VAKIF FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AT 31 DECEMBER 2021

(Convenience translation at publicly announced financial statements, related disclosures and audit report originally issued in Turkish – see in Note 2)

Güney Bağımsız Denetim ve SMMM A.Ş.
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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Vakıf Finansal Kiralama A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Vakıf Finansal Kiralama A.Ş. (the "Company") which comprise the statement of financial position as on 31 December 2021 and the statement of profit or loss and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

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

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3. Key Audit Matters

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

Key Audit Matter **Impairment of finance lease receivables**	**How Our Audit Addressed the** **Key Audit Matter**
Detection of the impairment of financial lease receivables and accounting for losses related to receivables is an important area of jurisdiction for management due to the complexity and subjectivity of determining the credit worthiness for receivables that do not comply with the timing specified in the BRSA Accounting and Financial Reporting Legislation. The mentioned risk is that the financial lease receivables that are impaired cannot be identified and a reasonable impairment provision is not made for the related receivables. Provisions for finance lease receivables in the financial statements are explained in Note 6.	In addition to our current audit procedures, our audit procedures include evaluating and testing the operational effectiveness of key controls in place for allocation, recognition, monitoring, derecognition, and determination of impaired leasing receivables and corresponding provisions. In addition, based on our risk assessment, the adequacy of the provision for the relevant receivables has been evaluated whether the financial leasing receivables selected through sampling are impaired according to the BRSA Accounting and Financial Reporting Legislation.

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

B. Other Responsibilities Arising from Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 9 February 2022.

The responsible auditor who conducts and concludes this independent audit is Emre Çelik.

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

Emre Çelik, SMMM
Partner

9 February 2022
Istanbul, Turkey

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STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

	ASSETS		Current Period 31 December 2021			Prior Period 31 December 2020		
		Note	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK**	**4**	**238,447**	**540,752**	**779,199**	**63,462**	**55,253**	**118,715**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)**		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL ASSETS**		-	-	-	-	-	-
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)**	**5**	**26,434**	-	**26,434**	**25,618**	-	**25,618**
V.	**FINANCIAL ASSETS AT AMORTISED COST (Net)**	**6**	**1,138,999**	**3,673,959**	**4,812,958**	**711,884**	**2,409,796**	**3,121,680**
5.1	Factoring Receivables		-	-	-	-	-	-
5.1.1	Discounted Factoring Receivables (Net)		-	-	-	-	-	-
5.1.2	Other Factoring Receivables		-	-	-	-	-	-
5.2	Savings Financing Receivables		-	-	-	-	-	-
5.2.1	Pooled Funds		-	-	-	-	-	-
5.2.2	Equity		-	-	-	-	-	-
5.3	Financing Loans		-	-	-	-	-	-
5.3.1	Consumer Loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
5.4	Lease Receivables (Net)	**6**	1,128,712	3,640,839	4,769,551	687,620	2,367,900	3,055,520
5.4.1	Finance Lease Receivables		1,508,558	4,202,749	5,711,307	925,919	2,706,854	3,632,773
5.4.2	Opeerational Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		(379,846)	(561,910)	(941,756)	(238,299)	(338,954)	(577,253)
5.5	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6	Non-Performing Loans	6	49,697	162,083	211,780	64,028	151,462	215,490
5.7	Expected Credit Loss (-) / Specific Provisions (-)	6	(39,410)	(128,963)	(168,373)	(39,764)	(109,566)	(149,330)
VI.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3	Jointly Controlled Partnerships (JointVentures) (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (Net)**	**7**	**28,990**		-		**28,990**	**24,603**
VIII.	**INTANGIBLE ASSETS AND GOODWILL (Net)**	**8**	**684**	-	**684**	**967**	-	**967**
IX.	**INVESTMENT PROPERTY (Net)**		-	-	-	-	-	-
X.	**CURRENT TAX ASSETS**	**10**	**8,862**	-	**8,862**	-	-	-
XI.	**DEFERRED TAX ASSET**	**10**	-	-	-	-	-	-
XII.	**OTHER ASSETS**	**11**	**134,401**	**505,396**	**639,797**	**72,325**	**348,311**	**420,636**
	SUBTOTAL		**1,567,817**	**4,720,107**	**6,296,924**	**898,859**	**2,813,360**	**3,712,219**
XIII.	**ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**9**	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**1,576,817**	**4,720,107**	**6,296,924**	**898,859**	**2,813,360**	**3,712,219**

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 AS AT
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

	LIABILITIES		Current Period 31 December 2021			Prior Period 31 December 2020		
		Note	TL	FC	Total	TL	FC	Total
I.	**LOANS RECEIVED**	**12**	**957,605**	**4,175,849**	**5,133,454**	**457,722**	**2,634,027**	**3,091,749**
II.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
III.	**LIABILITIES FROM THE SAVING FUND POOL**							
IV.	**LEASE PAYABLES**	**13**	**171**	**-**	**171**	**42**	**-**	**42**
V.	**MARKETABLE SECURITIES (Net)**	**14**	**-**	-	**-**	**51,615**	-	**51,615**
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**15**	**21,516**	-	**21,516**			**-**
VIII.	**PROVISIONS**	**16**	**12,832**	**35,170**	**48,002**	**7,404**	**21,043**	**28,447**
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		7,720	-	7,720	5,058	-	5,058
8.3	General Loan Loss Provisions	**6,16**	5,112	35,170	40,282	2,346	21,043	23,389
8.4	Other provisions		-	-	-	-	-	-
IX.	**CURRENT TAX LIABILITIES**	**10**	**33,367**	**-**	**33,367**	**16,670**	**-**	**16,670**
X.	**DEFERRED TAX LIABILITY**	**10**	**11,742**	-	**11,742**	**8,299**	**-**	**8,299**
XI.	**SUBORDINATED DEBT**		**-**	-	-	**-**	-	-
XII.	**OTHER LIABILITIES**	**17**	**75,174**	**271,054**	**346,228**	**45,588**	**114,648**	**160,236**
	SUBTOTAL		**1,112,407**	**4,482,073**	**5,594,480**	**587,340**	**2,769,718**	**3,357,058**
XIII.	**LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIII.	**EQUITY**	**18**	**702,444**	**-**	**702,444**	**355,161**	**-**	**355,161**
14.1	Issued capital		468,895	-	468,895	200,000	-	200,000
14.2	Capital Reserves		513	-	513	244	-	244
14.2.1	Equity Share Premiums		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		513	-	513	244	-	244
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit or Loss		40,354	-	40,354	40,306	-	40,306
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		64,611	-	64,611	54,290	-	54,290
14.5.1	Legal Reserves		14,333	-	14,333	11,317	-	11,317
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		50,278		50,278	42,973		42,973
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		128,071		128,071	60,321		60,321
14.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
14.6.2	Current Period Net Profit or Loss		128,071		128,071	60,321		60,321
	TOTAL LIABILITIES		**1,814,851**	**4,482,073**	**6,296,924**	**942,501**	**2,769,718**	**3,712,219**

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMEBER 31, 2021 AS AT
OFF-BALANCE SHEET ITEMS
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	OFF-BALANCE SHEET ITEMS		**Current Period 31 December 2021**			**Prior Period 31 December 2020**		
		Note	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**-**	**-**	**-**	**-**	**-**	**-**
II.	**REVOCABLE FACTORING TRANSACTIONS**		**-**	**-**	**-**	**-**	**-**	**-**
III.	**COLLATERALS RECEIVED**	**23**	**11,757,031**	**67,207,941**	**78,964,972**	**6,683,957**	**40,943,684**	**47,627,641**
IV.	**COLLATERALS GIVEN**		**-**	**-**	**-**	**-**	**-**	**-**
V.	**COMMITMENTS**	**23**	**546,159**	**1,540,868**	**2,087,027**	**211,799**	**718,602**	**930,401**
5.1	Irrevocable Commitments		211.496	452,487	663,983	86,402	216,024	302,426
5.2	Revocable Commitments		334,663	1,088,381	1.423.044	125,397	502,578	627,975
5.2.1	Lease Commitments		334,663	1,088,381	1.423.044	125,397	502,578	627,975
5.2.1.1	Finance Lease Commitments		334,663	1,088,381	1.423.044	125,397	502,578	627,975
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**55,195**	**73,412**	**128,607**	**-**	**-**	**-**
6.1	Derivative Financial Instruments Held For Hedging		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		55,195	73,412	128,607	-	-	-
6.2.1	Forward Buy or Sell Transactions		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		55,195	73,412	128,607	-	-	-
6.2.3	Option Purchases or Sales		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**4,703,562**	**17,305,946**	**22,009,508**	**2,830,374**	**8,241,818**	**11,072,192**
	TOTAL OFF-BALANCE SHEET ITEMS		**17,061,947**	**86,128,167**	**103,190,114**	**9,726,130**	**49,904,104**	**59,630,234**

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 FOR THE YEAR OF
STATEMENT OF PROFIT OR LOSS
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	STATEMENT OF PROFIT OR LOSS	Note	Current Period 1 January - 31 December 2021	Prior Period 1 January - 31 December 2020
I.	**OPERATING INCOME**		**368,946**	**267,259**
	FACTORING INCOME		-	-
1.1	Factoring Interest Income		-	-
1.1.1	Discounted		-	-
1.1.2	Other		-	-
1.2	Factoring Fee and Commission Income		-	-
1.2.1	Discounted		-	-
1.2.2	Other		-	-
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest Income From Financing Loans		-	-
1.4	Fee and Commission Income From Financing Loans		-	-
	LEASE INCOME		**368,946**	**267,259**
1.5	Finance Lease Income		360,924	261,703
1.6	Operational Lease Income		-	-
1.7	Fee and Commission Income From Lease Operations		8,022	5,556
	SAVING FINANCE INCOME		-	-
1.8	Dividends Received from Savings Financing Receivables		-	-
1.9	Fees and Commissions Received from Savings Financing Activities		-	-
II.	**FINANCE COST (-)**		**(201,984)**	**(134,714)**
2.1	Dividends Given from the Savings Fund Pool		-	-
2.2	Interest Expenses on Funds Borrowed		(183,147)	(125,708)
2.3	Interest Expenses on Factoring Payables		-	-
2.4	Lease Interest Expenses		(23)	(10)
2.5	Interest Expenses on Securities Issued		(5,952)	(1,644)
2.6	Other Interest Expense		-	-
2.7	Fees and Commissions Paid		(12,862)	(7,352)
III.	**GROSS PROFIT (LOSS) (I+II)**		**166,962**	**132,545**
IV.	**OPERATING EXPENSES (-)**	**19**	**(37,862)**	**(29,172)**
4.1	Personnel Expenses		(21,983)	(18,857)
4.2	Provision Expense for Employment Termination Benefits		(782)	(754)
4.3	Research and development expense		-	-
4.4	General Operating Expenses		(15,097)	(9,561)
4.5	Other		-	-
V.	**GROSS OPERATING PROFIT (LOSS) (III+IV)**		**129,100**	**103,373**
VI.	**OTHER OPERATING INCOME**	**20**	**101,615**	**52,072**
6.1	Interest Income on Banks		10,428	5,203
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		250	-
6.4	Gains Arising from Capital Markets Transactions		-	-
6.5	Derivative Financial Transactions' Gains		1,437	1,415
6.6	Foreign Exchange Gains		56,503	25,178
6.7	Other		32,997	20,276
VII.	**PROVISION EXPENSES**	**6**	**(43,356)**	**(63,630)**
7.1	Specific Provisions		(26,462)	(40,241)
7.2	Allowances For Expected Credit Losses		-	-
7.3	General Loan Loss Provisions		(16,894)	(23,389)
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**20**	**(22,270)**	**(5,165)**
8.1	Impairment in Value of Securities		-	-
8.2	Impairment in Value of Non-Current Assets		-	-
8.3	Capital Market Transactions Losses		-	-
8.4	Loss Arising from Derivative Financial Transaction		(21,772)	(4,930)
8.5	Foreign Exchange Losses		-	-
8.6	Other		(498)	(235)
IX.	**NET OPERATING PROFIT (LOSS) (V+…+VIII)**		**165,089**	**86,650**
X.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-
XI.	**PROFIT (LOSS) FROM COMPANIES ACCOUNTED FOR USING EQUITY METHOD**		-	-
XII.	**NET MONETARY POSITION GAIN (LOSS)**		-	-
XIII.	**PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX (IX+X+XI+XII)**		**165,089**	**86,650**
XIV.	**TAX PROVISION FOR CONTINUING OPERATIONS (+/-)**	**10**	**(37,018)**	**(26,329)**
14.1	Current Tax Provision		(33,433)	(12,802)
14.2	Expense Effect of Deferred Tax		(3,585)	(13,527)
14.3	Income Effect of Deferred Tax		-	-
XV.	**NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS (XIII±XIV)**		**128,071**	**60,321**
XVI.	**INCOME ON DISCONTINUED OPERATIONS**		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
XVII.	**EXPENSES ON DISCONTINUED OPERATIONS (-)**		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expenses on Discontinued Operations		-	-
XVIII.	**PROFIT (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)**		-	-
XIX.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (+/-)**		-	-
19.1	Current Tax Provision		-	-
19.2	Expense Effect of Deferred Tax		-	-
19.3	Income Effect of Deferred Tax		-	-
XX.	**NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)**		-	-
XXI.	**NET PROFIT OR LOSS FOR THE PERIOD (XV+XX)**		**128,071**	**60,321**
	Earnings (Loss) Per Share		0.509	0.241

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 FOR THE YEAR OF
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	Note	Current Period 1 January - 31 December 2021	Prior Period 1 January - 31 December 2020
I.	**CURRENT PERIOD PROFIT/LOSS**		**128,071**	**60,321**
II.	**OTHER COMPREHENSIVE INCOME**		**48**	**11,495**
2.1	**Items that may not be Reclassified subsequently to Profit or Loss**		**48**	**11,495**
2.1.1	Tangible Assets Revaluation Increases/Decreases		-	-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	16	(910)	(286)
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss		816	12,341
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		142	(560)
2.2	**Items that may be Reclassified subsequently to Profit or Loss**		**-**	**-**
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2	Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income Valuation and/or Classification Income/Expenses of Financial Assets		-	-
2.2.3	Cash Flow Hedge Income/Losses		-	-
2.2.4	Investment Risk Hedge Income/Expenses Related to the Overseas Company		-	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		-	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss		-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**128,119**	**71,816**

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 FOR THE YEAR OF
STATEMENT OF CHANGES IN EQUITY
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

						Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement						
	STATEMENT OF CHANGES IN EQUITY	**Paid-in Capital**	**Share Premium**	**Share Cancellation Profits**	**Other Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period's Profit/(Loss)**	**Net Period Profit /(Loss)**	**Total Equity**
	Current Period														
I.	**Prior Year Period End Balance**	**200,000**	**-**	**-**	**244**	**18,779**	**(777)**	**22,304**	**-**	**-**	**-**	**54,290**	**60,321**	**-**	**355,161**
II.	**Changes in Accounting Policies according to TAS 8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**	**200,000**	**-**	**-**	**244**	**18,779**	**(777)**	**22,304**	**-**	**-**	**-**	**54,290**	**60,321**	**-**	**355,161**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**(728)**	**776**	**-**	**-**	**-**	**-**	**-**	**128,071**	**128,119**
V.	**Increase in Paid-in Capital**	**218,895**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**218,895**
VI.	**Capital Increase From Internal Resources**	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50,000)**	**-**	**-**
VII.	**Adjustments to Paid-in Capital**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Bonds Convertible to Shares**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Loans**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Other Changes**	**-**	**-**	**-**	**269**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**269**
XI.	**Profit Distribution**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,321**	**(10,321)**	**-**	**-**
11.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	10,321	(10,321)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+…...+XI+XII)	**468,895**	**-**	**-**	**513**	**18,779**	**(1,505)**	**23,080**	**-**	**-**	**-**	**64,611**	**-**	**128,071**	**702,444**

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated remeasurement gains/losses on defined benefit plans.
3. Other (Shares of investments valued by equity method that will not be classified in profit / loss and the accumulated amounts of other comprehensive income items that will not be reclassified as other profit or loss).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on financial assests at fair value through other comprehensive income.
6. Other (Cash flow hedge gains / losses, the shares of other comprehensive income of investments valued by the equity method to be classified in profit / loss and the accumulated amounts of other comprehensive income items to be reclassified as other profit or loss).
7. On 7 October 2021, the Board of Directors decided to increase its paid-in capital by 100%, and as of 31 December 2021, 218,895 TL of the increased amount has been collected, and the remaining portion will be collected in 2022. The registration process regarding the capital increase was completed as of 31 January 2022.

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 FOR THE YEAR OF
STATEMENT OF CHANGES IN EQUITY

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

						Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement						
	STATEMENT OF CHANGES IN EQUITY	**Paid-in Capital**	**Share Premium**	**Share Cancellation Profits**	**Other Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period's Profit/(Loss)**	**Net Period Profit /(Loss)**	**Total Equity**
	Prior Period														
I.	**Prior Year Period End Balance**	**175,000**	**-**	**-**	**244**	**18,779**	**(548)**	**10,580**	**-**	**-**	**-**	**47,712**	**31,578**	**-**	**283,345**
II.	**Changes in Accounting Policies according to TAS 8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**	**175,000**	**-**	**-**	**244**	**18,779**	**(548)**	**10,580**	**-**	**-**	**-**	**47,712**	**31,578**	**-**	**283,345**
IV.	**Total Comprehensive Income**	-	-	-	-	-	**(229)**	**11,724**	-	-	-	-	-	**60,321**	**71,816**
V.	**Increase in Paid-in Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase From Internal Resources**	**25,000**	-	-	-	-	-	-	-	-	-	-	**(25,000)**	-	-
VII.	**Adjustments to Paid-in Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Bonds Convertible to Shares**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	**6,578**	**(6,578)**	-	-
11.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	6,578	(6,578)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+…...+XI+XII)	**200,000**	**-**	**-**	**244**	**18,779**	**(777)**	**22,304**	**-**	**-**	**-**	**54,290**	**-**	**60,321**	**355,161**

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated remeasurement gains/losses on defined benefit plans.
3. Other (Shares of investments valued by equity method that will not be classified in profit / loss and the accumulated amounts of other comprehensive income items that will not be reclassified as other profit or loss).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on financial assests at fair value through other compherensive income.
6. Other (Cash flow hedge gains / losses, the shares of other comprehensive income of investments valued by the equity method to be classified in profit / loss and the accumulated amounts of other comprehensive income items to be reclassified as other profit or loss).

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 FOR THE YEAR OF STATEMENT OF CASH FLOW

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

		Note	Current Period 1 January - 31 December 2021	Prior Period 1 January - 31 December 2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**(19,120)**	**54,334**
1.1.1	Interests Received/ Leasing Income		336,340	220,601
1.1.2	Interest Paid/Leasing Expense		(180,010)	(159,928)
1.1.3	Dividend Received	19	250	-
1.1.4	Fees and Commissions Received		8,482	5,556
1.1.5	Other Revenue Gained		90,937	23,045
1.1.6	Collections from Priorly Written-off Doubtful Receivables	6	7,419	3,257
1.1.7	Payments to Personnel and Service Suppliers		(23,118)	(18,857)
1.1.8	Taxes Paid		(9,878)	(9,269)
1.1.9	Other		(249,542)	(10,071)
1.2	**Changes in Operating Assets and Liabilities**		**305,299**	**(53,780)**
1.2.1	Net (Increase)/Decrease in Factoring Receivables		-	-
1.2.1	Net (Increase)/Decrease in Finance Loans		-	-
1.2.1	Net (Increase)/Decrease in Lease Receivables		(1,699,621)	(611,242)
1.2.2	Net (Increase)/Decrease in Other Assets		(228,508)	(5,086)
1.2.3	Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3	Net Increase/(Decrease) in Lease Payables		424	(124)
1.2.4	Net Increase/(Decrease) in Funds Borrowed		2,019,731	619,336
1.2.5	Net Increase/(Decrease) in Liabilities Due		-	-
1.2.6	Net Increase/(Decrease) in Other Liabilities		213,273	(56,664)
I.	**Net Cash Provided from Operating Activities**		**286,179**	**544**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	7,8	(8,314)	(2,702)
2.4	Disposals of Property and Equipment		2,279	543
2.5	Purchase of financial assests at fair value through other compherensive income		-	-
2.6	Sale of financial assests at fair value through other compherensive income		-	-
2.7	Purchase of financial assests at amortized cost		-	-
2.8	Sale of financial assests at amortized cost		-	-
2.9	Other		-	-
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(6,035)**	**(2,159)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	53,259
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(51,615)	-
3.3	Issued Capital Instruments		-	(3,515)
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		(318)	(10)
3.6	Other (*)		218,815	-
III.	**Net Cash Provided from Financing Activities**		**166,882**	**49,734**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**213,369**	**3,548**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**660,395**	**51,677**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**4**	**118,687**	**67,010**
VII.	**Cash and Cash Equivalents at End of the Period**	**4**	**779,082**	**118,687**

(*) On 7 October 2021, the Board of Directors decided to increase its paid-in capital by 100%, and as of 31 December 2021, 218,895 TL of the increased amount has been collected.

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

DECEMBER 31, 2021 FOR THE YEAR OF STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD

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

		Audited Current period 31 December 2021(*)	Audited Prior period 31 December 2020
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT (*)**		
1.1	CURRENT PERIOD PROFIT	165,089	86,650
1.2	TAXES AND DUES PAYABLE (-)	(37,018)	(26,329)
1.2.1	Corporate Tax (Income Tax)	(33,433)	(12,802)
1.2.2	Witholding Tax	-	-
1.2.3	Other taxes and dues	(3,585)	(13,527)
A.	**NET PERIOD PROFIT (1.1 - 1.2)**	**128,071**	**60,321**
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	3,016
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B.	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)**	**128,071**	**57,305**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	50,000
1.6.1	To Owners of Ordinary Shares	-	50,000
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	STATUS RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	7,305
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SHARE TO SHAREHOLDERS (-)	-	-
2.2.1	To Owners of Ordinary Shares	-	-
2.2.2	To Owners of Preferred Stocks	-	-
2.2.3	To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
2.2.4	To Profit Sharing Bonds	-	-
2.2.5	To Owners of the profit /loss Sharing Certificates	-	-
2.3	SHARE TO PERSONNEL (-)	-	-
2.4	SHARE TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**	-	-
3.1	TO OWNERS OF STOCKS	-	-
3.2	TO OWNERS OF STOCKS (%)	-	-
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) The Company's General Assembly has not been held yet and in the profit distribution table only distributable profits has been specified.

(**) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, and therefore the part of the period profit arising from these assets should not be subject to profit distribution and capital increase. As of 31 December 2021, the Company has no deferred tax income arising from deferred tax assets (31 December 2020: no deferred tax income arising from deferred tax assets).

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

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

1- ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

Brief history

Vakıf Finansal Kiralama Anonim Şirketi ("the Company") was established on 15 September 1988 and operates in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The Company is a subsidiary of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank") and the 25.64% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

As at 31 December 2021, the Company has 76 employees. (31 December 2020: 68).

The registered address of the Company is as follows:

Büyükdere Caddesi Matbuat Sokak
Gazeteciler Sitesi No:13
34394 Esentepe - Şişli
Istanbul/Turkey

Ownership Structure

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank. As of 31 December 2021, and 2020, the share capital and ownership structure of the Company are as follows:

	31 December 2021		31 December 2020	
Shareholder	**Share Amount (TL)**	**Share Percentage (%)**	**Share Amount (TL)**	**Share Percentage (%)**
Vakıfbank	293,562	62.61	117,424	58.71
Türkiye Sigorta Anonim Şirketi (**)	78,244	16.69	31,298	15.65
Public Shares (*)	97,089	20.70	51,278	25.64
Paid-in capital(***)	**468,895**	**100**	**200,000**	**100**

(*) The ratio is calculated from the shares of the Company registered at Istanbul Takas ve Saklama Bankası A.Ş. ("Takasbank").

(**) The shares of Güneş Sigorta A.Ş., which owns 15.65% of the company's capital, merger of Ziraat Sigorta A.Ş. and Halk Sigorta A.Ş. with all its assets and liabilities under Güneş Sigorta A.Ş. The "Announcement Text", the amendment text of the articles of association and the issue document regarding the merger were approved by the Capital Markets Board's ("CMB") decision dated 16 July 2020 and numbered 44/908. Güneş Sigorta A.Ş. continues its operations with the title as Türkiye Sigorta A.Ş. after the merger.

(***) On 7 October 2021, the Board of Directors decided to increase its paid-in capital by 100%, and as of 31 December 2021, 218,895 TL of the increased amount has been collected, and the remaining portion will be collected in 2022. The registration process regarding the capital increase was completed as of 31 January 2022.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis Of Presentation

2.1.1 Accounting standards

The Company prepared accompanying financial statements in accordance with to the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 29 June 2021 and numbered 31526 and Turkish Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), ("IFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "BRSA Accounting and Financial Reporting Standards") in respect of accounting and financial reporting.

The financial statements as at and for the year ended 31 December 2021 are approved by the Board of Directors of the Company and authorized for issue as at 9 February 2022. The General Assembly and or legal authorities have the discretion of making changes in the accompanying financial statements after their issuance.

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through other comprehensive income and assets held for sale which are measured at their fair values unless reliable measures are available.

The COVID-19 epidemic, which has emerged in China, has spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and it is still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. While preparing the interim financial statements as of September 30, 2021, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

Based on the BRSA's decisions numbered 8948 dated March 17, 2020 and numbered 8970 dated March 27, 2020, the upper limit of the number of delay days in the transfer to non-performing receivables due to Covid-19 has been increased from 150 days to 240 days. However, with the BRSA's decision dated September 16, 2021 and numbered 9795, this application has ended.

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

2.1.2 Additional paragraph for convenience translation into English

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis Of Presentation (Continued)

2.1.3 Netting/Offset

Financial assets and liabilities are shown net in cases where there is the necessary legal right, there is an intention to evaluate the said assets and liabilities clearly, or when the acquisition of assets and the fulfilment of liabilities are consecutive.

2.1.4 Going concern

The Company prepared its financial statements considering the going concern principal.

2.1.5 Currency used

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. The financial position and the results of operations of the Company have been presented in the Turkish Lira ("TL").

2.1.6 Critical Accounting evaluations, estimates and assumptions

Preparation of these financial statements requires estimates and judgments regarding the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgements are based on the Company's best estimates regarding current events and transactions; however, the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following note:

Allowances for impairment of lease receivables

The provision for total financial leasing receivables, which is determined by valuing the financial leasing receivables, is determined in a way that includes the doubtful receivables in the Company's financial leasing receivables portfolio. The Company has set this provision accordance with BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies ("Provisions Communiqué") published in Official Gazette No. 28861, dated 24 December 2013.

The total provision for leasing receivables determined as a result of the evaluation of financial leasing receivables is determined to include doubtful receivables in the Company's leasing receivables portfolio. The Company reserves the relevant provision in accordance with Article 6 of the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 by the BRSA. According to the relevant communiqué, at least 20% of the financial leasing receivables whose collection is delayed between 151-240 days from the due date, after taking into account the guarantees, and at least 50% after taking into account the collaterals of the financial leasing receivables whose collection is delayed between 240 and 365 days from the due date. and

100% specific provision is set after taking into account the guarantees of financial leasing receivables whose collection is overdue for more than 365 days.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

According to the Communiqué, specific provisions are set in the following proportions: minimum 20% after deducting the effect of collaterals for lease receivables that are overdue between 151 and 240 days, minimum 50% after deducting the effect of collaterals for lease receivables that are overdue between 240 and 365 days and 100% after deducting the effect of collaterals for lease receivables that are overdue for more than one year. Due to economic recession caused by Covid-19 pandemic, considering notice period of 60 days, given time for leasing receivables are rearranged from 90 days to 240 days according to article 6 clause (a) on BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies by the decision of BRSA dated 19 March 2020 and letter numbered 24049440-010.03. As of 19 March 2020, the company takes this regulation into account as the number of delay days in the calculation of special provisions. These regulations, which were made according to the BRSA's decision dated 17 June 2021 and numbered 9624, ended on 1 October 2021. However, as of October 1, 2021, the said application will continue for loans whose delay period has exceeded 150 days.

In the provisions communiqué, it is stated that companies can set aside provisions in general and without being directly related to any transaction, in order to compensate for losses expected to arise from receivables that do not delay the collection of principal, interest or both or have not exceeded the aforementioned periods, but whose amount is not certain, but it is not considered as a requirement. The company allocates a general provision for its financial lease receivables that do not become doubtful. After the collection of receivables for which provision has been set aside, the provision amounts are reversed, and all of the related receivables are deducted from assets. During the collection of a receivable related to a Prior year's provisions, the related collection amount is credited to "Other Operating Income" account as income.

Recognition of deferred tax asset

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the company. The business plan is based on rational expectations of the company under current circumstances.

Fair value measurements of the share certificates

Fair value measurements of the share certificates are valued for determination of fair value by independent valuation instutions once a year.

2.2 Changes in Accounting Policies

2.2.1 Comparatives and restatement of prior year financial statements

The Company's financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. As of 31 December 2021, the company has prepared the financial statement, off-balance sheet, profit or loss statement, cash flow statement and changes in equity statement in comparison with the financial statements dated 31 December 2020. The Company has rearranged the previous period cash flow statement in order to comply with the presentation of the current period financial statements.

2.2.2 Changes in accounting policies

Changes in accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

2.2.3 Change in Accounting Estimates and Errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. Material prior year errors are corrected retrospectively by restating the comparative amounts for the prior periods.

2.2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2021 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

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

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

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

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2.4 The new standards, amendments and interpretations (Continued)

Relief from discontinuing hedging relationships

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

Separately identifiable risk components

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

Additional disclosures

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

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

The amendments did not have a significant impact on the financial position or performance of the Company. Company management is working on the transition to IBOR.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2.4 The new standards, amendments and interpretations (Continued)

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

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

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

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

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2.4 The new standards, amendments and interpretations (Continued)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2.4 The new standards, amendments and interpretations (Continued)

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2.4 The new standards, amendments and interpretations (Continued)

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

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

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

Annual Improvements – 2018–2020 Cycle

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

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

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

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

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

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies

Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using year-end exchange rates of Central Bank of the Republic of Turkey's bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency exchange rates used on 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
US Dolar	12.9775	7.3405
Euro	14.6823	9.0079
GBP	17.4530	9.9438
CHF	14.1207	8.2841

Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months.

Financial leasing transactions

"IFRS 16 Leases" Standard determines the principles regarding the recognition, measurement, presentation and disclosure of leases. The purpose of the standard is to ensure that the tenants and lessors present these transactions in fair value and provide the information appropriate to the need. This information constitutes the basis for the evaluation of the effect of leases on the financial position, financial performance and cash flows of the financial statement users.

(i) As lessor

Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Lease income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The leasing payments received are deducted from the gross leasing investments by reducing the principal and unearned finance income.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

(ii) As lessee

In accordance with the 'IFRS 16 **-** Leases' standard, the Company calculates the "right of use" amount based on the present value of the lease payments of the fixed asset subject to lease at the beginning of the lease and includes it in "tangible fixed assets". In the calculation of right of use assets, the unpaid lease payment amounts have been discounted with an alternative borrowing interest rate, taking into account the remaining term in the lease contract with the property owner, and the net present value has been determined.

The Company has accounted the total of lease obligations to be paid until the end of the lease contract as "Liabilities from Leasing Transactions" in the balance sheet liabilities, instead of directly expense the leases subject to IFRS 16 Leases standard or taking them into prepaid expenses. Changes that will affect the lease obligation are measured again and reflected in the balance sheet accounts.

Based on the lease contract term, interest and depreciation are calculated monthly over the net present value and accounted in the income statement.

Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies ("Provisions Communiqué") published in Official Gazette No. 28861, dated 24 December 2013.

As the details are explained in footnote 2.1.5 on Important Accounting Evaluation Estimates and Assumptions, even if the delay in collection of receivables has not exceeded the specified periods or there is no delay in the collection of receivables, companies will use all available data regarding the creditworthiness of the debtor for their receivables and Turkish Financial Reporting Standards. Considering the reliability and prudence principles set forth in the Articles of Association, it allows them to set aside special provisions at the rates determined, without including the collateral amount in the calculation. Except for the rates regulated in the relevant regulation, the Company does not have any provisions set aside at the rates determined, without including the collateral amount in the calculation.

With the collection of the receivable, the previously reserved provision is reversed, and the entire receivable is deducted from the asset. In case of collection of a receivable for which provision was made in previous periods, the relevant amounts are recorded as income in the "Other Operating Income" account.

Explanations on the write-off policy:

As a consequence of the tracking process, loans with low/no collection possibility and non-performing loans are removed from assets as per a decision from the Board of Directors.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Financial instruments

The Company classifies and recognizes financial assets under “Financial Assets for Which the Fair Value Difference is Recognized Through Other Comprehensive Income”. The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to the classification and measurement of financial instruments of the “IFRS 9 Financial Instruments” standard published in the Official Gazette No. 29953 dated 19 December 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

(i) Financial Assets for Which the Fair Value Difference is Recognized Through Other Comprehensive Income

Financial assets for which the fair value difference is recognised through other comprehensive income investment securities are carried at fair value based on quoted bid prices, or amounts derived from cash flow models on the financial statements as of the balance sheet date.

The Company has security investments for which they do not have controlling power or significant activity and which represent a share of capital. Securities representing the share of capital are recognised at fair value if they are traded in organised markets and/or their fair value is determined in a reliable manner. If they are not traded in organised markets and their fair value is not determined in a reliable manner, they are reflected on financial statements at cost after the depreciation provision is deducted.

When recognising them in financial statements for the first time, the Company may choose to present future changes in the fair value of investments in an equity instrument which is not held for commercial purposes under other comprehensive income. In this case, dividends earned from the said investment are transferred to financial statements as profit or loss.

Property and equipment

In the accompanying financial statements, tangible assets acquired before 1 January 2005 are measured at cost restated for the effects of inflation at 31 December 2004 less accumulated depreciation. Tangible assets acquired after 1 January 2005 are measured at cost, less accumulated depreciation.

The Company decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 “Turkish Accounting Standard on Property, Plant and Equipment”. As a result of the valuation performed by an independent appraisal company, revaluation difference of TL 18,779 (31 December 2020: TL 18,779) after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

As of 31 December, 2021, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows:

	31 December 2021	31 December 2020
Fair Value	24,055	24,055
Net book value calculated on cost value	3,190	3,190
Before tax revaluation differences	**20,865**	**20,865**
Calculated deferred tax liability (-)	(2,086)	(2,086)
Revaluation differences, net	**18,779**	**18,779**

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible assets. Tangible assets are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis over the cost. Useful lives and residual values are reviewed at each reporting date.

The estimated useful lives of tangible assets are as follows:

Tangible assets	Expected Useful Life (Year)	Depreciation Rate (%)
Buildings	50	2
Furnitures and fixed assets	5	20
Motor vehicles	5	20
Other non-current assets - special costs	5	20

Intangible assets

The Company’s intangible assets consist of software.

The cost of the intangible assets purchased before 1 January 2005 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

The Company allocates the depreciation of the intangible assets based on their inflation adjusted prices based on the useful lives of the assets, using the straight-line method.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Assets held for resale

The assets providing the necessary conditions of being classified as the assets held for resale are recognized with the lower of their book value and fair value less cost of sales. These assets are presented separately on the balance sheet and are not subjected to depreciation following the classification. To classify an asset as asset held for resale, the sale potential of the asset (or the asset Company to be disposed) should be high and the asset should be available to immediately sell under ordinary circumstances in sale of this kind of assets. To have high sale potential, there should be a proper scheme for sale of the asset (or asset company to be disposed) which is prepared by a proper administrative level and an active sales program should be launched to complement the scheme and determine the buyers. Furthermore, the asset should be marketed actively with a price coherent to its fair value. Various incidents and conditions may extend the completion of the sale term to more than a year. The asset is remained to be classified as the asset held for resale, if the reason of the delay is the incidents and conditions out of the control of the Company, and there is no sufficient evidence that the Company is continuing its sales program of the asset.

The impairment losses and profit and loss from subsequent valuation of the assets classified as the assets held for resale are recognized on income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

For the purpose of impairment testing, assets are firmed together into the smallest company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or company of assets (the "cash -generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Employee benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of 31 December 2021 is full TL 10,596.74 (31 December 2020: full TL 7,638.96). The Company provided reserve for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the TAS 19.

As of 31 December 2021, and 2020, the actuarial assumptions are as follows:

	31 December 2021	31 December 2020
Discount rate	3.00%	3.00%
Expected rate of salary/ceiling increase	18.45%	18.45%

Expected rate of salary/ceiling increase is determined based on inflation estimates of the government. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The Company has provided reserve for short-term employee benefits in the financial period as per services rendered in compliance with TAS 19 **-** *Employee Benefits* in the accompanying financial statements.

Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Company, the recognition method of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for the annual periods beginning on or after 1 January 2013. Beginning of 1 January 2013, the Company has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Comprehensive Income" and presented in the "Extraordinary reserves" item in the Equity section of the financial statements.

Provisions, contingent assets and liabilities

In the financial statements, a provision is made for an existing liability resulted from past events if it is probable that the liability will be settled, and a reliable estimate can be made for the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provisions, contingent assets and liabilities (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in financial statements. Contingent assets are assessed continuously to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset in the accompanying financial statements.

Income and expense recognition

Finance lease income

The values of the assets leased within the context of Financial Lease Law are shown as finance lease receivables on balance sheet at their value determined at the beginning of the leasing transaction. The interest income generated by the difference between total finance lease receivable and the investment value of the asset subject to leasing is recorded to the income statement of the period by means of distribution of the receivables with fixed interest rate to the related periods. The interest income not accrued in relevant period is followed under unearned interest income.

Interest income and expenses

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs, which are indispensable parts of effective interest. Transaction costs are additional costs that are directly related to the acquisition or disposal of financial assets or liabilities.

Fees and commissions

The fees and commissions received from and paid due to finance lease operations are recognized in the statement of income when the related service is rendered or received.

Dividend

Dividend income is recognized when the Company's right to receive payment is ascertained.

Other income and expenses

Other income and expenses are recognized on an accrual basis.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxation
Corporate taxes

Taxable income is subject to corporate tax at 25%. This rate is applied to net income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax-deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Withholding tax rate on dividend payments, which are made to the companies except those are domiciled in Turkey or generate income in Turkey via a business or a regular agent, is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings. Under the Turkish taxation system, tax losses can be carried forward up to five years. As of 31 December 2021, the Company has no deductible tax losses (31 December 2020: None).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the end of the 25th day of the 4th month following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

Deferred taxes

Deferred tax assets and liabilities are recognized, in accordance with TAS 12- *Income Taxes*, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

According to the tax legislation, as long as it is deemed possible to obtain a financial profit that can be deducted in the following periods, it calculates deferred tax assets on deductible temporary differences excluding general provisions and deferred tax liability on all taxable temporary differences.

In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, the corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being valid for the taxation period starting from January 1, 2021., this rate will be applied as 23% for the taxation period of 2022, and it will be applied as 20% in the following years.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxation (Continued)

Deferred taxes (Continued)

The deferred tax assets and liabilities are reported as net in the financial statements only if the Company has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

According to the Communiqué, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Investment incentive

As per the provisional 69th article which is added to the 193 numbered Income Tax Law by 5479 numbered Law that is published on 8 April 2006 dated and 26133 numbered Official Gazette and became effective since 1 January 2006, taxpayers could deduct investment incentives calculated according to the legislation provisions (including tax rate related provisions) in force as of 31 December 2005, only from the taxable income of the years 2006, 2007, and 2008. In this context, income and corporate taxpayers could deduct the following items only from the taxable income of 2006, 2007, and 2008.

- The carried forward investment incentive exemptions, which could not be deducted from 2005 revenue and available as at 31 December 2005,

- For the investments, which made in the scope of investment incentive certificates drawn upon taxpayer's application before 24 April 2003 and started within the frame of 193 numbered Income Tax Law's additional 1, 2,3,4,5 and 6th articles - later repealed by 4842 numbered law- the amounts that realized in the scope of certificate after the date 1 January 2006.

- Within the frame of Article 19 of 193 numbered Law which repealed 5479 numbered Law, investment expenditures incurred after 1 January 2006 will be deductible only from the profits of years 2006, 2007 and 2008 provided that they are economically, and technically integral parts of the investment started before 1 January 2006.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxation (Continued)

Investment incentive (Continued)

In this frame the rights of taxpayers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, are abrogated as at 31 December 2008. According to this regulation limiting the right to deduct the investment expenditure from taxable profit, investment incentive exemption will be applied to the taxable profit of 2008 at the latest. Investment incentive exemption amount which could not be deducted due to lack of taxable profit till the end of 2009 is not possible to be deducted from the taxable profit of 2009 and subsequent years. Meanwhile, this exemption amount cannot be recorded as expense in the tax books.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, "2006, 2007 and 2008" clause of the provisional Article no. 69 of Income Tax Law mentioned above, is repealed and time limitation for the use of investment incentive is removed. The repeal related to investment incentive is enacted and issued in the 8 January 2010 dated and 27456 numbered Official Gazette.

Accordingly, investment incentive amounts carried forward to 2006 due to lack of taxable profit and the other investment incentive amounts which arising from investments prior to 2006 and on goes after this date in the context of economic and technical integrity can be applied for not only 2006, 2007 and 2008 but also in subsequent years. Accordingly, the Company will be able to deduct its remaining investment incentives from taxable profit in the future without any time limitation.

Pursuant to the 6009 numbered Law published on 1 August 2010 dated and 27659 numbered Official Gazette and became effective accordingly, the amount of investment incentive exemption which is deducted from income to estimate the tax base cannot be more than 25% of the income, and the remaining income will be subject to income tax at the prevailing tax rate. In accordance with this law and Constitutional Court decision there is no time limitation in using investment incentive amount carried forward from year 2005 but the amount could not be more than 25% of income.

The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decisions no: E.2010/93 and K.2012/20 on 9 February 2012.

Related party

In accordance with TAS 24 - Related Party Disclosures shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Earnings per share

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period.

Subsequent events

Subsequent events mean the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 - Events After the Balance Sheet Date; post-balance sheet events that provide additional information about the Company's position at the balance sheet 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.

Statement of cash flows

The Company prepares statement of cash flows to inform the users of the financial statements about the changes in its net assets, its financial structure and its ability to affect the amount and timing of its cash flows with respect to changing external conditions.

In the statement of cash flows, cash flows of the period are reported with a classification based on operating, investing and financing activities. cash flows from operating activities represent cash flows from activities within the scope of business. cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). cash flows relating to financing activities represent the sources of financing the Company used and the repayments of these sources.

As at 31 December 2021 and 2020, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	31 December 2021	31 December 2020
Cash and cash equivalents in the statement of cash flows	**779,199**	**118,715**
Interest income accruals on cash and cash equivalents	(117)	(28)
Total in the cash flow statement cash and cash equivalents	**779,082**	**118,687**

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

3 - SEGMENT REPORTING

Segment reporting of financial information

A business segment is a part of an area where the Company operates and for which outcomes are regularly reviewed, performance is measured and financial information can be distinguished by the Board of Directors (as the decision-making authority), and a business segment earns revenues and has expenses, including revenues and expenses arising from transactions with other business segments.

Since all activities of the Company consist of financial leasing and are performed in a single region, Turkey, there is no segment reporting.

4 - CASH AND CASH EQUIVALENTS AND THE CENTRAL BANK

Cash and cash equivalents and the Central Bank

As at 31 December 2021 and 31 December 2020, details of bank balances are as follow

	31 December 2021	31 December 2020
Banks	779,199	118,715
Demand deposit	761,506	114,040
Time deposit	17,693	4,675
Total	**779,199**	**118,715**

As at 31 December 2020, time deposits consist of bank placements with maturity less than three months and with interest rates average 0.70% for foreign currency and 17.06% for TL time deposits. (31 December 2020: 17.68% for TL and 1.58% for foreign).

5 - FINANCIAL ASSESTS AT FAIR VALUE THROUGH OTHER COMPHERENSIVE INCOME

Details of financial assets for which the fair value difference is recognised through other comprehensive income are as follows:

	31 December 2021		31 December 2020	
	Carrying value (*)	Share (%)	Carrying value	Share (%)
Not Traded at Stock Market:				
Vakıf Faktoring A.Ş.	22,288	3.79	21,445	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	2,646	3.27	2,680	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	1,500	0.25	1,493	0.25
Financial assets for which fair value difference is recognised through other comprehensive income	**26,434**		**25,618**	

(*) Financial assets at fair value through other comprehensive income that are monitored at Level 3 include fair values of marketable securities representing fair market value held by independent appraisers.

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

Within the scope of possible negative effects of Covid-19, the fair values of the above assets were reviewed by the company and evaluated whether there was a possible loss in value.

6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

As at 31 December 2021 and 31 December 2020, financial assets at fair value through other comprehensive income are as follow:

	31 December 2021		31 December 2020	
	TP	**YP**	**TP**	**YP**
Lease receivables	1,458,309	3,967,664	877,564	2,550,771
Invoiced lease receivables	50,249	235,085	48,355	156,083
Subtotal	**1,508,558**	**4,202,749**	**925,919**	**2,706,854**
Unearned interest income	(379,846)	(561,910)	(238,299)	(338,954)
Finance lease receivables, net of unearned income	**1,128,712**	**3,640,839**	**687,620**	**2,367,900**
Impaired lease receivables	49,697	162,083	64,028	151,462
Specific provision	(39,410)	(128,963)	(39,764)	(109,566)
Impaired lease receivables, net	**10,287**	**33,120**	**24,264**	**41,896**
Finance lease receivables, net	**1,138,999**	**3,673,959**	**711,884**	**2,409,796**

Prospective aging analysis of the neither past due nor impaired and past due but not impaired lease receivables is as follows:

31 December 2021	**Up to 1 year**	**1-2 year**	**2-3 year**	**3-4 year**	**4 year and over**	**Total**
Lease receivables	2,323,286	1,487,039	833,106	586,500	481,376	5,711,307
Unearned interest income	(383,738)	(238,236)	(148,299)	(92,504)	(78,979)	(941,756)
Finance lease receivables, Net	1,939,548	1,248,803	684,807	493,996	402,397	4,769,551

31 December 2020	**Up to 1 year**	**1-2 year**	**2-3 year**	**3-4 year**	**4 year and over**	**Total**
Lease receivables	1,437,349	953,789	764,834	283,159	193,641	3,632,773
Unearned interest income	(263,854)	(155,868)	(75,886)	(25,081)	(56,563)	(577,253)
Finance lease receivables, Net	1,173,495	797,921	688,948	258,078	137,078	3,055,520

As of 31 December 2021, the average compounded interest rates for finance lease receivables are 18.04% for TL, 8.80% for USD and 6.61% for EUR (31 December 2020: 18.54% for TL, 8.51% and 6.71% for EUR).

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

6 – LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 31 December 2021 and 2020, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2021	**31 December 2020**
Neither past due nor impaired	4,484,217	2,851,082
Past due but not impaired	285,334	204,438
Impaired	211,780	215,490
Allowances for impairment	(168,373)	(149,330)
Finance lease receivables, net	**4,812,958**	**3,121,680**

	31 December 2021	**31 December 2020**
151-240 days	9,940	26,875
241-1 year	3,632	5,322
1 year and over	198,208	183,293
Impaired lease receivables, net	**211,780**	**215,490**

As of 31 December 2021, and 2020, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2021		**31 December 2020**	
	TL	**FC**	**TL**	**FC**
Impaired lease receivables	49,697	162,083	64,028	151,462
Specific provisions	(39,410)	(128,963)	(39,764)	(109,566)
Impaired lease receivables, net	**10,287**	**33,120**	**24,264**	**41,896**

The movement of the specific provision during the year is as follows:

	31 December 2021	**31 December 2020**
Specific provisions at the beginning of the year	**172,719**	**112,345**
Provision for the year	26,462	40,241
General loan loss provisions for the year (Note 16)	16,894	23,389
Collections during the year	(7,419)	(3,256)
Specific provisions at the end of the year	**208,656**	**172,719**

The details of collaterals taken for finance lease receivables that have specific provisions are as follows:

	31 December 2021	**31 December 2020**
Mortgage	31,570	23,294
Other	5,865	8,457
Total collateral	**37,435**	**31,751**

The company reviews any change in credit quality related to receivables from the date it is created to the balance sheet date in order to decide whether the receivable can be collected or not. Sectoral distribution of the finance lease receivables is presented in Note 24.

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

7 - TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 31 December 2021:

	1 January 2021	**Additions**	**Disposals**	**31 December 2021**
Cost:				
Buildings	24,940	-	-	24,940
Motor vehicles	3,188	7,361	(2,026)	8,523
Furniture and fixture	1,773	438	(122)	2,089
Other tangible assets	692	4	-	696
Right of use tangible assets(*)	85	245	(131)	199
	30,678	**8,048**	**(2,279)**	**36,447**
Accumulated depreciation:				
Buildings	(3,985)	(632)	-	(4,617)
Motor vehicles	(723)	(1,121)	703	(1,141)
Furniture and fixture	(723)	(330)	100	(1,003)
Other tangible assets	(546)	(113)	-	(659)
Right of use tangible assets(*)	(48)	(56)	67	(37)
	(6,075)	**(2,252)**	**870**	**(7,457)**
Net Book Value	**24,603**	**5,796**	**(1,409)**	**28,990**

(*) The balance consists of includes the lease contracts made within the scope of IFRS16.

Movement in tangible assets in the period from 1 January to 31 December 2020:

	1 January 2021	**Additions**	**Disposals**	**31 December 2021**
Cost:				
Buildings	24,940	-	-	24,940
Motor vehicles	2,253	1,162	(227)	3,188
Furniture and fixture	993	824	(44)	1,773
Other tangible assets	684	61	(53)	692
Right of use tangible assets (*)	93	30	(38)	85
Right of use intangible assets (*)	179	-	(179)	-
	29,142	**2,077**	**(541)**	**30,678**
Accumulated depreciation:				
Buildings	(3,353)	(632)	-	(3,985)
Motor vehicles	(388)	(425)	90	(723)
Furniture and fixture	(534)	(259)	20	(773)
Other tangible assets	(502)	(44)	-	(546)
Right of use tangible assets (*)	(27)	(50)	29	(48)
Right of use intangible assets (*)	(98)	(81)	179	-
	(4,902)	**(1,491)**	**318**	**(6,075)**
Net book value	**24,240**			**24,603**

(*) The balance consists of includes the lease contracts made within the scope of IFRS16.

As 31 December 2021 and 31 December 2020, there is no mortgage on the tangible assets of the Company.

As of 31 December 2021, total insurance coverage for tangible assets of the Company is TL 34,301

(31 December 2020: TL 25,514).

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

8 - INTANGIBLE ASSETS

Movement in intangible assets in the period from 1 January to 31 December 2021 is as follows:

	1 January 2021	Additions	Disposals	31 December 2021
Cost:				
Software	3,944	266	-	4,210
	3,944	**266**	**-**	**4,210**
Accumulated amortization:				
Software	(2,977)	(549)	-	(3,526)
	(2,977)	**(549)**	**-**	**(3,526)**
Net book value	**967**			**684**

Movement in intangible assets in the period from 1 January to 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Cost:				
Software	3,322	624	(2)	3,944
	3,322	**624**	**(2)**	**3,944**
Accumulated amortization:				
Software	(2,414)	(563)	-	(2,977)
	(2,414)	**(563)**	**-**	**(2,977)**
Net book value	**908**			**967**

9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2020: None).

10 - TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Social Security Premiums	403	295
Income tax	289	294
VAT payable	129	3,890
Stamp tax	10	9
	831	**4,488**

	31 December 2021	31 December 2020
Tax provision	33,433	12,801
Less: Prepaid taxes	(897)	(619)
Current income tax liabilities, net	**32,536**	**12,182**

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

10 - TAX ASSETS AND LIABILITIES (Continued)

Tax expense	**31 December 2021**	**31 December 2020**
Corporate tax expense for the period	(33,433)	(12,802)
Deferred tax income/(expense) effect	(3,585)	(13,527)
	(37,018)	**(26,329)**

Reconciliation of current period tax expense to theoretical tax expense of the Company calculated by using the statutory tax rate:

	31 December 2021	**31 December 2020**
Profit before taxes	165,089	86,650
Theoretical tax expense with 25% tax rate	(41,272)	(19,063)
General loan loss provision not subjected to deferred tax	(4,224)	(4,678)
Other (*)	8,478	(2,588)
Current year tax expense	**(37,018)**	**(26,329)**

(*) Investment tax credits used by the Company consist of non-deductible expenses and other expenses.

Deferred taxes

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, the corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being valid for the taxation period starting from January 1, 2021, this rate will be applied as 23% for the taxation period of 2022.

The company takes into account the periods when deferred tax assets are realized or deferred tax liabilities are fulfilled in the calculation of deferred tax (31 December 2020: 22%).

As mentioned above, as of 31 December 2021, the Company's management recorded deferred tax asset amounting to TL 36,609 from unused investment according to constitutional court decision (31 December 2020: TL 150,852).

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

10 - TAX ASSETS AND LIABILITIES (Continued)

Details of cumulative temporary differences and the deferred income tax assets and liabilities calculated by using the effective tax rates are summarised below:

	Total Temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Lease Asset Receivable Impairment	67,617	69,981	15,552	13,996
Unused investment incentives- with stoppage	36,609	150,852	1,171	302
Derivative financial assets	21,516	-	4,949	-
Provision for employee termination benefit	4,792	3,405	958	681
Other short term employee benefits	2,371	1,139	545	228
Provision for unused vacations	557	514	128	103
Total lease liabilities	171	-	39	-
Deferred tax assets	**133,633**	**225,891**	**23,342**	**15,310**
Finance lease income accruals	(134,436)	(99,424)	(30,920)	(19,885)
Tangible and intangible assets revaluation difference	(20,865)	(20,865)	(2,086)	(2,086)
Subsidiary revaluation fund	(24,294)	(23,478)	(1,214)	(1,174)
Others	(3,758)	(2,315)	(864)	(464)
Deferred tax liabilities	**(183,353)**	**(146,082)**	**(35,084)**	**(23,609)**
Deferred tax assets, (net)	**(49,720)**	**79,809**	**(11,742)**	**(8,299)**

The movement for deferred tax assets is as follows:

	31 December 2021	**31 December 2020**
1 January	**(8,299)**	**5,788**
Current year deferred tax income/(expense)	(3,585)	(13,527)
Deferred tax in Equity income/(expense)	142	560
31 December	**(11,742)**	**(8,299)**

11 - OTHER ASSETS

As at 31 December 2021 and 31 December 2020, details of other assets are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Advances given for leasing transactions	12,925	359,852	13,493	266,221
Investments under lease	112,884	118,759	52,061	63,897
Prepaid expenses	2,921	13,259	1,079	9,659
Other receivables regarding leasing transactions	4,544	3,680	5,069	2,403
Checks received	-	7,601	-	6,062
Other	1,127	2,245	623	69

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

Total other assets	**134,401**	**505,396**	**72,325**	**348,311**

12 - BORROWINGS

As at 31 December 2021, details of the borrowings are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Domestic banks	957,605	3,196,911	457,722	2,104,684
Foreign banks	-	978,938	-	529,343
Total Borrowings	**957,605**	**4,175,849**	**457,722**	**2,634,027**

			Carrying value			
31 December 2021	**Amount in original currencies**	**Average interest rates (%)**	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**
Borrowings from domestic banks:						
Fixed rate borrowings						
TL	957,605	13.06	474,671	258,601	224,333	957,605
EUR (thousand)	115,217	2.42	873,391	204,049	614,213	1,691,653
USD (thousand)	40,818	3.13	379,361	139,033	11,328	529,722
Floating rate borrowings:						
EUR (thousand)	66,443	2.92	95,390	297,560	582,586	975,536
Total borrowing from domestic banks			**4,154,516**	**1,822,813**	**899,243**	**1,432,460**
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	34,430	3.69	74,154	79,731	351,626	505,511
Floating rate borrowings						
EUR (thousand)	18,969	1.76	36,899	35,694	205,916	278,509
USD (thousand)	15,020	3.08	-	-	194,918	194,918
Total borrowings from foreign banks			**111,053**	**115,425**	**752,460**	**978,938**
Total borrowings			**5,133,454**	**1,933,866**	**1,014,668**	**2,184,920**

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

12 – BORROWINGS (Continued)

			Carrying value			
31 December 2020	**Amount in original currencies**	**Average interest rates (%)**	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**
Borrowings from domestic banks:						
Fixed rate borrowings						
TL	457,722	9.95	35,824	178,913	242,985	457,722
EUR (thousand)	116,168	2.44	385,454	623,361	37,613	1,046,428
USD (thousand)	42,268	3.35	25,501	267,914	16,850	310,265
Floating rate borrowings:						
EUR (thousand)	83,037	2.99	59,759	183,013	505,220	747,992
Total borrowing from domestic banks			**506,538**	**1,253,201**	**802,668**	**2,562,407**
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	17,902	3.59	54,844	12,016	94,396	161,256
USD (thousand)	8,013	6.60	-	58,820	-	58,820
Floating rate borrowings						
EUR (thousand)	34,333	2.06	18,163	120,555	170,548	309,266
Total borrowings from foreign banks			**73,007**	**191,391**	**264,944**	**529,342**
Total borrowings			**579,545**	**1,444,592**	**1,067,612**	**3,091,749**

13 - LEASE LIABILITIES

As at 31 December 2021 details of lease liabilities are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Right of use tangibles	171	-	42	-
Total lease liabilities	**171**	**-**	**42**	**-**

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

14 - SECURITIES ISSUED

As at 31 December 2021 details of securities issued are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Bill (*)	-	-	50,000	-
Interest accruals on securities issued	-	-	1,615	-
Total securities issued	**-**	**-**	**51,615**	**-**

(*) The company made a 1-year term financing bond with a nominal value of TL 50,000 on October 9, 2020, by selling to qualified investors method. The maturity date of the bond is 9 October 2020, and the redemption date is 8 October 2021. The annual simple interest rate of this financing bill is 15.00%.

15 – DERIVATIVE FINANCIAL ASSETS

As of 31 December 2021, derivative financial liabilities held for trading consist of the fair value difference arising from the Company's cross currency swap transactions, amounting to TL 21,516 (31 December 2020: None).

16 - PROVISIONS

As at 31 December 2021 details of provisions for liabilities and charges are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
General loan loss provisions for financial lease receivables (*) (Note 6)	5,112	35,170	2,346	21,043
Reserve for employee benefits	7,720	-	5,058	-
Reserve for employee termination benefit	*4,792*	-	*3,405*	-
Provision for unused vacations	*557*	-	*514*	-
Reserve for bonuses	*851*	-	*583*	-
Provisions for other employee rights	*1,520*	-	*556*	-
Total provisions	**12,832**	**35,170**	**7,404**	**21,043**

(*) The Company reserves general provisions within the scope of the fifth paragraph of Article 6 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies.

	31 December 2021	31 December 2020
At the beginning of the year	3,405	2,644
Interest rate cost	436	405
Service cost	345	349
Payments during the year	(304)	(279)
Actuarial difference (*)	910	286
At the end of the year	**4,792**	**3,405**

(*) Actuarial (loss)/profit is accounted under other comprehensive income since 1 January 2013.

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

17 – OTHER LIABLITIES

As of 31 December 2021, details of miscellaneous payables are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Advances received (*)	65,843	176,062	38,719	87,846
Other trade payables	7,613	90,641	5,611	24,094
Deferred income	1,718	4,351	1,258	2,708
Total Other Liabilities	**75,174**	**271,054**	**45,588**	**114,648**

(*) Advances received consist of the lease advances received from the lessees for the parts of the financial leasing agreements regarding the machinery and equipment not yet available to the customers.

18 - EQUITY

Share capital

As at 31 December 2021, the share in capital of the Company amounts to TL 1,000,000 and composed of 50.000.000.000 shares with a face value of TL 0.01 each (31 December 2020: capital shares TL 200,000, nominal value: 20.000.000.000 shares).

As at 31 December 2021 and 31 December 2020, the share capital and ownership structure of the Company is as follows:

	31 December 2021		31 December 2020	
	Amount of Share (TL)	**Share Percentage (%)**	**Amount of Share (TL)**	**Share Percentage (%)**
Vakıfbank	293,562	62.61	117,424	58.71
Türkiye Sigorta A.Ş.	78,244	16.69	31,298	15.65
Publicly traded (*)	97,089	20.70	51,278	25.64
Pain-in capital (**)	**468,895**	**100%**	**200,000**	**100%**

(*) The ratio is calculated from the shares of the Company registered at Takasbank.
(**) The Board of Directors of the Company decided to increase its paid-in capital by 100% on 7 October 2021. As of 31 December 2021, 218,895 TL of the increased amount was collected, the remaining part was collected in 2022 and the registration process for the capital increase was completed as of 31 January 2022.

Capital reserves

As of 31 December 2021, capital reserves amounted to TL 513 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2020: TL 244).

As of 31 December 2021, revaluation difference on tangible assets amounting to TL 18,779 (31 December 2020: TL 18,823) is accounted directly in equity. As at 31 December 2021 the marketable securities valuation differences amounts to TL 23,080 (31 December 2020: TL 22,304).

Profit reserves

As of 31 December 2021, profit reserves of the Company consist of first legal reserves amounting to TL 14,333 (31 December 2020: TL 11,317) and extraordinary reserves amounting to TL 50,278 (31 December 2020: TL 42,973).

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

18 - EQUITY (Continued)

Profit distribution

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below:

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. Primary reserves are 5% of statutory net profit until it reaches 20% of the Company's share capital. Secondary reserves are 10% of profit distributed in excess of 5% of share capital. According to the Turkish Commercial Code, as long as legal reserves do not exceed 50% of share capital, they can be used to offset losses but cannot be used in any other way.

According to the Ordinary General Assembly decision of 2020 dated March 31, 2021; Vakıf Finansal Kiralama A.Ş. TL 3,016 corresponding to 5% of the net profit for the period, TL 60,321, will be set aside as the first legal reserve, TL 50,000 will be added to the capital by issuing bonus shares over the remaining net distributable profit for the period, and TL 7,305 will be added to the extraordinary reserve. decided to separate.

19 - OPERATING EXPENSES

For the years ended 31 December 2021, general administrative expenses included in the operating expenses are as follow:

	31 December 2021	31 December 2020
Advertising expenses	3,551	206
General administration expenses	3,176	2,923
Depreciation and amortization expenses	2,801	2,054
Consultancy expenses	1,116	900
Court expenses	1,022	1,385
Notary expenses	683	596
Transportation expenses	542	304
Add-back	524	163
Taxes, duties and charges expenses	223	206
Marketing expenses	154	144
Printing, stationery and office expenses	143	92
Registration expenses	42	45
Other operating expenses	1,120	543
Total general administrative expenses	**15,097**	**9,561**

For the years ended 31 December 2021, personnel expenses included in the operating expenses are as follows:

	31 December 2021	31 December 2020
Salaries	17,214	14,619
Social security premiums and other contributions	2,463	1,987
Personnel insurance expenses	1,206	1,348
Other personnel expenses	1,100	903
Total personnel expenses	**21,983**	**18,857**

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

20 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2021, personnel expenses included in the operating expenses are as follows:

	31 December 2021	31 December 2020
Foreign exchange gains	56,503	25,179
Default interest income	10,802	4,319
Interest income from bank deposits	10,428	5,203
Provisions reversed during the year	7,723	4,248
Interest income from non-performing loans	6,031	6,970
Income from sales of fixed assets and assets held for sale	3,423	857
Gains on derivative financial transactions	1,437	1,415
Dividend income	250	-
Rent income	21	18
Other income	4,997	3,863
Total other operating income	**101,615**	**52,072**

Other operating expenses:

	31 December 2021	31 December 2020
Loss on derivative financial transactions	21,772	4,930
Other expense	498	235
Total other operating expenses	**22,270**	**5,165**

21 - EARNINGS PER SHARE

	31 December 2021	31 December 2020
At the beginning of the year Total number of outstanding shares	25,000,000,000	25,000,000,000
At the beginning of the year Total number of outstanding shares	**46,894,556,000**	**25,000,000,000(*)**

	31 December 2021	31 December 2020
Net income for the period	**60,321**	**31,578**
Number of outstanding shares with a nominal value of TL 0.01	25,184,102,600(**)	25,000,000,000
Earnings per share (TL)	**0.509**	**0.241**

(*) The company has increased its capital amounting to TL 50,000 from internal resources, and the number of shares in previous years has been adjusted in line with the current period.

(**) Company realized the cash capital increase between 23 December 2021 and 31 December 2021, the weighted average number of shares is calculated based on these dates.

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

22- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As of 31 December 2021, details of related party balances are as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Türkiye Vakıflar Bankası T.A.O.	207,431	538,956	120,506	1,352
Bank Deposits	**207,431**	**538,956**	**120,506**	**1,352**
Vakıf Faktoring A.Ş.	22,288	-	21,445	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	2,646	-	2,680	-
Vakıf Yatırım Menkul Değerler A.Ş.	1,500	-	1,493	-
Financial assets for which fair value difference is recognised through other comprehensive income	**26,434**	**-**	**25,618**	**-**
Türkiye Vakıflar Bankası T.A.O.	720,048	481,386	253,744	59,262
Vakıfbank International AG	-	4,953	-	26,436
Borrowings	**720,048**	**486,339**	**253,744**	**85,698**
Türkiye Sigorta A.Ş.	10,181	-	4,770	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	32	-	27	-
Payables to related parties	**10,213**	**-**	**4,797**	**-**

	31 December 2021	**31 December 2020**
Türkiye Vakıflar Bankası T.A.O.	8,710	4,538
Interest income from related parties	**8,710**	**4,538**
Türkiye Vakıflar Bankası T.A.O. - interest expense	66,620	23,737
Vakıfbank International AG- interest expense	514	1,376
Finance expenses of related parties	**67,134**	**25,113**
Türkiye Sigorta A.Ş.	3,783	41
Vakıf Faktoring A.Ş.	30	26
Other incomes of related parties	**3,813**	**67**
Türkiye Vakıflar Bankası T.A.O.	7,415	2,911
Türkiye Sigorta A.Ş.	886	1,024
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	385	307 Vakıf Yatırım
Türkiye Hayat ve Emeklilik A.Ş.	16	9
Vakıf Faktoring A.Ş.	10	6
Other expenses of related parties	**8,792**	**4,401**
Vakıf Yatırım Menkul Değerler A.Ş.	250	-
Devidend incomes from related parties	**250**	**-**

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

22- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Executive management compensations

As at 31 December 2021, Company's executive management compensations are as follows:

	31 December 2021	31 December 2020
Compensation to the executive management	2,672	2,500
Total	**2,672**	**2,500**

The executive management of the Company consists of general manager, assistant general managers, members of the board of directors and the members of the audit committee.

23 - CONTINGENT ASSETS AND LIABILITIES

Collaterals received

As of 31 December 2021, the collaterals obtained by the Company against finance lease receivables are as follows:

	31 December 2021		31 December 2020	
	TL	FC	TL	FC
Received guarantees	8,719,610	60,928,050	5,616,857	38,062,933
Mortgages	976,212	3,799,781	412,108	1,851,462
Assignment of claims	837,778	1,829,615	239,036	741,332
Company share pledge	1,074,588	55,154	301,700	31,197
Cash blockage	860	5,915	467	2,216
Letters of guarantee	4,001	10	5,034	-
Others	143,982	589,416	108,775	254,544
Total	**11,757,031**	**67,207,941**	**6,683,957**	**40,943,684**

Commitments

As of 31 December 2021, the Company has irrevocable commitments amounted to TL 663,983 (31 December 2020 TL 302,426) arising from letter of credits used for the tangible asset purchases subject to finance leases. The distribution of the commitments according to currency types is as follows:

	31 December 2021	31 December 2020
EUR	400,899	192,305
TL	211,496	86,402
USD	51,588	23,719
GBP	-	-
Total	**663,983**	**302,426**

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

23 - CONTINGENT ASSETS AND LIABILITIES

Collaterals received (Continued)

Revocable Commitments

As of 31 December 2021, Company's financial lease commitments amounts to TL 1,423,044 (31 December 2020: TL 627,975).

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Financial lease commitment	334,663	1,088,381	125,397	502,578
Total	**334,663**	**1,088,381**	**125,397**	**502,578**

Derivative financial instruments

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Swap purchases	55,195	-	-	-
Swap sales	-	73,412	-	-
Total	**55,195**	**73,412**	**-**	**-**

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through various mechanism established within the Company.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Company aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and by obtaining sufficient collateral against the loans provided. Besides, the Company analyse the financial position and the credibility of the customers and aims to support this analysis with intelligence reports obtained from the third parties. In addition, the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis to minimize the credit risk. Credit risk is aimed to be controlled by the limits set by the Board of Directors.

Finance lease receivables cover many kinds of customers in different sectors. For the current balances of the customers, credit evaluations are done periodically.

Balance sheet items of the Company, which are subject to credit risk, are as follows:

- Finance lease receivables
- Financial assets at fair value through profit or loss
- Banks
- Other receivables

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

As at 31 December 2021, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables					
31 December 2021	**Finance Lease Receivables**	**Other Receivables**	**Banks Deposits**	**Financial Investments**	**Other**	**Total**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**4,812,958**	**19,198**	**779,199**	**-**	**-**	**5,611,355**
- The portion of maximum risk covered by guarantees	1,964,123	-	-	-	-	1,964,123
A. Net carrying value of financial assets which are neither impaired nor overdue	4,484,217	19,198	779,199	-	-	5,282,614
- The portion covered by guarantees	1,926,688	-	-	-	-	1,926,688
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	285,334	-	-	-	-	285,334
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	43,407	-	-	-	-	43,407
- Overdue (gross)	211,780	-	-	-	-	211,780
- Impairment (-)	(168,373)	-	-	-	-	(168,373)
- Net book value covered by guarantees	37,435	-	-	-	-	37,435
- Not past due (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

As at 31 December 2021 and 31 December 2020, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables					
31 December 2020	**Finance Lease Receivables**	**Other Receivables**	**Banks Deposits**	**Financial Investments**	**Other**	**Total**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**3,121,681**	**14,225**	**118,715**	**-**	**-**	**3,254,621**
- The portion of maximum risk covered by guarantees	907,202	-	-	-	-	907,202
A. Net carrying value of financial assets which are neither impaired nor overdue	2,851,082	14,225	118,715	-	-	2,984,022
- The portion covered by guarantees	875,451	-	-	-	-	875,451
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	204,438	-	-	-	-	204,438
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	66,161	-	-	-	-	66,161
- Overdue (gross)	215,491	-	-	-	-	215,491
- Impairment (-)	(149,330)	-	-	-	-	(149,330)
- Net book value covered by guarantees	31,751	-	-	-	-	31,751
- Not past due (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2021, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2021		31 December 2020	
	Amount	**(%)**	**Amount**	**(%)**
Manufacturing	2,357,136	49.42	1,443,882	47.25
Construction	1,038,426	21.77	731,786	23.95
Wholesale, retail and trading	685,307	14.37	308,574	10.10
Real estate	188,787	3,96	139,698	4.57
Education	101,327	2.12	66,330	2.17
Mining	97,238	2.04	110,861	3.63
Health and social services	93,709	1.96	69,852	2.29
Transportation, warehousing and communication	69,288	1.45	12,287	0.40
Hotels and restaurants	63,598	1.33	119,077	3.90
Agriculture	54,980	1.15	41,721	1.37
Other social and individual services	9,780	0.21	7,372	0.24
Financial intermediary services	6,297	0.13	2,116	0.07
Others	3,678	0.09	1,964	0.06
Total	**4,769,551**	**100**	**3,055,520**	**100**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

Main responsibility for the liquidity risk management belongs to Board of Directors. Board of Directors has created a suitable liquidity risk management for the short-, medium- and long-term funding and liquidity needs. The Company manages the liquidity risk by following forecasted and actual cash flows, matching the terms of financial assets and liabilities and securing necessary funds.

The following table provides undiscounted cash flows with respect to the contractual (or expected) maturities of the Company's financial liabilities

31 December 2021	Carrying Amount	Total Contractual/ expected maturity cash in/out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	5,133,454	5,375,976	2,376,110	718,931	1,289,521	991,414	-
Other liabilities	346,228	346,228	346,228	-	-	-	-
Total	**5,479,682**	**5,722,204**	**2,722,338**	**718,931**	**1,289,521**	**991,414**	**-**

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2020	Carrying Amount	Total Contractual/ expected maturity cash in/out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	3,091,749	3,208,641	1,211,522	890,309	676,526	430,284	-
Securities issued	51,615	51,615	51,615	-	-	-	-
Other liabilities	160,236	160,236	160,236	-	-	-	-
Total	**3,303,600**	**3,420,492**	**1,423,373**	**890,309**	**676,526**	**430,284**	**-**

Market risk

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

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies, such as lease operations and borrowings. Foreign exchange gains and losses resulting from foreign currency transactions were recorded in the period transactions occurred. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates prevailing at balance sheet date with the resulting exchange differences recognized in the statement of income as foreign exchange gain or loss.

As of 31 December 2021, the Company's foreign currency assets and liabilities with their TL equivalents are as follows:

31 December 2021	US Dollar	Euro	GBP	CHF	Total
Cash and Cash Equivalents	91,472	449,279	1	-	540,752
Financial Assets at Fair Value through Profit or Loss (1)	693,390	2,947,449	-	-	3,640,839
Other Assets	83,941	421,320	122	13	505,396
Total assets	**868,803**	**3,818,048**	**123**	**13**	**4,686,987**
Borrowing	724,641	3,451,208	-	-	4,175,849
Provisions	-	35,170	-	-	35,170
Other liabilities	33,392	237,604	53	5	271,054
Total liabilities	**758,033**	**3,723,982**	**53**	**5**	**4,482,073**
Net financial statement position	**110,770**	**94,066**	**70**	**8**	**204,914**
Net off-balance sheet items position	**-**	**(73,412)**	**-**	**-**	**(73,412)**
Net foreign currency position	**110,770**	**20,654**	**70**	**8**	**131,502**

(1) Foreign currency non-performing receivables in financial statements are not included.

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

31 December 2020	**US Dollar**	**Euro**	**GBP**	**CHF**	**Total**
Banks	5,631	49,569	12	41	55,253
Finance lease receivables, net [1]	347,013	2,020,887	-	-	2,367,900
Other Assets	34,619	313,558	43	91	348,311
Total assets	**387,263**	**2,384,014**	**55**	**132**	**2,771,464**
Borrowing	369,085	2,264,942	-	-	2,634,027
Provisions	313	20,730	-	-	21,043
Other liabilities	26,253	87,283	50	1,062	114,648
Total liabilities	**395,651**	**2,372,955**	**50**	**1,062**	**2,769,718**
Net financial statement position	**(8,388)**	**11,059**	**5**	**(930)**	**1,746**
Net off-balance sheet items position	**-**	**-**	**-**	**-**	**-**
Net foreign currency position	**(8,388)**	**11,059**	**5**	**(930)**	**1,746**

(1) Foreign currency non-performing receivables in financial statements are not included.

Foreign currency sensitivity analysis

The effects of 10 percent change of the TL against the following currencies on the statement of income and equity for the years ended 31 December 2021 and 31 December 2020 are shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit / (Loss)		**Equity (*)**	
31 December 2021	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change of the US Dollar against TL				
1-Net USD asset/liability	11,077	(11,077)	11,077	(11,077)
2-Hedged portion of TL against USD **(-)**	-	-	-	-
3-Net effect of US Dollar (1+2)	**11,077**	**(11,077)**	**11,077**	**(11,077)**
10% change of the Euro against TL				
4-Net Euro asset/liability	2,065	(2,065)	2,065	(2,065)
5-Hedged portion of TL against Euro **(-)**	-	-	-	-
6-Net effect of Euro (4+5)	**2,065**	**(2,065)**	**2,065**	**(2,065)**
10% change of the CHF against TL				
7-Net CHF asset/liability	1	(1)	1	(1)
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	**1**	**(1)**	**1**	**(1)**
10% change of the GBP against TL				
10-Net GBP asset/liability	7	(7)	7	(7)
11-Hedged portion of TL against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	**7**	**(7)**	**7**	**(7)**
TOTAL (3+6+9+12)	**13,150**	**(13,150)**	**13,150**	**(13,150)**

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Profit / (Loss)		Equity (*)	
31 December 2020	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change of the US Dollar against TL				
1-Net USD asset/liability	(839)	839	(839)	839
2-Hedged portion of TL against USD **(-)**	-	-	-	-
3-Net effect of US Dollar (1+2)	**(839)**	**839**	**(839)**	**839**
10% change of the Euro against TL				
4-Net Euro asset/liability	1,106	(1,106)	1,106	(1,106)
5-Hedged portion of TL against Euro **(-)**	-	-	-	-
6-Net effect of Euro (4+5)	**1,106**	**(1,106)**	**1,106**	**(1,106)**
10% change of the CHF against TL				
7-Net CHF asset/liability	(93)	93	(93)	93
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	**(93)**	**93**	**(93)**	**93**
10% change of the GBP against TL				
10-Net GBP asset/liability	1	(1)	1	(1)
11-Hedged portion of TL against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	**1**	**(1)**	**1**	**(1)**
TOTAL (3+6+9+12)	**175**	**(175)**	**175**	**(175)**

(*) Equity effect includes profit/(loss) effect.

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed to the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The Company is exposed to interest rate risk through its fixed and variable rate borrowings. The risk is managed by appropriate distribution between fixed and variable rate borrowings.

As of 31 December 2021, and 2020, the interest sensitive financial instruments of the Company are as follows:

	31 December 2021	**31 December 2020**
Financial assets and liabilities with fixed interest rate		
Time deposits	761,506	114,040
Finance lease receivables, net	4,769,551	3,055,520
Borrowing	3,178,980	2,034,491
Securities issued	-	51,615
Financial assets and liabilities with floating rate		
Borrowing	1,954,474	1,057,256

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate sensitivity

Interest rate sensitivity of profit or loss is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss held as at 31 December 2021 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

	Profit or Loss		**Equity (*)**	
31 December 2021	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Floating rate financial liabilities	(195)	195	(195)	195
Total, net	**(195)**	**195**	**(195)**	**195**

	Profit or Loss		**Equity (*)**	
31 December 2020	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Floating rate financial liabilities	(106)	106	(106)	106
Total, net	**(106)**	**106**	**(106)**	**106**

(*) Equity effect includes profit/(loss) effect.

Capital management

The Company's policy is to maintain a strong capital base and to maintain a balance between the debt and equity in an effective way so as to increase its profit.

Along with no change in the strategy of the Company in 2021, the ratio of the equities to the debts is 13% (31 December 2020: 11%). As of 31 December 2021 and 31 December 2020, the debt to equity ratio is as follows:

	31 December 2021	**31 December 2020**
Borrowing	5,133,454	3,091,749
Securities issued	-	51,615
Other liabilities	346,228	160,236
Total Liabilities	**5,479,682**	**3,303,600**
Total Equity	**702,444**	**355,161**
Equity/Debt ratio	13%	11%

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

25 - FINANCIAL INSTRUMENTS

Fair values of financial instruments

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, certain judgments made to estimate the fair value can cause an adjustment to the fair value at current market conditions.

Fair values of the financial lease receivables and funds borrowed have been determined by discounting the relevant cash flows by market interest rates prevailing as at balance sheet date. The carrying amounts of the bank balances and miscellaneous payables and other liabilities are assumed that they approximate their fair value due to their short-term nature

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Finance lease receivables, net	4,769,551	4,361,756	3,055,520	2,929,220
Banks	779,199	779,199	118,715	118,715
Financial liabilities				
Borrowings	5,133,454	5,169,549	3,091,749	3,174,548
Securities issued	-	-	51,615	51,615
Other liabilities	346,228	346,228	160,236	160,236

Classification of Fair Value Measurement

IFRS 7 - Financial Instruments: Disclosure requires the disclosure of the classification of fair value measurements according to a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

25 - FINANCIAL INSTRUMENTS (Continued)

Classification of Fair Value Measurement (Continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2021 and 31 December 2020:

31 December 2021	1. Level	2. Level	3. Level	Total
Financial assets at fair value through				
Other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	26,434	26,434
Financial assets at fair value through				
profit or loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			**26,434**	**26,434**

(*) Financial assets at fair value through other comprehensive income presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.

31 December 2020	1. Level	2. Level	3. Level	Total
Financial assets at fair value through				
Other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	25,618	25,618
Financial assets at fair value through				
profit or loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			**25,618**	**25,618**

(*) Financial assets at fair value through other comprehensive income presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.

	31 December 2021	31 December 2020
Balance at the beginning of the period	25,618	13,277
Total gains for the period recognized under equity	816	12,341
Balance at the end of the period	**26,434**	**25,618**

26 – OTHER EXPLANATIONS

Information about fees regarding the services received by the Company from the Independent Auditor:

	Current Period	Prior Period
Independent audit fee for the reporting period	148	130
Total	**148**	**130**

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

27 - SUBSEQUENT EVENTS

The collection of the remaining portion of the Company's capital increase collections was completed in 2022, and the registration process regarding the capital increase was completed as of 31 January 2022.

	31 January 2022		31 December 2021	
Shareholder	**Share Amount (TL)**	**Share Percentage (%)**	**Share Amount (TL)**	**Share Percentage (%)**
Vakıfbank	293,562	58.71	293,562	62.61
Türkiye Sigorta Anonim Şirketi	78,244	15.65	78,244	16.69
Public Shares	128,194	25.64	97,089	20.70
Paid-in capital	**500,000**	**100**	**468,895**	**100**