımcı olan Kredi Garanti Fonu, KOBİ'lere merhem oldu...

DÜNYA 22.12.2016

KOBİ'lerden nefes kredisine 4 günde 4 bin başvuru

Kredi Garanti Fonu Genel Müdürü İsmet Gergeli, KOBİ'ler için hayata geçirilen nefes kredisine gelen başvuruyu açıkladı...

Ekonomi-Finansman 17.12.2016

4 günde 4 bin KOBİ'ye 'Nefes'

Hükümetin ekonomiyi canlandırmak ve istihdamı artırmak için Kredi Garanti Fonu'nun (KGF) kefaletiyle sağlanacak 250 milyar liralık kredi desteği...

Star 17.12.2016

4 günde 4 bin KOBİ'ye 'Nefes'

Esnafa yüzde 10'un altında faizle verilen 'Nefes Kredisi'ne başvurularda patlama yaşandı. Toplamda 80 bin KOBİ'yi bekliyoruz...

Capital 01.08.2016

"İŞLETMELERİN FINANSMANA ERİŞİMİNİ KOLAYLAŞTIRMAK İSTİYORUZ"

İsmet Gergeli, KOBİ'lerin finansmana erişiminde yardımcı olan Kredi Garanti Fonu'nun (KGF) kefaletiyle sağlanacak 250 milyar liralık kredi desteği...

PLATIN 01.09.2016

"ÜRETEN KOBİ'LERİN HER KOŞULDA YANINDA OLACAĞIZ"

İsmet Gergeli, KOBİ'lerin finansmana erişiminde yardımcı olan Kredi Garanti Fonu'nun (KGF) kefaletiyle sağlanacak 250 milyar liralık kredi desteği...

KGF
Kredi Garanti Fonu A.Ş.
Genel Müdürü İsmet Gergeli

21.11.2016

Non-recourse Support Guarantee Protocol was executed between the Ministry of Science, Industry and Technology and KGF.

With this Protocol, the Non-recourse Support prepayments granted by the Ministry to project owner SMEs are secured by the KGF Guarantee under Technological Product Support Program implemented by the Ministry of Science, Industry and Technology.

07.12.2016

A protocol was executed between KGF and the Undersecretariat of Treasury

The protocol expanding the scope of Treasury backed Guarantees provided by KGF for the bank loans borrowed by the enterprises.

21.11.2016

Kilis Province Urgent Support Credit Protocol was executed among KOSGEB-KGF and Banks

The protocol allowing a bank borrowing on the collateral of KGF Guarantee where the interest/profit share is all provided by KOSGEB, was signed for the enterprises which were affected and suffered owing to circumstance such as acts of God, general strike, fire, civil commotion, terror, etc. occurred in the Province of Kilis from 01.01.2015.

19.09.2016

A Protocol for the Machinery Equipment Credit Interest Support was executed among KOSGEB-KGF and Banks.

The Credit Interest Support Protocol was signed among KOSGEB-KGF and Banks in order to provide financial support in suitable terms in respect of procurement of domestic and new machinery and equipment by the enterprises which are not banned from KOSGEB subsidies and which are registered in the database of KOSGEB and which act in the manufacturing industry.

10.02.2016

A protocol of İHKİB-KGF-EXİMBANK was executed.

The members of Istanbul Textile and Ready-Wear Garment Exporters Union (İHKİB) are ensured to benefit from the loans lent by Export Credit Bank of Turkey Co. Inc. (Eximbank) in more suitable terms on the collateral of Credit Guarantee Fund.

09.02.2016

Direct Guarantee Protocol was executed between KOSGEB and KGF.

With this protocol, SMEs which benefit from the KOSGEB Subsidies are ensured to submit the Guarantee letter obtained after having filed an application with KGF directly to KOSGEB under better terms.

20.12.2016

Zero Interest rate Working Capital Protocol was executed between KOSGEB-KGF and Banks.

A protocol was prepared, signed and came into force in order to provide the enterprises with zero interest rated financial support for the purpose of ensuring economic revival towards our SMEs which suffered substantially due to domestic and international events which have taken place recently in our geography and the world.

31.12.2016

A protocol was executed between Ferizli OSB-Halkbank and KGF

A protocol was signed for the issuance of KGF Guarantees for the loans to be lent by Halkbank in respect of the financing of workplace construction to be performed on the plots of land allocated to the participants in Ferizli Organized Industrial Site.

02.12.2016

Nefes Protocol was executed with TOBB, Denizbank and Ziraat Bankası

The protocol allowing SMEs, members of TOBB, to obtain loans on the Treasury backed collateral of KGF Guarantee at the interest rate of 9,90% from Denizbank and Ziraat Bankası was signed in a ceremony with the participation of the Prime Minister Binali Yıldırım.

27.06.2016

2016 Urgent Support Credit Protocol was executed between KOSGEB-KGF and Banks.

"2016 Urgent Support Credit Protocol" to which our Organization is also a party was signed in order to provide financial support to the enterprises operating in all sectors active within the Organized Industrial Sites and such enterprises acting in the manufacturing industry, which are affected and suffered from the acts of God, general strike, fire, civil commotion, terror, etc. occurred in our country since 01.01.2015.

15.02.2016

A protocol was executed Between Zonguldak/Ereğli Organized Industrial Zone - QNB Finansbank and KGF

KGF Guarantee was ensured to be provided for the loans to be lent by Finansbank A.Ş. in respect of the financing of workplace constructions to be carried out on plots of land allocated to the participants within Zonguldak/Ereğli Organized Industrial Site.

Protocols signed in 2016



4

Financial Statements

KREDİ GARANTİ FONU AŞ COMPARATIVE BALANCE SHEET FOR 01.01.2016-31.12.2016 (T.L.)

	ASSETS			LIABILITIES	
	Previous Period 31/12/2015	Current Period 31/12/2016		Previous Period 31/12/2015	Current Period 31/12/2016
1	CURRENT ASSETS		3	CURRENT LIABILITIES	
10	206.224.471	219.052.919	30	FINANCIAL LIABILITIES	
100	Cash and Cash Equivalents	220	32	56.536	4.354.771
102	Cash in Banks	206.224.251	309	Other Financial Liabilities	
104	Treasury Account	1.256.787	320	56.536	265.834
11	Menkul Kıymetler	3.194.290	326	Deposits and Guarantees Received	
111	Obligation Notes and Bonds of Private Sector	100.000	329	Other Trade Payables	
112	Obligation Notes and Bonds of Public Sector	3.094.290	33	387.623	522.866
12	TRADE RECEIVABLE	87.577.898	335	225.021	3.500
120	Accounts Receivable	12.848.830	336	162.602	519.366
123	Trade Receivables tied to Protocol		34	0	514.522
126	Deposits and Guarantees Given	503	341	ADVANCES RECEIVED	
128	Bad Trade Debt	137.982.078	36	Salary and Commission Advances	
129	Allowance for Specific Bad Debt (-)	-63.253.513	360	1.002.876	1.827.728
13	OTHER COMMERCIAL RECEIVABLES	156.083	361	575.230	602.104
136	Other Trade Receivables	156.083	362	427.646	1.056.934
15	INVENTORIES		220	TAXES AND OTHER LIABILITIES	
159	Advances Given for Purchases		38		168.690
18	EXPENSE AND INCOME ACCRUALS FOR FUTURE MONTHS	822.932	380	INCOMES AND REALIZED EXPENSES OF COMING MONTHS	
180	Expenses of Future Months		39		24.264
181	Accrued Income	822.932	39	OTHER SHORT - TERM EXTERNAL RESOURCES	
19	OTHER CURRENT ASSETS	32.942	391	13.141	2.057
190	Deferred VAT			Calculated VAT	13.141
191	Deductible VAT			1.460.176	7.246.210
195	Job Advances	32.942	567	TOTAL CURRENT ASSETS	
			4		
	TOTAL OF CURRENT ASSETS	298.008.617	40		
2	FIXED ASSETS		42	LONG TERM EXTERNAL RESOURCES	
22	TRADE RECEIVABLES		43	FINANCIAL LIABILITIES	
220	Accounts Receivable		47	2.713.494	3.221.476
226	Deposits and Guarantees Given		472	2.713.494	3.221.476
23	OTHER TRADE RECEIVABLES	106.200	48	PROVISION FOR DEBTS & EXPENSES	
236	Other Miscellaneous Receivables	106.200		Provision for Retirement Fees	
25	TANGIBLE FIXED ASSETS	5.084.719		INCOME RELATING TO FUTURE PERIODS	
250	Land	1.912.703		TOTAL OF LONG TERM EXTERNAL RESOURCES	
251	Land Improvements		5	2.713.494	3.221.476
252	Buildings	1.012.827	50	EQUITY	
253	Machinery, Plant and Equipment		500	278.438.892	278.438.892
254	Transportation Vehicles	2.090.992	501	278.438.892	278.438.892
255	Furniture, Fixtures and Fittings	562.929	52	PAID-UP CAPITAL	
256	Other Tangible Fixed Assets		529	Capital	
257	Accumulated Depreciation (-)	-894.732	54	Outstanding Capital (-)	
258	Investments in Progress	400.000	540	13.404.978	12.841.633
26	INTANGIBLE FIXED ASSETS	260.026	542	13.404.978	12.841.633
260	Rights	400	548	OTHER RESERVES	
264	Special Costs	190.910	549	2.199.570	2.473.743
267	Other Intangible Fixed Assets	190.444	57	Legal Reserves	
268	Accumulated Depreciation (-)	-121.728	570	Extraordinary Reserves	
28	PREPAID EXPENSES FUTURE PERIODS	241.006	58	Other Reserves of Profit	
			580	Special Funds	
280	Prepaid Expenses for Future Periods	241.006	59	0	5.209.286
281	Income Accruals		590	PROFIT OF PREVIOUS YEARS	
	TOTAL OF FIXED ASSETS	5.691.951		Profit of Previous Years	
	TOTAL OF ASSETS	303.700.568		ACCUMULATED LOSSES (-)	
	OFF-BALANCE SHEET ITEMS	4.747.431.000		ACCUMULATED LOSSES (-)	
	Equity Sureties Exposure Risk	765.318.000		NET INCOME (LOSS) FOR THE PERIOD	
	Treasury backed Surety Exposure Risk	1.982.113.000		5.483.459	5.530.230
	Guarantees provided by Treasury	2.000.000.000		299.526.898	304.493.785
				303.700.568	314.961.470
				TOTAL LIABILITIES	
				4.747.431.000	8.274.317.000
				OFF-BALANCE SHEET ITEMS	
				4.747.431.000	8.274.317.000
				Equity Sureties Receivables Risk	
				765.318.000	1.242.672.000
				Treasury backed Surety Receivables Risk	
				1.982.113.000	5.031.645.000
				Guarantees provided by Treasury	
				2.000.000.000	2.000.000.000

**KREDİ GARANTİ FONU AŞ
COMPARATIVE STATEMENT OF INCOME FOR 01.01.2016-31.12.2016**

(In accordance with Tax Procedure Law)

	12/31/2015	12/31/2016
A - GROSS SALES	20.765.291	40.640.681
1. Domestic Sales	20.370.174	39.744.898
2. Export Sales		
3. Other Income	395.117	895.783
B- SALES DEDUCTIONS (-)	0	122.878
1. Sales Returns (-)		122.878
2. Sales Deductions (-)		
3. Other Deductions (-)		
C- NET SALES	20.765.291	40.517.803
D- COST OF SALES (-)		
PROFIT OR LOSS FROM SALES OPERATIONS	20.765.291	40.517.803
E- OPERATING EXPENSES (-)	22.306.144	29.961.598
1. Research and Development Expenses (-)		
2. Branch Operation Expenses (-)	11.226.023	14.089.665
3. General and Administrative Expenses (-)	11.080.121	15.871.933
OPERATING PROFIT OR LOSS	-1.540.853	10.556.205
F- REVENUES AND PROFIT FROM OTHER OPERATIONS	41.719.184	32.022.397
1. Dividend Income from Affiliates		
2. Dividend Income from Subsidiaries		
3. Interest Income	15.573.605	18.431.462
4. Commission Income		
5. Provisions no longer required	7.944.085	2.622.650
6. Profit on Sale of Marketable Securities		
7. Profit from Foreign Currency Exchanges	18.201.493	10.968.285
8. Rediscount Interest Gains		
9. Other Operational Incomes		
G- EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	36.358.738	28.206.187
1. Commission Expenses (-)		
2. Provisions (-)	24.826.804	24.699.796
3. Loss on Sale of Marketable Securities (-)		
4. Exchange Rates Losses (-)	11.531.935	3.506.392
5. Rediscount Interest Expense (-)		
6. Other Ordinary Expenses Losses (-)		
INCOME AND PROFIT FROM OTHER OPERATIONS	3.819.593	14.372.415
I- NON-OPERATING REVENUES AND PROFITS	1.862.930	3.327.806
1. Prior Period Revenues & Profits		
2. Diğer Olağandışı Gelir ve Karlar	1.862.930	3.327.806
J- EXTRAORDINARY EXPENSES LOSSES	199.064	12.169.990
1. Idle Capacity Expenses and Losses		
2. Prior Period Expenses and Losses		
3. Other Extraordinary Expenses and Losses	199.064	12.169.990
INCOME OR LOSS FOR THE PERIOD	5.483.459	5.530.230
NET PERIOD PROFIT OR LOSS	5.483.459	5.530.230

ASSESSMENT OF FINANCIAL STATUS

Our Assets

The size of assets of our company has attained the value of 314,9 Million TL with an increase of 3,71% compared to last year. The Liquid Assets (cash and banks) is 217,9 Million TL with an increase of 6,22%. The main reason for such an increase in our banking assets is the growth in our guarantee volume and increased commission revenues.

Tangible Fixed Assets has increased by 34,4% in 2016 compared to 2015. Our company has upgraded its technological infrastructure in line with the circumstances prevailing today. Especially, the IT department has now state-of-the-art devices and new software. Furthermore, a software study encompassing the overall enterprise is underway.

Our Liabilities

The size of the liabilities of our company has increased by 3,71%. In other liabilities account of the liabilities a current account of Treasury is recognized and monitored. The reason for the increase in taxes and social security premiums payable account compared to the previous year relies in the increase of activities and the increase of number of employees arising from having opened new branches. They are fully paid in the next period.

Our company makes legal provision by calculating the severance compensation for the employees being employed. The provision made in 2016, reaching to 3,2 Million TL by an increase of 18,72% compared to last year.

Our equity has increased by 3,55% depending upon the net profit for the period.

Conclusion

The commission income of our company obtained from the domestic guarantees has increased to 39,7 Million TL by an increase of 95,11%. The operational loss carried forward over the past three years is replaced by an operational profit. Such very favorable development made the financial capability of our organization stronger. 2016 operation period has ended with net profit of 5,5 Million TL.

The information in Financial Statements has been provided in accordance with the statutory accounting principles which has been prepared by the Ministry of Finance as an annex to "Corporate Income Tax Exemption Report" in compliance with the tax legislation.

Please see the Independent Auditors' Report prepared by the Institution in accordance with Turkish Code of Commerce in section 5.

Independent Auditors' Report



KREDİ GARANTİ FONU ANONİM ŞİRKETİ

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(Convenience translation of financial statements into English and independent auditors report originally issued in Turkish)

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

INDEPENDENT AUDITORS' REPORT	53-54
STATEMENT OF FINANCIAL POSITION	55
STATEMENT OF COMPREHENSIVE INCOME	56
STATEMENT OF CHANGES IN EQUITY	57
STATEMENT OF CASH FLOWS	58
NOTES TO THE FINANCIAL STATEMENTS	59-85

INDEPENDENT AUDITOR'S REPORT ABOUT FINANCIAL STATEMENTS

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

To the Board of Directors of Kredi Garanti Fonu A.Ş.

We have audited the accompanying financial statements of Kredi Garanti Fonu Anonim Şirketi (the "Company") which comprise of financial position as at December 31, 2016 and the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

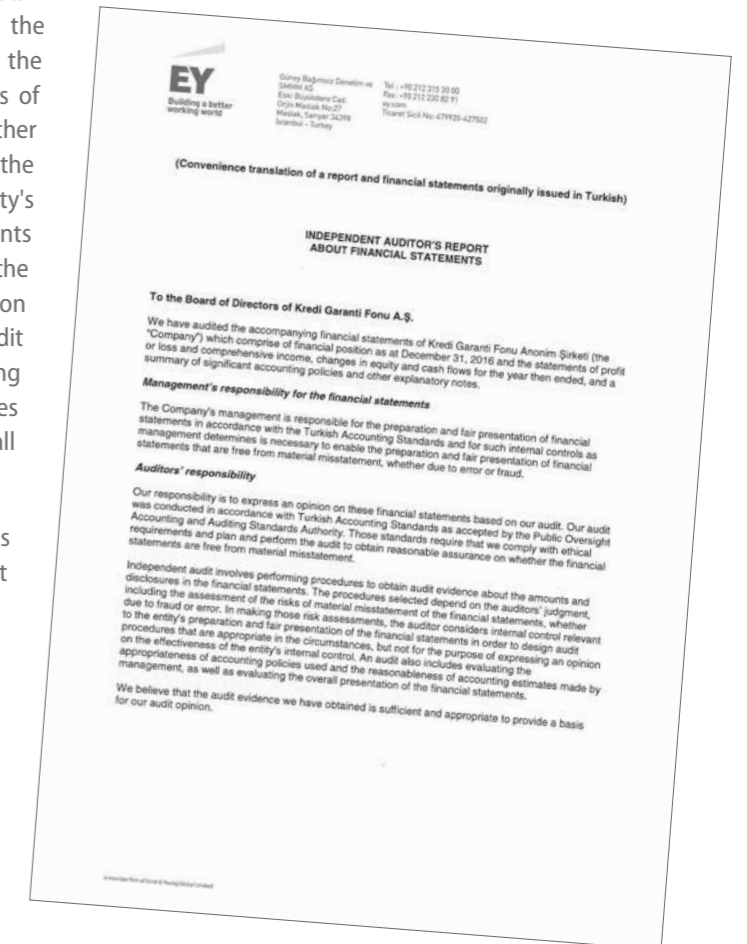
The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with Turkish Accounting Standards as accepted by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

Independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and its financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other matters

The Company's financial statements as of December 31, 2015 prepared in accordance with Turkish Accounting Standards were audited by another Audit firm who expressed unmodified opinion in their Auditors' reports on the related financial statements dated March 9, 2016.

As indicated in note 2.3 to the financial statements, in 2016, the Company restated its financial statements as of December 31, 2015 and 2014 retrospectively and presented comparatively with the financial statements as of December 31, 2016. During the audit of financial statements as of December 31, 2016, we have also audited the restatements made in the financial statements as of December 31, 2015 and 2014 as disclosed in note 2.3 to the financial statements. In our opinion, the corrections are appropriate and applied correctly. We do not express an audit opinion or give any other assurance regarding the financial statements for the fiscal years 2015 and 2014 as a whole, since we were not assigned to perform independent audit on the Company's financial statements for the years ended December 31, 2015 and 2014, except for such corrections.

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code no. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2016 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

Necati Tolga Kirelli, SMMM
Partner
Ankara, March 10, 2017



KREDİ GARANTİ FONU ANONİM ŞİRKETİ

Statement of financial position as of December 31, 2016

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

		Current year Audited	Prior year Restated (Note 2.3)	Prior Year Restated (Note 2.3)
Assets	Notes	December 31, 2016	December 31, 2015	December 31, 2014
Current assets		288.199.492	283.085.235	273.012.451
Cash and cash equivalents	4	214.609.693	207.047.403	197.389.364
Financial investments	5	8.870.370	3.194.290	1.864.799
Trade receivables	6	64.475.485	72.413.007	73.532.103
Other receivables	7	41.811	156.586	32.754
Prepaid expenses	8	56.407	241.006	135.168
Other current assets	13	145.726	32.943	58.263
Non-current assets		7.898.192	5.361.692	3.260.562
Non-current assets	9	3.584.154	1.959.400	877.949
Intangible assets	10	1.737.580	525.900	122.790
Other non-current assets	13	2.576.458	2.876.392	2.259.823
Total assets		296.097.684	288.446.927	276.273.013
Current liabilities		25.923.090	18.989.070	15.077.088
Trade payables	6	301.207	56.536	108.239
Employee benefit obligations	11	1.691.855	1.205.690	706.813
Other payables	7	3.264.874	3.555.901	29.013
Deferred income	14	13.723.115	7.721.247	5.964.131
Short-term provisions:		1.774.155	1.637.056	1.267.386
-Short-term provisions for employee benefits	11	1.568.131	1.589.936	1.267.386
-Other short-term provisions	12	206.024	47.120	-
Other short-term liabilities	13	5.167.884	4.812.640	7.001.506
Non-current liabilities		2.054.026	1.867.383	1.437.210
-Long-term provisions for employee benefits	11	2.054.026	1.867.383	1.437.210
Shareholders' equity		268.120.568	267.590.474	259.758.715
Attributable to equity holders of parent				
Paid-in share capital	15	278.438.892	278.438.892	240.000.000
Actuarial loss arising from employee benefits		(721.936)	(879.575)	(492.111)
Restricted reserves		2.473.743	2.199.570	1.685.172
Accumulated loss/ retained earnings		(12.442.586)	(10.949.029)	7.307.042
Net profit/ (loss) for the year		372.455	(1.219.384)	11.258.612
Total liabilities and shareholders' equity		296.097.684	288.446.927	276.273.013

KREDİ GARANTİ FONU ANONİM ŞİRKETİ STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

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

	Notes	Current year audited	Prior year Restated (Note 2.3)
		January 1- December 31, 2016	January 1- December 31, 2015
Revenue	16	33.556.619	18.613.058
Cost of sales (-)	16	(13.902.360)	(12.104.284)
Gross profit		19.654.259	6.508.774
General administrative expenses (-)	17	(15.576.948)	(7.593.159)
Other operating income	18	5.116.520	9.467.915
Other operating expense (-)	18	(35.735.900)	(32.580.296)
Operating loss		(26.542.069)	(24.196.766)
Income from investment activities	19	1.068.963	734.218
Operating loss before financial expenses		(25.473.106)	(23.462.548)
Financial income	20	29.351.953	33.775.098
Financial expense (-)	20	(3.506.392)	(11.531.934)
Net profit/ (loss) for the year		372.455	(1.219.384)
Diğer kapsamlı gelir/ (gider)			
Actuarial gain/ (loss)	11	157.639	(387.464)
Total other comprehensive income / expense		157.639	(387.464)
Total comprehensive income		530.094	(1.606.848)

KREDİ GARANTİ FONU ANONİM ŞİRKETİ STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

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

	Paid-in share capital	Actuarial gain/ (loss) arising from employee benefits	Legal reserves	Retained earnings	Net profit / (loss) for the year	Total
Balance at January 1, 2015, as previously reported	240.000.000	(492.111)	1.685.172	3.581.428	11.258.612	256.033.101
Effects of the restatements (Note 2.3)	-	-	-	3.725.614	-	-
Balance at January 1, 2015, as restated	240.000.000	(492.111)	1.685.172	7.307.042	11.258.612	259.758.715
Transfers	-	-	514.398	10.744.214	(11.258.612)	-
Capital increase	38.438.891	-	-	(29.000.285)	-	9.438.606
Total comprehensive income	-	(387.464)	-	-	-	(387.464)
Net profit for the year	-	-	-	-	(1.219.384)	(1.219.384)
Balance at December 31, 2015, restated	278.438.892	(879.575)	2.199.570	(10.949.029)	(1.219.384)	267.590.474
Balance at January 1, 2016, as previously reported	278.438.892	(801.981)	2.199.570	(14.674.643)	(2.337.629)	262.824.209
Effects of the restatements (Note 2.3)	-	(77.594)	-	-	1.118.245	-
Balance at January 1, 2016, as restated	278.438.892	(879.575)	2.199.570	(10.949.029)	(1.219.384)	267.590.474
Transfers	-	-	274.173	(1.493.557)	1.219.384	-
Total comprehensive income	-	157.639	-	-	-	157.639
Net profit for the year	-	-	-	-	372.455	372.455
Balance at December 31, 2016	278.438.892	(721.936)	2.473.743	(12.442.586)	372.455	268.120.568

KREDİ GARANTİ FONU ANONİM ŞİRKETİ STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

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

		Current period Audited	Prior period Restated (Note 2.3)
		December 31, 2016	December 31, 2015
A. Cash flows from operating activities	Notes	(2.649.806)	(12.052.605)
Net profit/ (loss)		372.455	(1.219.384)
Adjustments for reconciliation of net profit/ (loss)		17.475.956	15.779.810
Adjustment for depreciation and amortisation expense	9, 10, 13	1.075.555	605.164
Adjustment for provisions and written-off receivables	18	35.019.091	30.927.994
Adjustment for interest income	19	(18.431.268)	(15.573.604)
Adjustment for gain on sale of fixed assets	18	(1.068.963)	(734.218)
Adjustment for litigations	12	158.904	47.120
Adjustment for unpaid vacation liability and bonus accrual	11	(21.805)	322.550
Adjustment for employee termination benefits	11	744.442	188.804
Changes in working capital		(20.098.057)	(26.470.936)
Change in non-performing loans	6	(27.081.569)	(29.808.898)
Change in prepaid expenses	8	184.599	(105.838)
Changes in other receivables	7	114.775	(123.832)
Change in other current assets	13	(112.783)	25.320
Change in trade payables	6	244.671	(51.703)
Changes in short-term liabilities	13	355.244	(2.188.866)
Change in employee benefit obligations	11	486.165	498.877
Change in other payables	7	(291.027)	3.526.888
Change in deferred revenues	14	6.001.868	1.757.116
Net cash flows from operating activities		(400.160)	(142.095)
Employment termination benefits paid	11	(400.160)	(142.095)
B. Cash flows from operating activities		(7.153.882)	(2.478.635)
Proceeds from sale of property, plant and equipment, intangible assets and other non-current assets		2.079.024	1.790.517
Purchases of property, plant and equipment	9	(2.653.622)	(1.600.266)
Purchases of intangible assets	10	(1.402.808)	(480.852)
Purchases of other-current assets	13	(565.687)	(1.681.475)
Changes in financial investments	5	(4.610.789)	(506.559)
C. Cash flows from financing activities		17.365.977	24.189.279
Capital increase	15	-	9.438.606
Interest received	19	17.365.977	14.750.673
Net decrease in cash and cash equivalents		7.562.290	9.658.039
Cash and cash equivalents at beginning of the year	4	207.047.403	197.389.364
Cash and cash equivalents at the end of the year	4	214.609.693	207.047.403

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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.

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 21 banks in equal shares by the shares of 32,13%, 32,12%, %0,14, 0,01%, 0,01% of and 35,59%, respectively

The Company's registered address is TOBB İnkiz Kuleleri C Blok, Kat: 5 -6 -7, Dumlupınar Bulvarı No: 252, Ankara. As at December 31, 2016, the Company has 179 employees (December 31, 2015: 158).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Statement of presentation

The Company maintains its book of accounts and prepares their statutory financial statements in TL, in accordance with the Uniform Chart of Accounts, Turkish Commercial Code, and the Turkish Tax Legislation.

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

Statement of Compliance with Turkish Accounting Standards

The financial statements for the year ended December 31, 2016 have been authorized for issue by the Company management on March 10, 2017. The General Assembly has the authority to change the financial statements.

2.2. Functional and presentation currency

The financial statements of the Company is prepared and presented in functional and presentation currency which is Turkish Lira ("TL").

2.3. Changes in accounting policies and changes in prior periods' financial statements, significant accounting estimations, general estimations and assumptions

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends.

Where necessary, the reclassification of the current period financial statements also applies to the prior period financial statements insofar as they are consistent.

The Company made some reclassifications and restatements on the financial statements as of December 31, 2015 and 2014 retrospectively which is presented comparatively with the financial statements. The amendments are shown below;

The reclassifications as of December 31, 2014

- Amounts collected in regard to the usage of joint bailment from "European Investment Fund" amounting to TL 8.228.770 accounted under "other short-term liabilities" is netted off with "trade receivables" account.
- The "prepaid expenses" amounting to TL 135.168 accounted under non-current assets is reported under "current assets" account.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The restatements as of December 31, 2014

- As the amounts collected from "European Investment Fund" is netted off with the "non -performing loans" account, the Company recalculated the "provisions from doubtful loans and receivables". As a result of the calculation provision expenses amounting to TL 3.725.614 is deducted and transferred to "retained earnings / (accumulated losses)".

The reclassifications as of December 31, 2015

- Reverse balances amounting to TL 3.520.554 which was reported under "trade receivables" account is reported under "other liabilities".
- "Prepaid expenses" account amounting to TL 241.006 which was reported under non -current assets is reported under "current assets".
- Social Security Institution incentive income amounting to TL 395.117 that was previously reported under the "revenue" is reported under "other operating income".
- Amounts collected in regard to the usage of joint bailment from "European Investment Fund" amounting to TL 8.754.939 accounted under "other short -term liabilities" is netted off with "non -performing loans" account.
- Gain on sale of fixed asset amounting to 734.218 TL was reported under "other operating income" is reported under "income from investment activities".

The restatements as of December 31, 2015

- "Capital adjustments" amounting to TL 801.981 which was classified under "defined benefit pension plan remeasurement gain/ (loss)" account in nature is recalculated and reported as TL 879.575.
- As the amounts collected from "European Investment Fund" is netted off with the "trade receivables" account, the Company recalculated the provisions for its receivables. As a result of this calculation, provision expenses amounting to TL 1.040.651 is cancelled.

The Company's cash flow statement prepared in 2015 was revised due to the aforementioned reclassifications and restatements.

Preparation of financial statements in accordance with Turkish Financial Reporting Standards requires the management to use judgements estimates which have an impact on reported assets, liabilities, amount of income and expense. Actual results can differ from these estimates.

The Company management's judgement, estimate and assumptions which may have a significant impact on the financial statements are disclosed under Note 3 "Significant accounting policies" during the implementation of the Company's accounting policies.

Estimates and underlying assumptions are reviewed constantly.

Updates in accounting estimations are recorded in the period of estimations have made and affected subsequent periods.

2.4. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as at 1 January 2016. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

(i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:**TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue -based depreciation for property, plant and equipment and significantly limiting the use of revenue -based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

Public Oversight Accounting and Auditing Standards Authority of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost,
- In accordance with IFRS 9, Or
- Using the equity method defined in TAS 28.

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re -measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary.

TMS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow -focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

TFRS 14 – Regulatory Deferral Accounts

TFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. Existing TFRS preparers are prohibited from adopting this Standard. The Standard is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Annual Improvements to TFRSs - 2012 -2014 Cycle

POA issued, Annual Improvements to TFRSs 2012 -2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

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

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

TFRS 15 - Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue.

The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company has performed a high-level impact assessment of TFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of TFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle**IFRS 13 Fair Value Measurement**

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods.

IFRS 2 Classification and measurement of share -based payment transactions (amendments)

The IASB issued amendments to IFRS 2 Share -based Payment, clarifying how to account for certain types of share -based payment transactions. The amendments, provide requirements on the accounting for:

- The effects of vesting and non -vesting conditions on the measurement of cash -settled share -based payments;
- Share -based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share -based payment that changes the classification of the transaction from cash -settled to equity -settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 4 Insurance contracts (amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The 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 IFRS 9 Financial instruments 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 IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IAS 40 Investment property: transfers of investment property (amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRIC 22 Foreign currency transactions and advance consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non -monetary asset or non -monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014 -2016 cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First -time Adoption of International Financial Reporting Standards: This amendment deletes the short -term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non -current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**3.1. Foreign currency transactions**

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. 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, 2016 and 2015 are as follows:

	2016	2015
USD	3,7099	2,9076
EUR	3,5192	3,1776

3.2. Financial instruments

The Company's financial assets are comprised of cash and cash equivalents, held -to -maturity investments and loans and receivables; whereas its financial liabilities are comprised of trade payables.

Financial assets

The Company initially recognizes its deposits on the dates they are originated. All financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered. Non derivative financial assets are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition non -derivative financial assets are measured as described below:

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with original maturity periods of less than three -months and other highly liquid short -term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets approximate their fair values.

Held -to -maturity investments

Financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale have been classified as held -to -maturity investments. Held -to -maturity investments are measured at amortized cost.

Doubtful trade receivables

Doubtful trade receivables are comprised of guarantees given that are under legal follow -up. Doubtful trade receivables are measured at cost less any impairment losses. If there is an objective evidence of uncollectibility, the Company books a provision for the doubtful receivables and losses. Impaired doubtful receivables are derecognized when the legal procedures are completed and net loss is determined. The amount of the provision is the difference between the carrying amount and recoverable amount.

Impairment losses and un -collectability risks are calculated for each significant individual loans separately and for all doubtful trade receivables including these receivables which are not impaired individually on a portfolio basis and it includes significant estimates and assumptions

Doubtful liquidated loans are written off after all necessary legal proceedings have been completed and net loss is determined.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Provision for impairment is provided when there is an objective evidence of any doubt about collectability of trade receivables. Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.3. Tangible assets

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

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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 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

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. 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 tangible assets 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.

3.4. Intangible assets

Intangible assets comprise softwares. Intangible assets are carried at restated cost for the effects of inflation in TL units current at December 31, 2004 for the intangible assets acquired before January 1, 2005, and intangible assets acquired after January 1, 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.

3.5. 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 profit or loss.

3.6. 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.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

3.7. 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.

Short -term employee benefits

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

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.

3.8. 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. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- ✓ 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).

3.9. Financial guarantees and revenue

The Company provides financial guarantees based on guarantees. The said financial liabilities are initially measured at fair value. The fair value is composed of the received guarantee commissions, investigation revenue and grant commissions while first recognition and fair values comprised. 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.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

3.10. Finance income and expenses

Interest income and expense is recognized using the effective interest method. 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 net under finance income in the statement of comprehensive income.

3.11. 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 6609 - 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.

3.12. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and bank deposits having original maturities shorter than 3 months.

3.13. Subsequent events

Subsequent events consist of events in favor of or against the Company that occur subsequent to the balance sheet date, but prior to the issuance of financial statements. There are two types of subsequent events:

- Post -balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events)
- Post -balance sheet events that provide additional information about the Company's position after the reporting dates (not adjusting events).

Post -balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements.

Post -balance sheet events that are not adjusting events are disclosed in the notes when material.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

NOTE 4 - CASH AND CASH EQUIVALENTS

As of December 31, 2016 and 2015; cash and cash equivalents are as follows:

	December 31, 2016	December 31, 2015
Cash	3.088	219
Bank -demand deposits	581.438	1.132.402
Bank -time deposits (*)	214.025.167	205.914.782
Total	214.609.693	207.047.403

(*) As of December 31, 2016; the Company has blocked bank account amounted to TL 186.400.800 (December 31, 2015: TL 123.856.329) held against guarantees given. Average maturity of the time deposits is 35 days (December 31, 2015: 35 days). Average interest rate of time deposits is 10,5% (December 31, 2015: 12,5%).

NOTE 5 - FINANCIAL INVESTMENTS

As of December 31, 2016 and 2015; financial investments which are held to maturity are as follows:

	December 31, 2016		December 31, 2015	
	Avg. interest rate %	Carrying amount (TL)	Avg. interest rate %	Carrying amount (TL)
Private sector bonds	10,75%	172.546	12,50%	100.000
Public sector bonds	8,6%	3.204.610	9,00%	3.094.290
Time deposits	1,53%	5.493.214	-	-
Total		8.870.370		3.194.290

The purchase and sale prices of each of the public sector bonds are published daily by the Central Bank of the Republic of Turkey. However, there is no quoted market. There is also no market with the most advantageous trading of bonuses. For this reason, the fair values of the bond values contain third level information under TFRS 13. Since the private sector bills have no market value and the most advantageous market is not available, their fair value includes third level information under TFRS 13. Time deposits consist of deposits with an original valuation over 90 days.

The details of bonds are as follows:

	December 31, 2016		December 31, 2015	
	Private sector bonds	Public sector bonds	Private sector bonds	Public sector bonds
Quantity (a)	176.300	3.307.977	100.000	3.214.972
Unit price (b)	0,978707	0,968752	1	0,962463
Amount (c=a*b)	172.546	3.204.610	100.000	3.094.290

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

As of December 31, 2016, 2015 and 2014 trade receivables are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Doubtful trade receivables	138.110.924	145.596.523	124.630.658
Provision for doubtful trade receivables (*)	(73.635.439)	(73.183.516)	(51.098.555)
Total	64.475.485	72.413.007	73.532.103

(*) The Company books customer -specific provision for receivables that the Company has concerns about collection. The allowance includes receivables that the related customers can not pay back or that are considered to be impossible to realize the value of the collateral received for the receivables.

As of December 31, 2016, 2015 and 2014 the movement of doubtful trade receivables are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Opening	73.183.516	51.098.555	47.854.729
Abandoned receivables (*)	(22.119.653)	-	-
Provisions no longer required (Note 18)	(2.622.650)	(7.802.382)	(672.195)
Allowances (Note 18)	25.194.226	29.887.343	3.916.021
Closing	73.635.439	73.183.516	51.098.555

(*) The Company abandoned TL 31.944.517 portion among its receivables with the decision of Board of Directors. TL 22.119.653 of this amount consists of the doubtful receivables previously set aside and the remaining amount of TL 9,824.864 has been transferred directly to the statement of profit or loss statement (Note 18).

b) Trade payables

As of December 31, 2016 and 2015; trade payables are as follows:

	December 31, 2016	December 31, 2015
Trade payables	301.207	56.536
Total	301.207	56.536

NOTE 7 - OTHER RECEIVABLES AND PAYABLES**a) Other receivables**

As of December 31, 2016 and 2015; other receivables are as follows:

	December 31, 2016	December 31, 2015
Advances given	39.708	-
Other receivables	1.600	156.083
Deposits and guarantees given	503	503
Total	41.811	156.586

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

b) Other payables

As of December 31, 2016 and 2015; other payables are as follows:

	December 31, 2016	December 31, 2015
Advances taken (*)	2.436.116	3.053.068
Wage and commision advances	550.165	440.506
Retainer expenses	276.535	26.980
Tax payables	2.058	35.347
Total	3.264.874	3.555.901

(*) Comprises of cash blockage and conveyance from payments which are from third parties who are guarantor with in the scope of equity.

NOTE 8 - PREPAID EXPENSES

	December 31, 2016	December 31, 2015	December 31, 2014
Expenses for the following months	56.407	241.006	135.618
Toplam	56.407	241.006	135.618

NOTE 9 - TANGIBLE ASSETS**a) Current year**

Cost	January 1, 2016	Addition	Disposal	December 31, 2016
Vehicles	2.090.992	-	(347.396)	1.743.596
Equipment	562.928	2.619.328	(243.830)	2.938.426
Leasehold improvements	190.910	34.294	(3.566)	221.638
Total	2.844.830	2.653.622	(594.791)	4.903.660
Accumulated depreciation				
Vehicles	(468.460)	(430.609)	325.050	(574.019)
Equipment	(269.766)	(424.351)	134.557	(559.561)
Leasehold improvements	(147.204)	(42.288)	3.566	(185.926)
Total	(885.430)	(897.249)	463.172	(1.319.506)
Carrying amount	1.959.400			3.584.154

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

b) Prior year

Cost	January 1, 2015	Addition	Disposal	December 31, 2015
Vehicles	1.329.637	1.429.832	(668.477)	2.090.992
Equipment	701.755	168.134	(306.961)	562.928
Leasehold improvements	1.153.430	2.300	(964.820)	190.910
Total	3.184.822	1.600.266	(1.940.258)	2.844.830
Accumulated depreciation				
Vehicles	(839.808)	(297.462)	668.810	(468.460)
Equipment	(453.793)	(118.576)	302.603	(269.766)
Leasehold improvements	(1.013.272)	(99.639)	965.707	(147.204)
Total	(2.306.873)	(515.677)	1.937.120	(885.430)
Carrying amount	877.949			1.959.400

NOTE 10 - INTANGIBLE ASSETS**a) Current period**

Cost	January 1, 2015	Addition	Disposal	December 31, 2016
Rights	400	29.634	(400)	29.634
Other intangible assets	190.444	759.174	(25.723)	923.895
Construction in progress (*)	400.000	614.000	-	1.014.000
Total	590.844	1.402.808	(26.123)	1.967.529
Accumulated depreciation				
Rights	(400)	(199)	400	(199)
Other intangible assets	(64.544)	(176.929)	11.273	(229.750)
Total	(64.944)	(177.128)	11.674	(229.949)
Carrying amount	525.900			1.737.580

b) Prior period

Cost	January 1, 2015	Addition	Disposal	December 31, 2015
Rights	-	400	-	400
Other intangible assets	166.836	80.452	(56.844)	190.444
Construction in progress (*)	-	400.000	-	400.000
Total	166.836	480.852	(56.844)	590.844
Accumulated depreciation				
Rights	-	(400)	-	(400)
Other intangible assets (*)	(44.046)	(39.950)	19.452	(64.544)
Total	(44.046)	(40.350)	19.452	(64.944)
Carrying amount	122.790			525.900

(*) Includes software and system installments.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

NOTE 11 - EMPLOYEE BENEFITS**a) Short -term employee benefit obligations**

	December 31, 2016	December 31, 2015
Social security payables	1.056.934	427.646
Taxes and funds payables	602.104	553.023
Payables to personnel	32.817	225.021
Total	1.691.855	1.205.690

b) Short -term provisions for employee benefits

	December 31, 2016	December 31, 2015
Bonus accruals	1.011.859	796.819
Provision for unused vacation	556.272	793.117
Total	1.568.131	1.589.936

Provisions for unused vacation:

In accordance with the applicable labor law in Turkey, The employer is obliged to pay to the employer or his / her beneficiaries at the expiry of the contract for the term of the annual leave for which the employment contract has not been exercised for any reason.

The movement of the allowance for the years ended 31 December 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Opening	793.117	350.998
Charged/ (used), net	(236.845)	442.119
Closing	556.272	793.117

c) Long -term provisions for employee benefits

	December 31, 2016	December 31, 2015
Provision for termination indemnities	2.054.026	1.867.383
Total	2.054.026	1.867.383

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accruals basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment are TL 4.426,16 and TL 4.092,53 as at December 31, 2016 and 2015, respectively.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

The movement of the employee termination indemnity liability is as follows:

	December 31, 2016	December 31, 2015
Opening	1.867.383	1.437.210
Compensations paid during the year (-)	(400.160)	(142.095)
Interest expense	197.943	129.349
Service cost	546.499	55.455
Actuarial (gain)/ loss	(157.639)	387.464
Closing	2.054.026	1.867.383

TFRS requires actuarial valuation methods to be developed to estimate the entity's obligation under provision for employee severance indemnity. The principal actuarial assumptions used in the calculation of the total liability in the accompanying financial statements at December 31, 2016 and 2015 are as follows:

	December, 31 2016	December, 31 2015
Net discount rate	4,20%	3,56%
Expected wage increase rate	14%	15%

NOTE 12 - OTHER PROVISIONS

As at December 31, 2016 and 2015; other provisions are as follows:

	December 31, 2016	December 31, 2015
Litigation provisions	206.024	47.120
Total	206.024	47.120

NOTE 13 - OTHER ASSETS AND LIABILITIES**a) Other short -term assets**

	December 31, 2016	December 31, 2015
Job advances	145.726	32.943
Total	145.726	32.943

b) Other long -term assets

	December 31, 2016	December 31, 2015
Land (*)	1.847.602	1.912.703
Buildings	728.856	963.689
Total	2.576.458	2.876.392

(*) The Company has acquired land and buildings through the portfolios under follow up. Land and buildings are not in use and are not considered within the scope of IFRS 5.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

c) Other short-term liabilities

	December 31, 2016	December 31, 2015	December 31, 2014
Funds (*)	4.650.058	4.650.058	4.650.058
Payables from guarantee transactions containing Treasury support (**)	517.826	152.582	691.115
Other liabilities	-	10.000	1.660.333
Total	5.167.884	4.812.640	7.001.506

(*) 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 GTZ Fund, European Investment Fund, Undersecretariat of Treasury, Bakü Tiflis Ceyhan Company (BTC Company) and KOSGEB.

(**) Due to the protocol between the Undersecretariat of Treasury and KGF, the guaranteeing loans provided by the treasury guarantee has been started in February 2012. As to the protocol, 13% 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 87% of the amount is followed under other liabilities as Payables from guarantees from the Treasury support (Note 17). According to the protocol between the Treasury and KGF which has been started in April 8, 2013. 3% of following year commissions records as income in to financial statements and 97% of commissions are recorded as other liabilities for Undersecretariat of Treasury.

NOTE 14 - DEFERRED INCOME

As of December 31, 2016 and 2015 deferred income and realization periods are as follows:

	December 31, 2016	December 31, 2015
1 month	66.138	50.384
1 -3 months	527.118	435.605
3 -6 months	2.350.886	738.138
6 -12 months	10.778.973	6.497.120
Total	13.723.115	7.721.247

Deferred income consists of bail commissions that are set aside annually by the customers in relation to the guaranteeeships allocated, and are accounted for in the related periods.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

NOTE 15 - SHAREHOLDERS' EQUITY

a) Paid-in share capital

As of 31 December 2016 and 2015, the shareholding structure of the Company is as follows:

	Share (%)	Group A	Group B	Group C	Group D	Total
TOBB	32,13%	89.470.328				89.470.328
KOSGEB	32,12%		89.444.549			89.444.549
21 BANKs	35,59%			99.105.368		99.105.368
TESK	0,14%				381.649	381.649
TOSYOV	0,01%				24.658	24.658
MEKSA	0,01%				12.340	12.340
Nominal Capital	100.00	89.470.328	89.444.549	99.105.368	418.647	278.438.892

The main capital of the Company is 278.438.892 TL. This capital is divided into 27.843.889.161 in the name of the holder written shares each with a nominal value of 1 Kr. (one Kurus).

The administration and general affairs of the Company are executed by Board of Directors constituted from nine members each of three representing A, B, C Group shareholders. In the case that Republic of Turkey Prime Ministry Undersecretariat of the Treasury ("Undersecretariat of the Treasury") provides fund to the Company, one of the each three representatives of B and C group shares will be determined among the candidates proffered by Treasury, until the Treasury subsidy accounts are closed and liquidated. Following the transfer of the fund by Undersecretariat of Treasury and liquidating of Treasury subsidy accounts, two candidates as one person by B Group shareholders and the other by C Group shareholders will be offered in place of persons representing Undersecretariat of Treasury. The term for Board of Directors membership office is three years for partners, A and B Group shareholders and 1 year for C Group shareholders. Members could be reelected at the end of the term of office. Boards of Directors elect the Chairman among the Board members offered by A Group shareholders.

Shareholders of the company are listed below:

Shareholders	Capital (TL)	Ratio (%)	Group
TOBB	89.470.328	32,1328	A
KOSGEB	89.444.549	32,1236	B
TESK	381.649	0,1371	D
TOSYÖV	24.658	0,0089	D
MEKSA	12.340	0,0044	D
TÜRKİYE HALK BANKASI A.Ş.	4.719.303	1,6949	C
AKBANK T.A.Ş.	4.719.303	1,6949	C
ALBARAKA TÜRK KATILIM BANKASI A.Ş.	4.719.303	1,6949	C
ALTERNATİFBANK A.Ş.	4.719.303	1,6949	C
ASYA KATILIM BANKASI A.Ş.	4.719.303	1,6949	C
DENİZBANK A.Ş.	4.719.303	1,6949	C
BURGAN BANK A.Ş.	4.719.303	1,6949	C
FINANS BANK A.Ş.	4.719.303	1,6949	C
HSBC BANK A.Ş.	4.719.303	1,6949	C
ING BANK A.Ş.	4.719.303	1,6949	C
KUVEYT TÜRK KATILIM BANKASI A.Ş.	4.719.303	1,6949	C
ŞEKERBANK T.A.Ş.	4.719.303	1,6949	C
TÜRK EKONOMİ BANKASI A.Ş.	4.719.303	1,6949	C
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.	4.719.303	1,6949	C
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	4.719.303	1,6949	C
TÜRKİYE GARANTİ BANKASI A.Ş.	4.719.303	1,6949	C
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.	4.719.303	1,6949	C
TÜRKİYE İŞ BANKASI A.Ş.	4.719.303	1,6949	C
TÜRKİYE VAKIFLAR BANKASI T.A.O.	4.719.303	1,6949	C
YAPI VE KREDİ BANKASI A.Ş.	4.719.303	1,6949	C
ZİRAAT KATILIM BANKASI A.Ş.	4.719.303	1,6949	C
Total	278.438.892	100	

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

b) Legal reserves

	December 31, 2016	December 31, 2015
Legal reserves	2.473.743	2.199.570
Total	2.473.743	2.199.570

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid -in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid -in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid -in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

c) Accumulated loss

	December 31, 2016	December 31, 2015
Accumulated loss	(12.442.586)	(10.949.029)
Total	(12.442.586)	(10.949.029)

NOTE 16 - SALES AND COST OF SALES**a) Sales**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Income from bail transactions	33.679.497	18.613.058
Sales returns (-)	(122.878)	-
Total	33.556.619	18.613.058

b) Cost of sales

	January 1 - December 31, 2016	January 1 - December 31, 2015
Cost of sales (*)	(13.902.360)	(12.104.284)
Total	(13.902.360)	(12.104.284)

(*) The cost of services sold primarily consists of personnel wage costs and various other service costs.

NOTE 17 - GENERAL ADMINISTRATION EXPENSES

	January 1 - December 31, 2016	January 1 - December 31, 2015
General administration expenses	(15.576.948)	(7.593.159)
Total	(15.576.948)	(7.593.159)

KREDİ GARANTİ FONU ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

NOTE 18 - OTHER INCOME/EXPENSE FROM MAIN OPERATIONS**a) Other income**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Provisions no longer required (*) (Note 6)	2.622.650	7.944.085
Social security incentive income	596.323	395.117
Pursuit income	512.537	558.662
Expertise income	379.508	87.428
Grants	299.460	-
Notary income	240.037	118.778
Rent income	7.924	7.860
Communication income	50	7.600
Other	458.031	348.384
Total	5.116.520	9.467.915

(*) TL 2.622.650 of the related amount is related to canceled provisions of doubtful receivables. (31 December 2015: TL 7.944.085).

b) Other expenses

	January 1 - December 31, 2016	January 1 - December 31, 2015
Doubtful receivables provisions (Note 6)	(25.194.226)	(29.887.343)
Abandoned receivables (Note 6)	(9.824.864)	-
Other	(716.810)	(2.692.953)
Total	(35.735.900)	(32.580.296)

NOTE 19 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1 - December 31, 2016	January 1 - December 31, 2015
Gain on sale of fixed asset	1.068.963	734.218
Total	1.068.963	734.218

NOTE 20 - FINANCIAL INCOME AND EXPENSES**a) Financial income**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Interest Income from banks	18.431.268	15.573.605
Foreign exchange gain	10.920.685	18.201.493
Total	29.351.953	33.775.098

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

b) Financial expenses

	January 1– December 31, 2016	January 1– December 31, 2015
Foreign exchange loss	(3.506.392)	(11.531.934)
Total	(3.506.392)	(11.531.934)

NOTE 21 – EARNINGS PER SHARE

	January 1– December 31, 2016	January 1– December 31, 2015
Net profit/ (loss)	372.455	(1.219.384)
Each one 0,01 TL par value stock	27.843.889.161	27.843.889.161
Earnings per share	0,00001	(0,0004)

NOTE 22 - RELATED PARTY DISCLOSURES

	December 31, 2016	December 31, 2015
Receivables from related parties		
Cash and cash equivalents - shareholders (*)	209.831.287	189.254.841
Financial investments - shareholders (*)	5.493.213	-
Private sector bonds - shareholders (**)	172.546	100.000
Interest income from related parties - shareholders	17.436.082	14.383.405
Benefits and rights provided to executives (**)	865.699	712.154

(*) Consist of cash, cash equivalents, bond and fund, mandatorily hold due to foundation of the Company, in banks which are shareholders of the Company such as Halkbank, Yapı Kredi, Ziraat Bankası mentioned in Note 1.

(**) Benefit provided to the executives consists of per diem.

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

The management of the Company considers the cost of capital and the risks associated with each class of capital. The Company's capital structure consists of cash and cash equivalents, and shareholder's equity components mentioned in equity notes such as issued capital, capital reserves, and profit reserves for its net debt to equity ratio analysis.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may incur new payables or repay the existing payables and adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the needed working capital to the Company.

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

	December 31, 2016	December 31, 2015
Total liabilities	27.977.116	20.856.453
Less: Cash and cash equivalents (Not 4)	(214.609.693)	(207.047.403)
Net cash	186.632.577	186.190.950
Total equity	268.120.569	267.590.474
Debt/ equity balance	-	-
Net financial debt/ total equity ratio	-	-

Credit risk

As of December 31, 2016 and 2015, the maximum credit risk exposure of the Company is as follows:

	December 31, 2016	December 31, 2015
Balance sheet		
Loans and receivables	64.475.485	72.413.007
Cash and cash equivalents	214.609.693	207.047.403
Investments held to maturity	8.870.370	3.194.290
Off balance sheet		
Allocated equity collateralized bail risks	1.242.672.000	765.318.000
Allocated Treasury bailed bail risks	5.031.645.000	3.982.113.000
Total	6.562.272.548	5.030.085.700

As of December 31, 2016, the aggregate of the real estate mortgages and guarantees composed of the operating pledges received for the shareholders' equity and treasury auctions allocated by the Company is TL 1.792.672.365.

Details of the allocated equity collateralized bail risks and allocated treasury bailed bail risks are presented in the following table:

	December 31, 2016	December 31, 2015
EURO	1.126.146.984	148.930.718
USD	758.009.869	159.572.810
TL	4.390.160.242	2.765.318

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses. However, The Company has no financial debt.

The following table presents the Company's contractual undiscounted cash flows.

As of December 31, 2016;

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 -12 months	1 -2 Year
Trade payables	301.207	301.207	301.207	-	-
Total	301.207	301.207	301.207		

As of December 31, 2015;

Non derivative financial liabilities	Carrying amount	Gross outflow under contract	Less than 6 months	6 -12 months	1 -2 Year
Trade payables	56.536	56.536	56.536	-	-
Total	56.536	56.536	56.536		

"Funds" presented in other liabilities has not been included in the liquidity risk table above. The Company does not have any derivative financial instruments as at December 31, 2016 and 2015.

Currency risk

Foreign exchange risks arising from foreign exchange gains and losses arising from assets, liabilities and off -balance sheet items.

The following table summarizes the foreign currency position risk of TL denominated assets and liabilities held by the Company as of December 31, 2016 and 2015:

December 31, 2016	USD	EUR	Total
Cash and cash equivalents	15.420.057	29.348.472	44.768.529
Total assets	15.420.057	29.348.472	44.768.529
Total liabilities	-	-	-
Net foreign currency position	15.420.057	29.348.472	44.768.529

December 31, 2015	USD	EUR	Total
Cash and cash equivalents	11.848.587	37.307.381	49.155.968
Total assets	11.848.587	37.307.381	49.155.968
Total liabilities	-	-	-
Net foreign currency position	11.848.587	37.307.381	49.155.968

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Foreign currency risk exposure:

10 percent devaluation of the TL against the following currencies as at and for the years ended December 31, 2016 and 2015 would affect total comprehensive income and profit or loss by the amounts shown below.

	December 31, 2016		December 31, 2015	
	Profit&Loss	Total comprehensive income	Profit&Loss	Total comprehensive income
USD	1.542.006	1.542.006	1.184.858	1.184.858
EURO	2.934.847	2.934.847	3.730.738	3.730.738
Total	4.476.853	4.476.853	4.915.596	4.915.596

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

As of December 31, 2016 and 2015, the Company does not have any financial instruments with variable interest rates whereas financial instruments with fixed interest rates are shown below:

Financial instruments with fixed interest rates	December 31, 2016	December 31, 2015
Financial assets		
Banks – time deposits	214.024.852	205.914.782
Held to maturity investments (note 6)	8.870.370	3.194.290

Interest rates which are applied to financial instruments as at December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Financial Assets		
Banks – time deposits (TL)	10,46%	25,18%
Banks – time deposits (USD)	2,85%	4,80%
Banks – time deposits (EUR)	1,93%	9,41%
Held to maturity investments - bonds (TL)	9,75%	10,51%
Held to maturity investments – time deposits (USD)	2,00%	-
Held to maturity investments – time deposits (EUR)	1,05%	-

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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.

	December 31, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets				
Non performing credit receivables	64.475.485	64.475.485	72.413.007	72.413.007
Cash and cash equivalents	214.609.378	214.609.378	207.047.403	207.047.403
Held to maturity investments	8.870.370	8.870.370	3.194.290	3.194.290
Financial liabilities				
Trade payables	301.207	301.207	56.536	56.536

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

The carrying amount of cash and cash equivalents approximates their fair values, due to the fact that they are short term. The carrying amount of trade payables and borrowings approximates their fair values, due to the fact that they are short term. In accordance with TAS 13 Fair Value Measurement in this framework, the said information is third level information quality.

NOTE 24 - CONTINGENT LIABILITIES

	January 1 - December 31, 2016	January 1 - December 31, 2015
Equity assigned	1.242.672.000	765.318.000
Treasury guarantee risks	5.031.645.000	3.982.113.000
Total	6.274.317.000	4.747.431.000

KREDİ GARANTİ FONU ANONİM ŞİRKETİ**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

NOTE 25- OTHER MATTERS

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" Kredi Garanti Fonu 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 Kredi Garanti Fonu and Undersecretariat of Treasury. Accordingly, as the Protocol became effective Undersecretariat of Treasury transfers up to TL 2.000.000.000 cash fund to KGF and/or issues special government bond. The fund will be transferred either collectively or in slices within the context of the plan KGF submits.

In accordance with the protocol, Kredi Garanti Fonu recognizes commission proceeds due to guarantees provided upon Treasury collateral, and the revenue from other uncollateralized transactions separately.

NOTE 26 - SUBSEQUENT EVENTS

The share transfer process of the Company's shares belonging to Asya Katılım Bankası A.Ş. to Vakıf Katılım Bankası A.Ş. was completed on February 28, 2017.

**Future of the
Institution,
Expactions,
Planned
Important
New Products
And Services**



SIGNIFICANT STUDIES PLANNED TO BE CONDUCTED IN 2017

- In line with the increasing guarantee volume with the help of new legal regulations pertaining to Treasury backed KGF guarantees, a guarantee volume of 250 Billion TL in total is targeted for 500 thousand SMEs at the end of 2017.
- Our studies in respect of securing funding in the form of cash or counter guarantee out of funds allocated for the member countries of European Union. In such context, an application was filed for the EU Programme for employment and Social Innovation and 10 thousand SMEs are intended to access loans by carrying such project into effect.
- Projects targeting on enabling SMEs to access financing through funding granted to our organization by EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) of European Union covering 2014-2020, whose target audience are entrepreneurs and agencies, and institutions supporting enterprises.
- For the purpose of ensuring wide product range in addition to our guarantees granted directly for the loans utilized by SMEs from banks and recourse subsidies of institutions such as KOSGEB, TÜBİTAK, TTGV, the Ministry of Science, Industry and Technology, studies are still underway in order to provide guarantees by our organization for expanding the borrowing facilities through instruments of capital markets.
- Projects relating to granting guarantees over the "Receivable Insurance System" in order to sort out the security issues of SMEs will be developed.
- A cooperation will be developed in compliance with the operational systems of the development agencies in order to put into use the guarantees of our organization in utilizing the subsidies provided to SMEs by the development agencies in a regional sense.
- A cooperation will be developed with credit guarantee funds operating internationally to continue with studies on new products and projects.
- Studies will continue to be conducted with international financial institutions such as European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IDB), French Development Agency (AFD) and German Development Bank (KfW) for both provision of new funding and project cooperation.
- The studies initiated in respect of setting up a Call Center within our Head Office for the purpose of providing faster and more efficient services to many enterprises based upon our increased guarantee volume.
- A cooperation will be made for the financing the improvements planned to be carried out in 2017 through EFSE fund which provides technical support and assistance relating to business development to commercial banks in the Southern Europe, microfinancing institutions and non-banking financial institutions.
- New product and service studies intended in respect of both refugees hosted in our country due to the social responsibility assumed by KGF and social entrepreneurship venture programs will be proceeded.
- We, as KGF, will not only perform the public duties assigned by the bureaucracy but also offer solutions intended for the conjunctural needs of our country through proactive governance approach.

OUR STUDIES ON LEGISLATION

- Our attempts with the related authorities will continue for the purpose of making legal regulation to make a mention of our organization together with the banks in the related article regulating the exemptions of the Value Added Tax Act which will enable us to benefit from VAT relief without having to wait for a two years in any sales of real properties acquired as an asset in our books as a result of any legal proceeding for collaterals provided by our organization.
- Our attempts will continue to add the name of our organization to be mentioned along with the banks in the related article on grounds the lands as contemplated in Article 13 of the "Agriculture Reform Act regulating the Lands in Irrigation Areas" No. 3083 may only be subject of any lien to be placed upon by only agricultural credit cooperatives and banks which stands as a many impediment for the establishing lines of credit for the farmers backed by the guarantee of KGF.
- Our studies conducted for the purpose of rearranging the related article in terms of KGF and other similar agencies and abolishing the requirements as to form in respect of corporate guarantee to ensure the elimination of the inconsistency of Article 583 of the Turkish Commercial Code to our organization's method of guarantee granting will continue.
- Our studies pertaining to imposing salary relief or exemption for our organization in contemplation of the Movable Pledge Act. At present, the commercial enterprise pledge is taken by KGF as the main collateral. For this reason, operation fees must be paid in terms of SMES.
- Our organization currently provide services with its 39 branches in 34 provinces. We aim to increase our activities throughout Turkey in accordance with our mission, and there are demands from the representatives of the SMEs family every now and then to open new branches. Such demand will be proceeded to be evaluated with great care in terms of addressing and assessing the overall efficiency of a new branch, the benefits of such opening and many other aspects of the subject.
- Our efforts are underway with Agencies and Institutions to obtain the necessary permission and provisions of technical infrastructure for making the respective queries with the Vital Statistics Agency of the Ministry of Interior of the Republic of Turkey in order to pave the way for establishing customer database and customer data verification system which will lead to guarantee allocation to more SMEs in a swift manner.
- Attempts were made with the Ministry of Finance, Revenues Administration and the Ministry of Labor and Social Security in respect of enabling the issuance of Tax and Social Security Clearance certificates through Online services during loan borrowing to SMEs to ensure SMEs access faster the loans backed by Treasury and avoid any red tape, and the Revenue Administration allowed the possibility of making online inquiries with the heading Credit Guarantee Fund in accordance with the resolution of the Council of Ministers. Upon studies conducted within SSO, 4 standard formal letter format are exchanged with all divisions and departments of SSO and the confusion existing in obtaining certificate was eliminated
- The studies are underway to ensure a membership with UYAP/CORPORATE PORTAL free of charge by establishing communication with the Minister of Justice in order to accelerate the monitoring and collection of our organization.
- A request was filed to elevate KGF Equity Surety to 1. Group with BDDK on grounds of its exposure provision ration being 100% in order to pave the way to larger subsidies for the SMEs by promoting the market reputation of KGF Co. Inc.

“KGF has already undertaken an important duty of ensuring enterprises experiencing credit crunch due to lack of collateral to access financing.”

ÖZLEM ÇOTUK
Turkey Director of European Investment Fund

In Turkey and developing economies, the financing needed by SMEs for purposes of growing is provided through the loans secured to a large extent by the banking system. It is obvious and well-known by everyone that the mechanism in the loans of SMEs is far from being excellent. We have banks which are subject to strict regulations on one side and SMEs which are difficult to provide any sufficient, transparent, orderly financial data and information on the other side. The credit guarantee practice at this point assumes an important mission in facilitating the access of SMEs to financing.

The Credit Guarantee Fund, which was established during a period when the term “SME Banking” was never yet heard of – with the exception of several banks who have been employing such term for many years - has been acting since 1991 in order to fulfill such mission. KGF has already undertaken an important duty of ensuring enterprises experiencing credit crunch due to lack of collateral to access financing.

The fact that Portfolio Guarantee Fund, started as a pilot scheme, has been embraced and excelled by especially Mr. İsmet Gergerli, the General Manager who was appointed to office at the end of 2015 and the new management, and for KGF having become the major collateral mechanism is a development we observe with great content.

KGF is a significant business partner for EIF which we will continue to cooperate with in order to provide for the needs in Turkey with our belief and confidence in its role in the economy of the country and potential to perform its duty with an increasing effectiveness.

We are conducting a series of studies in which we analyze what sort of cooperation we, as Islamic Development Bank, may establish with KGF. Especially, we are of the opinion that there are significant possibilities of cooperation between KGF and ICD, ITFC and ICIEC under IDB. For example, the major portion of the portfolio of ICD which is the private sector finance and investment company of Islamic Development Bank, comprises loans utilized by banking and financial leasing companies. We provide for the medium and long-term credit requirements of private sector companies, especially small and medium-sized enterprises through banks and financial leasing companies. The greatest challenge that we face for such types of credit is for such companies that we provide loan to obtain sufficient and appropriate collateral. The cost-effective guarantees provided by the Credit Guarantee Fund constitute a very significant and a brand-new collateral ensuring us to work with the confidence of a financial institution. In such context, we want to carry into effect our credit programs intended for especially SMEs and several sectors targeted together with Participation banks in Turkey under the umbrella of KGF. In the forthcoming days, we are planning to get together with KGF and Participation Banks to discuss how we can realize such credit programs.

There are important fields on which ICIEC, the commerce and investment insurance company of the Islamic Development Bank and KGF may establish a certain cooperation. For example, supports to exporter companies may be increased by KGF being a party for loss payable clause on the policies of ICIEC under the short-term export credit insurance. Also, practice of insurance coverage for export letter of credits of ICIEC the collateral structuring of KGF may be strengthened.

As may be seen, there are various possibilities of cooperation between Islamic Development Bank and Credit Guarantee Fund which will ensure the support provided to exporter SMEs are increased and made prevalent.

“The cost-effective guarantees provided by the Credit Guarantee Fund constitute a very significant and a brand-new collateral ensuring us to work with the confidence of a financial institution.”

SELAH JELASSI
Turkey Director of Islamic Development Bank



Frankfurt School was assigned as an agency to implement studies of identifying the capacity improvement requirements of KGF in Greater Anatolia Guarantee Facility (GAGF) project in 2011 where European Investment Fund (EIF) was the manager, and a cooperation possibility arisen to work with KGF. In the following two years, a consultancy service intended to improve the technical capacity of KGF was provided under GAGF project, such technical support activities allowed KGF to have become competitive in services and financial products offered thereby, and to develop financial instruments for the purpose of utilizing the opportunities in an efficient manner and take precautions against the risks involved in the market. The consultancy services provided by Frankfurt School are focused upon 5 basic strategic goals:

- To increase the efficiency and effectiveness of guarantee process;
- To reduce the credit risk;
- To increase the guarantee volume;
- To increase profitability;
- To increase the productivity of human resources.

For the purpose of increasing the efficiency of guarantee process, instruments were prepared in respect of revising the work processes relating to shortening the approval process for direct sureties of KGF, and of developing a scoring system to be integrated into the KGF. In such manner, SMEs without sufficient working capital are made capable of providing for their credit requirements on the collateral of KGF guarantees. An Auto-Rejection mechanism together with a scoring module was presented in order to eliminate the time loss caused by the employees of guarantee system by their entering the data on the applications which are deemed to be inappropriate/insufficient, and increase the efficiency. A perceivable increase occurred in the transformation of sureties approved in such manner into loans.

We, as Frankfurt School, closely and delightedly observe the recent developments experienced in KGF and the changed governance approach as well as attempts to increase the effectiveness of KGF in the market. Lack of security and access to financing ranks as the most significant issue of the Turkish SMEs. Right at this point, we attach great importance to the existence of an agency like KGF and increasing its effectiveness. In a short notice, the transformation undergone in KGF is promising for the future. Furthermore, there are certain developments which we hope to be included on the agenda of KGF. Through wide branch network and expert staff, we believe KGF may act as the "SME Consultant". KGF, which is a remedy for the financing of SMEs having no security through the guarantee it provides, may support the improvement and growing of the entrepreneurs through the consultancy it may offer. We also believe KGF may carry into effect a "portable guarantee" model in the near future. In such manner, any SME which may obtain the portable guarantee from KGF may access any loan from any bank it may select. It is a sort of system where we reverse the process and which is used actively by some countries. Finally, we hope KGF to increase its activities in the field of agriculture. The credit facility ratio in the agricultural production is still quite low and the lack of security ties the hands of farmer. By presenting some of the agricultural subsidies to KGF as a counter guarantee and increasing the capacity of KGF in such field, we believe that the access of agricultural producers to financing will significantly increase.

"We, as Frankfurt School, closely and delightedly observe the recent developments experienced in KGF and the changed governance approach as well as attempts to increase the effectiveness of KGF in the market."

ERDAL KOÇOĞLU
Turkey Director of
Frankfurt School of Finance & Management





7

Contact Information

KGF BRANCHES AND CONTACT DETAILS

HEAD OFFICE	
Address	TOBB İKiz Kuleleri C Blok Kat 5-6-7 Dumlupınar Bulv. No: 252 (Eskişehir Yolu 9. Km) 06530 Ankara
Telephone	0312 204 00 00
Fax	0312 219 58 72 – 74
E-mail	info@kgf.com.tr
ADANA BRANCH	
Area of Responsibility	Adana, Hatay, Mersin, Osmaniye
Address	Adana Sanayi Odası Binası Turhan Cemal Beriker Bulv. No:156 - 01130 Seyhan / ADANA
Telephone	0322 431 32 17
Fax	0322 431 32 18
E-mail	kgfadana@kgf.com.tr
ADIYAMAN BRANCH	
Area of Responsibility	Adıyaman
Address	Adıyaman Ticaret ve Sanayi Odası Binası Altınşehir mah. Gölbaşı Yolu No: 29 /ADIYAMAN
Telephone	0416 223 23 96
Fax	0416 223 23 86
E-mail	kgfadiyaman@kgf.com.tr
AFYON BRANCH	
Area of Responsibility	Afyonkarahisar, Uşak
Address	Afyonkarahisar Ticaret ve Sanayi Odası Binası Dörtyol Mah. Turgut Özal Cad. No: 69 Kat: 3 Merkez / AFYON
Telephone	0272 252 57 58
Fax	0272 252 57 59
E-mail	kgfafyon@kgf.com.tr
ANKARA / KIZILAY BRANCH	
Area of Responsibility	Ankara
Address	Ankara Sanayi Odası Binası (ASO Kule) Atatürk Bulv. No: 193 8.Kat Kavaklıdere / ANKARA
Telephone	0312 418 76 66 / 0312 418 76 69
Fax	0312 418 76 70
E-mail	kgfkizilay@kgf.com.tr
ANKARA / OSTİM BRANCH	
Area of Responsibility	Ankara
Address	100. Yıl Bulv. Ofim İş Merkezi Zemin Kat No: 99 / 5 - 06374 Ostim / Yenimahalle / ANKARA
Telephone	0312 354 71 72 / 0312 354 31 30 / 0312 354 31 31
Fax	0312 354 31 21
E-mail	kgfostim@kgf.com.tr

ANTALYA BRANCH

Area of Responsibility	Antalya, Burdur, Mersin
Address	Antalya Ticaret ve Sanayi Odası Binası Çevreyolu Üzeri Gökusu Mah. Gazi Bulv. No: 531 1 Kat Kepez / ANTALYA
Telephone	0242 314 38 12
Fax	0242 338 06 07
E-mail	kgfantalya@kgf.com.tr

AYDIN BRANCH

Area of Responsibility	Aydın
Address	Aydın Ticaret Borsası Binası Ata Mah. Denizli Bulv. No: 18 - 09010 AYDIN
Telephone	0256 211 63 66 / 0256 211 63 99
Fax	0256 211 46 88
E-mail	kgfaydin@kgf.com.tr

BALIKESİR BRANCH

Area of Responsibility	Balıkesir, Çanakkale
Address	Balıkesir Sanayi Odası Binası Balıkesir Organize Sanayi Bölgesi 7.Cadde No: 3/C Altıeylül / BALIKESİR
Telephone	0266 281 11 42
Fax	0266 281 11 46
E-mail	kgfbalikesir@kgf.com.tr

BATMAN BRANCH

Area of Responsibility	Batman, Siirt, Şırnak
Address	Batman Ticaret ve Sanayi Odası B/Blok Akyürek Mah. 32. Cad. No: 11 / BATMAN
Telephone	0488 215 25 10 / 0488 215 25 11
Fax	0488 215 25 30
E-mail	kgfbatman@kgf.com.tr

BURSA BRANCH

Area of Responsibility	Bursa, Yalova
Address	Bursa Ticaret ve Sanayi Odası Binası Organize Sanayi Bölgesi Mavi Cad. 2. Sokak No: 2 - 16140 Nilüfer / BURSA
Telephone	0224 275 17 82
Fax	0224 242 13 93
E-mail	kgfbursa@kgf.com.tr

ÇORUM BRANCH

Area of Responsibility	Amasya, Çorum, Kırıkkale, Yozgat
Address	Çorum Ticaret ve Sanayi Odası Binası Gazi Cad. No: 18 Kat:2 - 19200 / ÇORUM
Telephone	0364 210 11 34
Fax	0364 210 11 35
E-mail	kgfcorum@kgf.com.tr

DENİZLİ BRANCH

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

DİYARBAKIR BRANCH

Area of Responsibility	Bingöl, Diyarbakır, Elazığ, Mardin, Tunceli
Address	Diyarbakır Ticaret Ve Sanayi Odası Binası Dr Yusuf Azizoğlu Caddesi Fiskaya Yenişehir / Diyarbakır
Telephone	0412 255 04 99
Fax	0412 255 04 98
E-mail	kgfdiyarbakir@kgf.com.tr

ERZURUM BRANCH

Area of Responsibility	Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır, Kars
Address	Erzurum Ticaret ve Sanayi Odası Binası Muratpaşa Mah. Ömer Nasuhi bilmen Caddesi No: 7/2 Yakutiye / ERZURUM
Telephone	0442 233 40 55
Fax	0442 233 40 96
E-mail	kgferzurum@kgf.com.tr

ESKİŞEHİR BRANCH

Area of Responsibility	Bilecik, Eskişehir, Kütahya
Address	Eskişehir Ticaret Odası Binası İstiklal Mah. 2 Eylül Cad. No: 28 Kat:5 - 26010 Odunpazarı / ESKİŞEHİR
Telephone	0222 221 03 47 / 0222 221 03 46
Fax	0222 234 02 34
E-mail	kgfeskisehir@kgf.com.tr

GAZİANTEP BRANCH

Area of Responsibility	Gaziantep, Kilis
Address	Gaziantep Ticaret Odası Binası İncilipınar Mah. 16 Nolu Sk. Kat: 2 - 27002 Şehitkamil / GAZİANTEP
Telephone	0342 230 07 13 / 0342 230 07 14
Fax	0342 230 07 15
E-mail	kgfgaziantep@kgf.com.tr

GEBZE BRANCH

Area of Responsibility	Kocaeli
Address	Gebze Ticaret Odası Binası Güzeller Mah. Kavak Caddesi No: 3 Kat:6 Gebze / KOCAELİ
Telephone	0262 644 63 58 / 0262 644 72 19
Fax	0262 644 88 26
E-mail	kgfgebze@kgf.com.tr

İSTANBUL BRANCH

Area of Responsibility	Arnavutköy, Beşiktaş, Beyoğlu, Esenler, Eyüp, Kağıthane, Sarıyer, Sultangazi, Şişli
Address	Kılıçlı Mah. Meclis-i Mebusan Cad. Ülkü Han No: 29/ 4 - 34433 Salıpazarı / Beyoğlu / İSTANBUL
Telephone	0212 244 28 63 / 0212 244 28 65
Fax	0212 244 28 64
E-mail	kgfistanbul@kgf.com.tr

İSTANBUL / EMİNÖNÜ BRANCH

Area of Responsibility	Bahçelievler, Bakırköy, Bayrampaşa, Fatih, Gaziosmanpaşa, Güngören, Zeytinburnu
Address	İstanbul Ticaret Odası Merkez Bina Reşadiye Caddesi Kat: 2 Eminönü / Fatih / İSTANBUL
Telephone	0212 528 58 28
Fax	0212 527 22 30
E-mail	kgfeminonu@kgf.com.tr

İSTANBUL / İKİTELLİ BRANCH

Area of Responsibility	Avcılar, Bağcılar, Başakşehir, Beylikdüzü, B.Çekmece, Esenyurt, K.Çekmece
Address	Dolapdere Sanayi Sitesi Sosyal Tesisler A Blok Halkbank İkitelli BRANCH Üstü, İkitelli, Başakşehir / İSTANBUL
Telephone	0212 671 51 46
Fax	0212 671 43 92
E-mail	kgfikitelli@kgf.com.tr

İSTANBUL / KADIKÖY BRANCH

Area of Responsibility	Adalar, Ataşehir, Beykoz, Çekmeköy, Kadıköy, Kartal, Maltepe, Pendik, Sancaktepe, Sultanbeyli, Şile, Tuzla, Ümraniye, Üsküdar
Address	Osmanağa Mah. Söğütluçeşme Cd. Halkbank Anadolu Bölge Koordinatörlüğü No: 11 Kat:4 Kadıköy / İSTANBUL
Telephone	0216 550 49 32 / 0216 541 02 70
Fax	0216 550 49 33
E-mail	kgfkadikoy@kgf.com.tr

İZMİR BRANCH

Area of Responsibility	İzmir
Address	Cumhuriyet Bulv. No: 58 Kat: 2 - 35250 Konak / İZMİR
Telephone	0232 441 37 70 / 0 232 441 45 88
Fax	0232 425 56 73
E-mail	kgfizmir@kgf.com.tr

KAHRAMANMARAŞ BRANCH

Area of Responsibility	Kahramanmaraş
Address	Kahramanmaraş Ticaret ve Sanayi Odası Binası İstasyon Mah. İlahiyat Cad. No: 6 - 46060 / KAHRAMANMARAŞ
Telephone	0344 235 28 01
Fax	0344 235 28 02
E-mail	kgfkahramanmaras@kgf.com.tr

KARABÜK BRANCH

Area of Responsibility	Bartın, Çankırı, Karabük, Kastamonu
Address	Karabük Ticaret ve Sanayi Odası Binası Hürriyet Cad. No: 58 Kat:5 - 78100 / KARABÜK
Telephone	0370 424 67 91 / 0370 412 28 19
Fax	0370 424 16 81
E-mail	kgfkarabuk@kgf.com.tr

KAYSERİ BRANCH

Area of Responsibility	Kayseri, Kırşehir, Nevşehir, Niğde
Address	Kayseri Ticaret Odası Binası Yeni Pervane Mahallesi Kocasinan Bulvarı No:167 - 38040 Kocasinan / KAYSERİ
Telephone	0352 220 25 53 / 0352 220 25 54
Fax	0352 231 01 17
E-mail	kgfkayseri@kgf.com.tr

KOCAELİ BRANCH

Area of Responsibility	Kocaeli
Address	Kocaeli Ticaret Odası Binası Karabaş Mah. Ömer Türkçakal Bulv. No: 2 İzmit / KOCAELİ
Telephone	0262 324 01 17
Fax	0262 324 01 18
E-mail	kgfkocaeli@kgf.com.tr

KONYA BRANCH

Area of Responsibility	Aksaray, Karaman, Konya
Address	Konya Sanayi Odası Binası 1. Organize Sanayi Bölgesi İstikamet Caddesi 42300 Selçuklu / KONYA
Telephone	0332 251 06 07 / 0332 251 06 13
Fax	0332 251 06 14
E-mail	kgfkonya@kgf.com.tr

MALATYA BRANCH

Area of Responsibility	Malatya
Address	Malatya Ticaret ve Sanayi Odası Binası Niyazi Mah. Çevre Yolu (Buhara Bul.) Cad. No: 195 Kat: 2 – 44100 / MALATYA
Telephone	0422 326 26 53 / 0422 326 26 65
Fax	0422 326 26 71
E-mail	kgfmalatya@kgf.com.tr

MANİSA BRANCH

Area of Responsibility	Manisa
Address	Manisa Ticaret ve Sanayi Odası Binası Merkez Efendi Mah. Mimar Sinan Bulv. No: 127 Kat: 1 45120 Yunusemre / MANİSA
Telephone	0236 237 95 15
Fax	0236 234 23 28
E-mail	kgfmanisa@kgf.com.tr

MUĞLA / BODRUM BRANCH

Area of Responsibility	Muğla
Address	Yokuşbaşı Mah. Kıbrıs Şehitleri Caddesi Ataman İş Merkezi No: 19 (7. Noter Üstü) 48400 Bodrum / MUĞLA
Telephone	0252 313 57 07 / 0252 313 57 67
Fax	0252 313 57 37
E-mail	kgfmugla@kgf.com.tr

ORDU BRANCH

Area of Responsibility	Giresun, Ordu
Address	Bahçelievler Mah 295 Sk. No. 8 Ordu Ticaret ve Sanayi Odası Binası K.3 Altınordu / ORDU
Telephone	0452 666 24 24 / 0452 666 24 25
Fax	0452 666 24 26
E-mail	kgfordu@kgf.com.tr

SAKARYA BRANCH

Area of Responsibility	Bolu, Düzce, Sakarya
Address	Sakarya Ticaret ve Sanayi Odası Binası Sakarya Mah. No: 19 Kat:2 Hanlı / Adapazarı / SAKARYA
Telephone	0264 291 27 88
Fax	0264 291 37 88
E-mail	kgfsakarya@kgf.com.tr

SAMSUN BRANCH

Area of Responsibility	Samsun, Sinop
Address	Samsun Ticaret ve Sanayi Odası Hançerli Mah. Abbasağa Sokak No: 8 Kat: 7 - 55020 Buğdaypazarı-İlkadım / SAMSUN
Telephone	0362 431 21 21
Fax	0362 432 09 00
E-mail	kgfsamsun@kgf.com.tr

SİVAS BRANCH

Area of Responsibility	Sivas, Tokat
Address	Sivas Ticaret ve Sanayi Odası Binası 1. Kat Kaleardı Mah. Turgut Özal Bulv. 58070 / SİVAS
Telephone	0346 223 77 74
Fax	0346 223 65 77
E-mail	kgfsivas@kgf.com.tr

ŞANLIURFA BRANCH

Area of Responsibility	Şanlıurfa
Address	Şanlıurfa Ticaret Borsası Binası Paşabağı mah Zafer Cad.No: 13 Haliliye / ŞANLIURFA
Telephone	0414 312 09 63
Fax	0414 315 71 18
E-mail	kgfurfa@kgf.com.tr

TEKİRDAĞ / ÇORLU BRANCH

Area of Responsibility	Edirne, Kırklareli, Tekirdağ, Çatalca
Address	Çorlu Ticaret ve Sanayi Odası Binası, Zafer Mahallesi, Cumhuriyet Bulvarı No:3/1 Kat:2 Çorlu - Tekirdağ
Telephone	0282 652 79 74
Fax	0282 654 72 36
E-mail	kgftekirdag@kgf.com.tr

TRABZON BRANCH

Area of Responsibility	Artvin, Gümüşhane, Rize, Trabzon
Address	Trabzon Ticaret ve Sanayi Odası Binası Pazarkapı Mah. Sahil Caddesi No: 103 Kat:7 - 61200 Ortahisar / TRABZON
Telephone	0462 321 62 75 / 0462 321 62 25
Fax	0462 321 62 29
E-mail	kgftrabzon@kgf.com.tr

VAN BRANCH

Area of Responsibility	Bitlis, Hakkâri, Muş, Van
Address	Van Ticaret ve Sanayi Odası Alipaşa Mah. İskele Cad. Binası No: 51 K:5 İpekyolu / VAN
Telephone	0432 215 73 79
Fax	0432 215 15 17
E-mail	kgfvan@kgf.com.tr

ZONGULDAK / EREĞLİ BRANCH

Area of Responsibility	Zonguldak
Address	Kdz. Ereğli Tic.ve San.Odası Binası Kat:3 Müftü Mh. Meydanbaşı Cad. Müftülük Karşısı Çamlık Sok. Ereğli / ZONGULDAK
Telephone	0372 310 07 82
Fax	0372 310 07 83
E-mail	kgfzonguldak@kgf.com.tr

CONTACT US

-  **444 7 543**
-  **www.kgf.com.tr**
-  **Kredi Garanti Fonu A.Ş.**
-  **@KGFTurkiye**
-  **/Kredi Garanti Fonu**
-  **kurumsaliletisim@kgf.com.tr**