

VAKIF FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR’S REPORT AT 31 DECEMBER 2022

*(Convenience translation at publicly announced financial statements,
related disclosures and audit report originally issued in Turkish)*

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

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Vakıf Finansal Kiralama Anonim Şirketi,

A) Report on the 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 at 31 December 2022 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vakıf Finansal Kiralama A.Ş. as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring, Finance and Saving Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority (“BRSA”) together referred as “BRSA Accounting and Financial Reporting Legislation” which includes provisions of Turkish Financial Reporting Standards (“TFRS”) for the matters which are not regulated by the aforementioned regulations.

2) Basis for Opinion

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

3) 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. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key Audit Matter	How the key audit matter addressed in the audit
<i>Impairment of finance lease receivables</i>	
The determination of impairment of financial leasing receivables and accounting of losses related to receivables is an important jurisdiction for management due to the importance and timing of balances and the complexity and subjectivity in 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 the inability to determine the financial leasing receivables which are impaired and not to allocate reasonable impairment provision for the related receivables. Provisions for financial lease receivables are disclosed in Note 6.	In addition to our current audit procedures, our audit procedures include the assessment and testing of the operational effectiveness of key controls in place to determine the allocation, accounting, monitoring, derecognition of financial leasing receivables and impaired finance lease receivables and their provisions. In addition, in accordance with our risk assessment, whether the financial leasing receivables selected through sampling is subject to impairment according to the BRSA Accounting and Financial Reporting Legislation, and the adequacy of the provision for related receivables in case of impairment is evaluated.

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

Management is responsible for the preparation and fair presentation of these 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 is responsible for overseeing the Company’s financial reporting process.

5) Auditors' Responsibilities for the Audit of the Financial Statements

In an independent audit, as auditors our responsibilities are:

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January 2022 - 31 December 2022 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.
- 3) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of TCC is submitted to the Board of Directors of the Company on February 10, 2023.

The partner in charge of the audit resulting in this independent auditor's report 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

10 February 2023
Istanbul, Turkey

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET).....	1-2
OFF-BALANCE SHEET ITEMS.....	3
STATEMENT OF PROFIT OR LOSS.....	4
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	5
STATEMENT OF CHANGES IN EQUITY	6-7
STATEMENT OF CASH FLOW	8
STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD	9
NOTES TO THE FINANCIAL STATEMENTS	10-58
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY	10
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	11-30
NOTE 3 SEGMENT REPORTING	30
NOTE 4 CASH AND CASH EQUIVALENTS	30
NOTE 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME.....	31
NOTE 6 LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES	31-33
NOTE 7 TANGIBLE ASSETS.....	34
NOTE 8 INTANGIBLE ASSETS.....	35
NOTE 9 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	35
NOTE 10 TAX ASSETS AND LIABILITIES	36-38
NOTE 11 OTHER ASSETS	38
NOTE 12 BORROWINGS	38-39
NOTE 13 LEASE LIABILITIES.....	40
NOTE 14 SECURITIES ISSUED.....	40
NOTE 15 DERIVATIVE FINANCIAL ASSETS	40
NOTE 16 PROVISIONS.....	40-41
NOTE 17 OTHER LIABILITIES	41
NOTE 18 EQUITY	41-42
NOTE 19 OPERATING EXPENSES.....	43
NOTE 20 OTHER OPERATING INCOME/EXPENSE	44
NOTE 21 EARNINGS PER SHARE.....	44
NOTE 22 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	45-46
NOTE 23 CONTINGENT ASSETS AND LIABILITIES	46-47
NOTE 24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	47-55
NOTE 25 FINANCIAL INSTRUMENTS	56-57
NOTE 26 OTHER EXPLANATIONS.....	57
NOTE 27 SUBSEQUENT EVENTS	58

VAKIF FİNANSAL KİRALAMA A.Ş.

**DECEMBER 31, 2022 AS AT
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

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

ASSETS		Note	Current Period 31 December 2022			Prior Period 31 December 2021		
			TL	FC	Total	TL	FC	Total
I.	CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	4	1,585,535	1,156,604	2,742,139	238,447	540,752	779,199
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	46,781	-	46,781	26,434	-	26,434
V.	FINANCIAL ASSETS AT AMORTISED COST (Net)	6	4,113,233	4,182,610	8,295,843	1,138,999	3,673,959	4,812,958
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	4,096,795	4,106,488	8,203,283	1,128,712	3,640,839	4,769,551
5.4.1	Finance Lease Receivables		6,106,482	4,694,976	10,801,458	1,508,558	4,202,749	5,711,307
5.4.2	Operational Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		(2,009,687)	(588,488)	(2,598,175)	(379,846)	(561,910)	(941,756)
5.5	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6	Non-Performing Loans	6	46,157	174,537	220,694	49,697	162,083	211,780
5.7	Expected Credit Loss (-) / Specific Provisions (-)	6	(29,719)	(98,415)	(128,134)	(39,410)	(128,963)	(168,373)
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 (Joint Ventures) (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	7	91,749	-	91,749	28,990	-	-
VIII.	INTANGIBLE ASSETS AND GOODWILL (Net)	8	1,063	-	1,063	684	-	684
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS	10	56,228	-	56,228	8,862	-	8,862
XI.	DEFERRED TAX ASSET	10	-	-	-	-	-	-
XII.	OTHER ASSETS	11	802,752	1,054,816	1,857,568	134,401	505,396	639,797
	SUBTOTAL		6,697,341	6,394,030	13,091,371	1,567,817	4,720,107	6,296,924
XIII.	ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	9	128,480	-	128,480	-	-	-
13.1	Held for Sale		128,480	-	128,480	-	-	-
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS			6,825,821	6,394,030	13,219,851	1,576,817	4,720,107	6,296,924

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 AS AT
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

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

LIABILITIES		Note	Current Period 31 December 2022			Prior Period 31 December 2021		
			TL	FC	Total	TL	FC	Total
I.	LOANS RECEIVED	12	6,612,885	4,237,718	10,850,603	957,605	4,175,849	5,133,454
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASE PAYABLES	13	180	-	180	171	-	171
V.	MARKETABLE SECURITIES (Net)	14	-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	15	-	-	-	21,516	-	21,516
VIII.	PROVISIONS	16	25,185	107	25,292	12,832	35,170	48,002
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		15,927	-	15,927	7,720	-	7,720
8.3	General Loan Loss Provisions	6,16	9,258	107	9,365	5,112	35,170	40,282
8.4	Other provisions		-	-	-	-	-	-
IX.	CURRENT TAX LIABILITIES	10	30,331	-	30,331	33,367	-	33,367
X.	DEFERRED TAX LIABILITY	10	95,933	-	95,933	11,742	-	11,742
XI.	SUBORDINATED DEBT		-	-	-	-	-	-
XII.	OTHER LIABILITIES	17	328,413	564,160	892,573	75,174	271,054	346,228
	SUBTOTAL		7,092,927	4,801,985	11,894,912	1,112,407	4,482,073	5,594,480
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	1,324,939	-	1,324,939	702,444	-	702,444
14.1	Issued capital		600,000	-	600,000	468,895	-	468,895
14.2	Capital Reserves		1,662	-	1,662	513	-	513
14.2.1	Equity Share Premiums		1,366	-	1,366	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		296	-	296	513	-	513
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit or Loss		112,029	-	112,029	40,354	-	40,354
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		92,682	-	92,682	64,611	-	64,611
14.5.1	Legal Reserves		20,737	-	20,737	14,333	-	14,333
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		71,945	-	71,945	50,278	-	50,278
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		518,566	-	518,566	128,071	-	128,071
14.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
14.6.2	Current Period Net Profit or Loss		518,566	-	518,566	128,071	-	128,071
TOTAL LIABILITIES			8,420,146	4,801,985	13,219,851	1,814,851	4,482,073	6,296,924

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 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 2022				Prior Period 31 December 2021		
		Note	TL	FC	Total	TL	FC	Total
I.	IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II.	REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III.	COLLATERALS RECEIVED	23	42,472,094	88,963,889	131,435,983	11,757,031	67,207,941	78,964,972
IV.	COLLATERALS GIVEN		-	-	-	-	-	-
V.	COMMITMENTS	23	1,969,956	1,856,110	3,826,066	546,159	1,540,868	2,087,027
5.1	Irrevocable Commitments		731,183	595,389	1,326,572	211,496	452,487	663,983
5.2	Revocable Commitments		1,238,773	1,260,721	2,499,494	334,663	1,088,381	1,423,044
5.2.1	Lease Commitments		1,238,773	1,260,721	2,499,494	334,663	1,088,381	1,423,044
5.2.1.1	Finance Lease Commitments		1,238,773	1,260,721	2,499,494	334,663	1,088,381	1,423,044
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		15,720,236	26,245,263	41,965,499	4,703,562	17,305,946	22,009,508
TOTAL OFF-BALANCE SHEET ITEMS			60,162,286	117,065,262	177,227,548	17,061,947	86,128,167	103,190,114

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

VAKIF FİNANSAL KİRALAMA A.Ş.

**DECEMBER 31, 2022 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 2022	Prior Period 1 January - 31 December 2021
I.	OPERATING INCOME		1,107,484	368,946
	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		1,107,484	368,946
1.5	Finance Lease Income		1,082,375	360,924
1.6	Operational Lease Income		-	-
1.7	Fee and Commission Income From Lease Operations		25,109	8,022
	SAVING FINANCE INCOME		-	-
1.8	Dividends Received from Savings Financing Receivables		-	-
1.9	Fees and Commissions Received from Savings Financing Activities		-	-
II.	FINANCE COST (-)		(800,022)	(201,984)
2.1	Dividends Given from the Savings Fund Pool		-	-
2.2	Interest Expenses on Funds Borrowed		(751,775)	(183,147)
2.3	Interest Expenses on Factoring Payables		-	-
2.4	Lease Interest Expenses		(46)	(23)
2.5	Interest Expenses on Securities Issued		-	(5,952)
2.6	Other Interest Expense		-	-
2.7	Fees and Commissions Paid		(48,201)	(12,862)
III.	GROSS PROFIT (LOSS) (I+II)		307,462	166,962
IV.	OPERATING EXPENSES (-)	19	(80,169)	(37,862)
4.1	Personnel Expenses		(47,792)	(21,983)
4.2	Provision Expense for Employment Termination Benefits		(1,406)	(782)
4.3	Research and development expense		-	-
4.4	General Operating Expenses		(30,971)	(15,097)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT (LOSS) (III+IV)		227,293	129,100
VI.	OTHER OPERATING INCOME	20	578,587	101,615
6.1	Interest Income on Banks		130,416	10,428
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		250	250
6.4	Gains Arising from Capital Markets Transactions		-	-
6.5	Derivative Financial Transactions' Gains		1,360	1,437
6.6	Foreign Exchange Gains		347,466	56,503
6.7	Other		99,095	32,997
VII.	PROVISION EXPENSES	6	(30,450)	(43,356)
7.1	Specific Provisions		(26,197)	(26,462)
7.2	Allowances For Expected Credit Losses		-	-
7.3	General Loan Loss Provisions		(4,253)	(16,894)
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	20	(83,620)	(22,270)
8.1	Impairment in Value of Securities		(12,497)	-
8.2	Impairment in Value of Non-Current Assets		-	-
8.3	Capital Market Transactions Losses		-	-
8.4	Loss Arising from Derivative Financial Transaction		(70,973)	(21,772)
8.5	Foreign Exchange Losses		-	-
8.6	Other		(150)	(498)
IX.	NET OPERATING PROFIT (LOSS) (V+...+VIII)		691,810	165,089
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)		691,810	165,089
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	10	(173,244)	(37,018)
14.1	Current Tax Provision		(97,436)	(33,433)
14.2	Expense Effect of Deferred Tax		(75,808)	(3,585)
14.3	Income Effect of Deferred Tax		-	-
XV.	NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS (XIII+XIV)		518,566	128,071
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)		518,566	128,071
	Earnings (Loss) Per Share		0.864	0.509

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 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		Current Period 1 January - 31 December 2022	Prior Period 1 January - 31 December 2021
	Note		
I. CURRENT PERIOD PROFIT/LOSS		518,566	128,071
II. OTHER COMPREHENSIVE INCOME		71,675	48
2.1 Items that may not be Reclassified subsequently to Profit or Loss		71,675	48
2.1.1 Tangible Assets Revaluation Increases/Decreases		66,003	-
2.1.2 Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	16	(4,014)	(910)
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss		18,067	816
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		(8,381)	142
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		-	-
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)		590,241	128,119

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 FOR THE YEAR OF
STATEMENT OF CHANGES IN EQUITY**

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

STATEMENT OF CHANGES IN EQUITY	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserves	Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement						Profit Reserves	Prior Period's Profit/(Loss)	Net Period Profit /(Loss)	Total Equity
					1	2	3	4	5	6				
I. Current Period														
II. Prior Year Period End Balance	468,895	-	-	513	18,779	(1,505)	23,080	-	-	-	64,611	128,071	-	702,444
III. Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. New Balance (I+II)	468,895	-	-	513	18,779	(1,505)	23,080	-	-	-	64,611	128,071	-	702,444
V. Total Comprehensive Income	-	-	-	-	57,752	(3,015)	16,938	-	-	-	-	-	518,566	590,241
VI. Increase in Paid-in Capital	31,105	-	-	-	-	-	-	-	-	-	-	-	-	31,105
VII. Capital Increase From Internal Resources	100,000	-	-	-	-	-	-	-	-	-	-	(100,000)	-	-
VIII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Other Changes	-	-	-	1,149	-	-	-	-	-	-	-	-	-	1,149
XII. Profit Distribution	-	-	-	-	-	-	-	-	-	-	28,071	(28,071)	-	-
11.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	28,071	(28,071)	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+XI+XII)	600,000	-	-	1,662	76,531	(4,520)	40,018	-	-	-	92,682	-	518,566	1,324,939

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 assets 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. With the decision of the Board of Directors of the Company on March 31, 2022, a portion of 100.000 TL of the net profit, which corresponds to 82% of the net profit for the 2021 period, was distributed as bonus shares.

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 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 to be reclassified under profit or loss statement						Accumulated other comprehensive income or losses to be reclassified under profit or loss statement				Net Period Profit / (Loss)		Total Equity	
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
I.	Prior Period														
II.	Prior Year Period End Balance	200,000	-	-	244	18,779	(777)	22,304	-	-	-	54,290	60,321	-	355,161
	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 assets 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).														

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 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 2022	Prior Period 1 January - 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		220,281	(19,120)
1.1.1 Interests Received/ Leasing Income		965,884	336,340
1.1.2 Interest Paid/Leasing Expense		(657,156)	(180,010)
1.1.3 Dividend Received	19	250	250
1.1.4 Fees and Commissions Received		25,126	8,482
1.1.5 Other Revenue Gained		100,455	90,937
1.1.6 Collections from Priorly Written-off Doubtful Receivables	6	9,575	7,419
1.1.7 Payments to Personnel and Service Suppliers		(52,140)	(23,118)
1.1.8 Taxes Paid		(102,137)	(9,878)
1.1.9 Other		(69,756)	(249,542)
1.2 Changes in Operating Assets and Liabilities		1,491,318	305,299
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		(3,231,258)	(1,699,621)
1.2.2 Net (Increase)/Decrease in Other Assets		(1,395,393)	(228,508)
1.2.3 Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3 Net Increase/(Decrease) in Lease Payables		363	424
1.2.4 Net Increase/(Decrease) in Funds Borrowed		5,574,283	2,019,731
1.2.5 Net Increase/(Decrease) in Liabilities Due		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		543,233	213,273
I. Net Cash Provided from Operating Activities		1,711,599	286,179
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	(67,226)	(8,314)
2.4 Disposals of Property and Equipment		1,358	2,279
2.5 Purchase of financial assets at fair value through other comprehensive income		(20,347)	-
2.6 Sale of financial assets at fair value through other comprehensive income		-	-
2.7 Purchase of financial assets at amortized cost		-	-
2.8 Sale of financial assets at amortized cost		-	-
2.9 Other		-	-
II. Net Cash (Used in)/Provided from Investing Activities		(86,215)	(6,035)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	(51,615)
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(356)	(318)
3.6 Other	18	31,105	218,815
III. Net Cash Provided from Financing Activities		30,751	166,882
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		305,029	213,369
V. Net Increase/(Decrease) in Cash and Cash Equivalents		1,691,164	660,395
VI. Cash and Cash Equivalents at Beginning of the Period	2.3	779,082	118,687
VII. Cash and Cash Equivalents at End of the Period	2.3	2,740,246	779,082

The accompanying notes set out on pages 10 to 58 from an integral part of these financial statements.

**DECEMBER 31, 2022 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 2022(*)	Audited Prior period 31 December 2021
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1	CURRENT PERIOD PROFIT	691,810	165,089
1.2	TAXES AND DUES PAYABLE (-)	(173,244)	(37,018)
1.2.1	Corporate Tax (Income Tax)	(97,436)	(33,433)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues	(75,808)	(3,585)
A.	NET PERIOD PROFIT (1.1 - 1.2)	518,566	128,071
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	(6,403)
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B.	DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)	518,566	121,668
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
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	-	(21.668)
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 58 from an integral part of these financial statements.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE 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 37.95% 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 2022, the Company has 76 employees. (31 December 2021: 76).

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 2022, and 2021, the share capital and ownership structure of the Company are as follows:

Shareholder	31 December 2021		31 December 2020	
	Share Amount (TL)	Share Percentage (%)	Share Amount (TL)	Share Percentage (%)
Vakıfbank	372,274	62.05	293,562	62.61
Türkiye Sigorta Anonim Şirketi (**)	-	-	78,244	16.69
Public Shares (*)	227,726	32.95	97,089	20.70
Paid-in capital (***)	600,000	100	468,895	100

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

(**) On 4 August 2022, Türkiye Sigorta AŞ. sold 20,000,000 lots to Türkiye Vakıflar Bankası T.A.O. at a price of TL 2.45 regarding the shares of Vakıf Finansal Kiralama AŞ (VAKFN) with the special order; and sold 5,500,000 lots to various investors at a price of TL 2.47 with a market order. A total of 25.5 million VAKFN shares were sold at an average price of TL 2.45. As a result of the sale transactions, Türkiye Sigorta AŞ's shares in the capital of Vakıf Finansal Kiralama AŞ decreased to 8.25%, while the shares of T.Vakıflar Bankası TAO increased to 62.05%. Türkiye Sigorta A.Ş. sold its remaining shares on October 21, 2022, 5,000,000 shares at an average price of TL 3.9552 per share and on December 15, 2022, 1,730,936 shares at a price of TL 5.14 per share. As a result of the sale transactions, Türkiye Sigorta AŞ doesn't have any share in the capital of Vakıf Finansal Kiralama AŞ..

(***) 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

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), (“TFRS”) 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 financial statements as of December 31, 2021, the Company 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.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 21, 2022.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis Of Presentation (Continued)

2.1.2 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.

2.1.3 Going concern

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

2.1.4 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”).

2.1.5 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

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 institutions once a year.

2.2 Changes in Accounting Policies

2.2.1 Comparatives and restatement of prior year financial statements

The Company has presented its balance sheet prepared as of December 31, 2022 in comparison with its balance sheet prepared as of December 31, 2021. The Company has presented its profit or loss statement, profit or loss and other comprehensive statement of income, statement of change in equity and statement of cash flows for the accounting period from January 1 to December 31, 2022 in comparison with the accounting period from January 1 to December 31, 2021.

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.

2.2.3 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2022 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, 2022 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, 2022 are as follows:**

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, 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 must be applied prospectively.

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, 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 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.

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

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

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments 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).

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

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

Annual Improvements – 2018–2020 Cycle

In July 2020, 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.

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

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

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

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

TFRS 17 - The new Standard for insurance contracts

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

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

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, 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, 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.

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

In August 2021, 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 recognised 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In September 2022, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8.

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

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 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
US Dolar	18.6983	12.9775
Euro	19.9349	14.6823
GBP	22.4892	17.4530
CHF	20.2019	14.1207

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

“TFRS 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.

(ii) As lessee

In accordance with the ‘TFRS 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 TFRS 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

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.

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 “TFRS 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

(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 76,531 (31 December 2021: TL 18,779) after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

As of 31 December, 2022, 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 2022	31 December 2021
Fair Value	24,055	24,055
Net book value calculated on cost value	62,813	3,190
Before tax revaluation differences	86,868	20,865
Calculated deferred tax liability (-)	(10,337)	(2,086)
Revaluation differences, net	76,531	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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

Property and equipment (Continued)

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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

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 firmied 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022 is full TL 15,371.40 (31 December 2021: full TL 10,596.74). 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 2022, and 2021, the actuarial assumptions are as follows:

	31 December 2022	31 December 2021
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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

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 2022, the Company has no deductible tax losses (31 December 2021: 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

Taxation (Continued)

Deferred taxes (Continued)

In the financial statements dated 31 December 2022, deferred tax assets and liabilities are calculated with 25% rates for the parts of temporary differences that will have tax effects in 2022 and the following periods. (December 31, 2021: 23% for transactions with a maturity of 2022, 20% for transactions after 2022).

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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

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.

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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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)

Statement of cash flows (Continued)

As at 31 December 2022 and 2021, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	31 December 2022	31 December 2021
Cash and cash equivalents in the statement of cash flows	2,742,139	779,199
Interest income accruals on cash and cash equivalents	(1,893)	(117)
Total in the cash flow statement cash and cash equivalents	2,740,246	779,082

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 2022 and 31 December 2021, details of bank balances are as follow

	31 December 2022	31 December 2021
Banks	2,742,139	779,199
Demand deposit	2,727,690	761,506
Time deposit	14,449	17,693
Total	2,742,139	779,199

As at 31 December 2022, time deposits consist of bank placements with maturity less than three months and with interest rates average 1.35% for foreign currency and 15.69% for TL time deposits. (31 December 2021: 17.06% for TL and 0.70% for foreign).

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

5 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	31 December 2022		31 December 2021	
	Carrying value (*)	Share (%)	Carrying value	Share (%)
Not Traded at Stock Market:				
Vakıf Faktoring A.Ş.	38,781	3.79	22,288	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	5,902	3.27	2,646	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	2,098	0.25	1,500	0.25

**Financial assets for which fair value
difference is recognised
through other comprehensive income**

46,781

26,434

(*) 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.

6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

As at 31 December 2022 and 31 December 2021, financial assets at fair value through other comprehensive income are as follow:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Lease receivables	6,077,456	4,576,591	1,458,309	3,967,664
Invoiced lease receivables	29,026	118,385	50,249	235,085
Subtotal	6,106,482	4,694,976	1,508,558	4,202,749
Unearned interest income	(2,009,687)	(588,488)	(379,846)	(561,910)
Finance lease receivables, net of unearned income	4,096,795	4,106,488	1,128,712	3,640,839
Impaired lease receivables	46,157	174,537	49,697	162,083
Specific provision	(29,719)	(98,415)	(39,410)	(128,963)
Impaired lease receivables, net	16,438	76,122	10,287	33,120
Finance lease receivables, net	4,113,233	4,182,610	1,138,999	3,673,959

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

6 – LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

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

31 December 2022	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	4,920,932	2,704,291	1,858,707	851,832	465,696	10,801,458
Unearned interest income	(1,296,832)	(742,536)	(368,075)	(137,149)	(53,583)	(2,598,175)
Net finansal kiralama alacakları	3,624,100	1,961,755	1,490,632	714,683	412,113	8,203,283

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

As of 31 December 2022, the average compounded interest rates for finance lease receivables are 27.09% for TL, 8.45% for USD and 7.00% for EUR (31 December 2021: 18.04% for TL, 8.80% for USD and 6.61% for EUR).

As at 31 December 2022 and 2021, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2022	31 December 2021
Neither past due nor impaired	8,055,872	4,484,217
Past due but not impaired	147,411	285,334
Impaired	220,694	211,780
Allowances for impairment	(128,134)	(168,373)
Finance lease receivables, net	8,295,843	4,812,958

	31 December 2022	31 December 2021
151-240 days	33,793	9,940
241-1 year	40,430	3,632
1 year and over	146,471	198,208
Impaired lease receivables, net	220,694	211,780

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

6 – LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As of 31 December 2022, and 2021, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Impaired lease receivables	46,157	174,537	49,697	162,083
Specific provisions	(29,719)	(98,415)	(39,410)	(128,963)
Impaired lease receivables, net	16,438	76.122	10,287	33,120

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

	31 December 2022	31 December 2021
Specific provisions at the beginning of the year	208,655	172,719
Provision for the year	26,197	26,462
General loan loss provisions for the year (Note 16)	4,253	16,894
Amount deleted from the asset during the period	(92,081)	-
Collections during the year	(9,575)	(7,419)
Specific provisions at the end of the year	137,449	208,655

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

	31 December 2022	31 December 2021
Mortgage	36,359	31,570
Other	561	5,865
Total collateral	36,920	37,435

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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022:

	1 January	Additions	Disposals	31 December
Cost:				
Buildings	24,940	66,003	-	90,943
Motor vehicles	8,523	-	(1,292)	7,231
"Furniture and fixture	2,089	265	(13)	2,341
Other tangible assets	696	59	-	755
Right of use tangible assets (*)	199	74	(53)	220
	36,447	66,401	(1,358)	101,490
Accumulated depreciation:				
Buildings	(4,617)	(632)	-	(5,249)
Motor vehicles	(1,141)	(1,446)	258	(2,329)
Furniture and fixture	(1,003)	(325)	6	(1,322)
Other tangible assets	(659)	(123)	-	(782)
Right of use tangible assets (*)	(37)	(75)	53	(59)
	(7,457)	(2,601)	317	(9,741)
Net defter değeri	28,990	63,800	(1,041)	91,749

(*) The balance consists of includes the lease contracts made within the scope of TFRS16.

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	(773)	(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 TFRS16.

As 31 December 2022 and 31 December 2021, there is no mortgage on the tangible assets of the Company.

As of 31 December 2022, total insurance coverage for tangible assets of the Company is TL 68,851 (31 December 2021: TL 34,301).

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022 is as follows:

	1 January 2022	Additions	Disposals	31 December 2022
Cost:				
Software	4,210	825	-	5,035
	4,210	825	-	5,035
Accumulated amortization:				
Software	(3,526)	(446)	-	(3,972)
	(3,526)	(446)	-	(3,972)
Net book value	684			1,063

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

9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of December 31, 2022, the Company's fixed assets held for sale consist of real estate that the Company has included in its assets as a result of legal proceedings related to non-performing receivables, the details of which are as follows:

	31 Aralık 2022	31 Aralık 2021
Real estate held for sale	128,480	-
Total	128,480	-

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

10 - TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Social Security Premiums	1,622	403
Income tax	564	289
VAT payable	295	129
Stamp tax	15	10
	2,496	831

	31 December 2022	31 December 2021
Tax provision	97,436	33,433
Less: Prepaid taxes	(69,601)	(897)
Current income tax liabilities, net	27,835	32,536

10 - TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Tax expense		
Corporate tax expense for the period	(97,436)	(33,433)
Deferred tax income/(expense) effect	(75,808)	(3,585)
	(173,244)	(37,018)

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

	31 December 2022	31 December 2021
Profit before taxes	691,810	165,089
Theoretical tax expense with 25% tax rate	(172,953)	(41,272)
General loan loss provision not subjected to deferred tax	(1,063)	(4,224)
Other (*)	772	8,478
Current year tax expense	(173,244)	(37,018)

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

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

10 - TAX ASSETS AND LIABILITIES (Continued)

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.

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 2021: 23% for transactions with a maturity of 2022, 20% for transactions after 2022).

December 31, 2022, based on the above-mentioned Constitutional Court Decision, there is no deferred tax asset on the unused investment allowance calculated based on the best estimates (December 31, 2021: TL 36,609).

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 2022	31 December 2021	31 December 2022	31 December 2021
Lease Asset Receivable Impairment	43,784	67,617	10,946	15,552
Unused investment incentives- with stoppage	-	36,609	-	1,171
Derivative financial assets	-	21,516	-	4,949
Provision for employee termination benefit	9,834	4,792	2,458	958
Other short term employee benefits	5,391	2,371	1,348	545
Provision for unused vacations	702	557	176	128
Total lease liabilities	180	171	45	39
Deferred tax assets	59,891	133,633	14,973	23,342
Finance lease income accruals	(381,343)	(134,436)	(95,336)	(30,920)
Tangible and intangible assets revaluation difference	(86,868)	(20,865)	(10,859)	(2,086)
Subsidiary revaluation fund	(42,362)	(24,294)	(2,648)	(1,214)
Others	(8,253)	(3,758)	(2,061)	(864)
Deferred tax liabilities	(518,826)	(183,353)	(110,904)	(35,084)
Deferred tax assets, (net)	(458,935)	(49,720)	(95,931)	(11,742)

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

10 - TAX ASSETS AND LIABILITIES (Continued)

The movement for deferred tax assets is as follows:

	31 December 2022	31 December 2021
1 January	(11,742)	(8,299)
Current year deferred tax income/(expense)	(75,808)	(3,585)
Deferred tax in Equity income/(expense)	(8,381)	142
31 December	(95,931)	(11,742)

11 - OTHER ASSETS

As at 31 December 2022 and 31 December 2021, details of other assets are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Advances given for leasing transactions	57,370	918,004	12,925	359,852
Investments under lease	736,201	113,949	112,884	118,759
Prepaid expenses	2,795	9,756	2,921	13,259
Other receivables regarding leasing transactions	4,899	12,210	4,544	3,680
Checks received	-	-	-	7,601
Other	1,487	897	1,127	2,245
Total other assets	802,752	1,054,816	134,401	505,396

12 - BORROWINGS

As at 31 December 2022, details of the borrowings are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Domestic banks	6,612,885	2,763,261	957,605	3,196,911
Foreign banks	-	1,474,457	-	978,938
Total Borrowings	6,612,885	4,237,718	957,605	4,175,849

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

12 - BORROWINGS(Continued)

	Carrying value					
	Amount in original currencies	Average interest rates (%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2022						
Borrowings from domestic banks:						
Fixed rate borrowings						
TL	972,915	12.30	754,329	215,145	3,441	972,915
EUR (thousand)	47,941	3.53	626,767	29,902	299,024	955,693
USD (thousand)	887	3.52	6,663	6,529	3,386	16,578
Floating rate borrowings:						
TL	5,639,970	16.69	1,175,139	182,125	4,282,706	5,639,970
EUR (thousand)	89,842	3.24	81,083	548,825	1,161,082	1,790,990
Total borrowing from domestic banks			2,643,981	982,526	5,749,639	9,376,146
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	25,982	3.77	-	-	517,958	517,958
Floating rate borrowings:						
EUR (thousand)	33,863	1.91	44,041	156,644	474,379	675,064
USD (thousand)	15,051	3.08	-	-	281,435	281,435
Total borrowings from foreign banks			44,041	156,644	1,273,772	1,474,457
Total borrowings			2,688,022	1,139,170	7,023,411	10,850,603

	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:						
<i>Fixed rate borrowings</i>						
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
<i>Floating rate borrowings:</i>						
EUR (thousand)	66,443	2.92	95,390	297,560	582,586	975,536
Total borrowing from domestic banks			1,822,813	899,243	1,432,460	4,154,516
Borrowings from foreign banks:						
<i>Fixed rate borrowings:</i>						
EUR (thousand)	18,969	1.76	36,899	35,694	205,916	278,509
USD (thousand)	15,020	3.08	-	-	194,918	194,918
<i>Floating rate borrowings</i>						
EUR (thousand)	34,430	3.69	74,154	79,731	351,626	505,511
Total borrowings from foreign banks			111,053	115,425	752,460	978,938
Total borrowings			1,933,866	1,014,668	2,184,920	5,133,454

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

13 - LEASE LIABILITIES

As at 31 December 2022 details of lease liabilities are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Right of use tangibles	180	-	171	-
Total lease liabilities	180	-	171	-

14 - SECURITIES ISSUED

None , (31 December 2021:None)

15 – DERIVATIVE FINANCIAL ASSETS

None , (31 December 2021: 21,516).

16 - PROVISIONS

As at 31 December 2022 details of provisions for liabilities and charges are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
General loan loss provisions for financial lease receivables ^(*) (Note 6)	9,258	107	5,112	35,170
Reserve for employee benefits	15,927	-	7,720	-
<i>Reserve for employee termination benefit</i>	9,833	-	4,792	-
<i>Provision for unused vacations</i>	702	-	557	-
<i>Reserve for bonuses</i>	1,759	-	851	-
<i>Provisions for other employee rights</i>	3,633	-	1,520	-
Total provisions	25,185	107	12,832	35,170

^(*) 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

16 – PROVISIONS (Continued)

	31 December 2022	31 December 2021
At the beginning of the year	4,792	3,405
Interest rate cost	905	436
Service cost	501	345
Payments during the year	(379)	(304)
Actuarial difference ^(*)	4,014	910
At the end of the year	9,833	4,792

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

17 – OTHER LIABILITIES

As of 31 December 2022, details of miscellaneous payables are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Advances received (*)	305,740	232,691	65,843	176,062
Other trade payables	11,175	320,194	7,613	90,641
Deferred income	11,500	11,275	1,718	4,351
Total Other Liabilities	328,415	564,160	75,174	271,054

(*) 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 2022, the share in capital of the Company amounts to TL 2,000,000 and composed of 60.000.000.000 shares with a face value of TL 0.01 each (31 December 2021: capital shares TL 1,000,000, nominal value: 50.000.000.000 shares).

As at 31 December 2022 and 31 December 2021, the share capital and ownership structure of the Company is as follows:

	31 December 2022		31 December 2021	
	Amount of Share (TL)	Share Percentage (%)	Amount of Share (TL)	Share Percentage (%)
Vakıfbank	372,274	62.05	293,562	62.61
Türkiye Sigorta A.Ş.	-	-	78,244	16.69
Publicly traded ^(*)	227,726	37.95	97,089	20.70
Pain-in capital (**)	600,000	%100	468,895	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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

18 – EQUITY (Continued)

Capital reserves

As of 31 December 2022, capital reserves amounted to TL 1,662 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2021: TL 513).

As of 31 December 2022, revaluation difference on tangible assets amounting to TL 76,531 (31 December 2021: TL 18,779) is accounted directly in equity. As at 31 December 2022 the marketable securities valuation differences amounts to TL 40,018 (31 December 2021: TL 23,080).

Profit reserves

As of 31 December 2022, profit reserves of the Company consist of first legal reserves amounting to TL 20,737 (31 December 2021: TL 14,333) and extraordinary reserves amounting to TL 71,945 (31 December 2021: TL 50,278).

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 2021 dated March 31, 2022; Vakıf Finansal Kiralama A.Ş. TL 6,404 corresponding to 5% of the net profit for the period, TL 128,071, will be set aside as the first legal reserve, TL 100,000 will be added to the capital by issuing bonus shares over the remaining net distributable profit for the period, and TL 21,667 will be added to the extraordinary reserve. decided to separate.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

19 - OPERATING EXPENSES

For the years ended 31 December 2022, general administrative expenses included in the operating expenses are as follow:

	31 December 2022	31 December 2021
Advertising expenses	13,899	3,551
General administration expenses	5,545	3,176
Depreciation and amortization expenses	2,749	2,801
Consultancy expenses	2,021	1,116
Transportation expenses	1,418	542
Notary expenses	1,415	683
Add-back	750	524
Court expenses	414	1,022
Taxes, duties and charges expenses	323	223
Printing, stationery and office expenses	278	143
Marketing expenses	242	154
Registration expenses	157	42
Other operating expenses	1,760	1,120
Total general administrative expenses	30,971	15,097

For the years ended 31 December 2022, personnel expenses included in the operating expenses are as follows:

	31 December 2022	31 December 2021
Salaries	38,361	17,214
Social security premiums and other contributions	5,000	2,463
Personnel insurance expenses	1,457	1,206
Other personnel expenses	2,974	1,100
Total personnel expenses	47,792	21,983

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

20 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2022, personnel expenses included in the operating expenses are as follows:

	31 December 2022	31 December 2021
Foreign exchange gains	347,466	56,503
Default interest income	18,109	10,802
Interest income from bank deposits	130,416	10,428
Provisions reversed during the year	45,124	7,723
Interest income from non-performing loans	13,190	6,031
Income from sales of fixed assets and assets held for sale	2,344	3,423
Gains on derivative financial transactions	1,360	1,437
Dividend income	250	250
Rent income	700	21
Other income	19,628	4,997
Total other operating income	578,587	101,615

Other operating expenses:

	31 December 2022	31 December 2021
Loss on derivative financial transactions	70,973	21,772
Securities depreciation expense	12,497	-
Other expense	150	498
Total other operating expenses	83,620	22,270

21 - EARNINGS PER SHARE

	31 December 2022	31 December 2021
At the beginning of the year		
Total number of outstanding shares	56,894,556,000	35,000,000,000
At the beginning of the year		
Total number of outstanding shares	60,000,000,000	56,894,556,000(*)
	31 December 2022	31 December 2021
Net income for the period	518,566	128,071
Number of outstanding shares with a nominal value of TL 0.01	60,000,000,000	35,184,102,600
Earnings per share (TL)	0.864	0.364

(*) The company has increased its capital amounting to TL 100,000 from internal resources, and the number of shares in previous years has been adjusted in line with the current period.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

22- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As of 31 December 2022, details of related party balances are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Türkiye Vakıflar Bankası T.A.O.	1,585,535	1,153,566	207,431	538,956
Bank Deposits	1,585,535	1,153,566	207,431	538,956
Vakıf Faktoring A.Ş.	38,781	-	22,288	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	5,902	-	2,646	-
Vakıf Yatırım Menkul Değerler A.Ş.	2,098	-	1,500	-
Financial assets for which fair value difference is recognised through other comprehensive income	46,781	-	26,434	-
Türkiye Vakıflar Bankası T.A.O.	5,855,935	1,476,476	720,048	481,386
Vakıfbank International AG	-	-	-	4,953
Borrowings	5,855,935	1,476,476	720,048	486,339
Türkiye Sigorta A.Ş.	-	-	10,181	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	64	-	32	-
Payables to related parties	64	-	10,213	-
	31 December 2022		31 December 2021	
Türkiye Vakıflar Bankası T.A.O.		123,855		8,710
Interest income from related parties		123,855		8,710
Türkiye Vakıflar Bankası T.A.O. - interest expense		562,143		66,620
Vakıfbank International AG- interest expense		87		514
Finance expenses of related parties		562,230		67,134
Vakıf Yatırım Menkul Değerler A.Ş.		250		250
Türkiye Sigorta A.Ş.		-		3,783
Vakıf Faktoring A.Ş.		41		30
Other incomes of related parties		291		4,063
Türkiye Vakıflar Bankası T.A.O.		32,434		7,415
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.		652		385
Vakıf Yatırım Menkul Değerler A.Ş.		306		80
Vakıf Faktoring A.Ş.		44		10
Türkiye Sigorta A.Ş.		-		886
Türkiye Hayat ve Emeklilik A.Ş.		-		16
Other expenses of related parties		33,436		8,792

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022, Company's executive management compensations are as follows:

	31 December 2022	31 December 2021
Compensation to the executive management	6,685	2,672
Total	6,685	2,672

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 2022, the collaterals obtained by the Company against finance lease receivables are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Received guarantees	37,043,320	80,046,755	8,719,610	60,928,050
Mortgages	2,345,391	4,749,676	976,212	3,799,781
Assignment of claims	1,472,826	2,112,698	837,778	1,829,615
Company share pledge	1,089,488	79,468	1,074,588	55,154
Cash blockage	4,390	9,429	860	5,915
Letters of guarantee	-	-	4,001	10
Others	516,679	1,965,863	143,982	589,416
Total	42,472,094	88,963,889	11,757,031	67,207,941

Commitments

As of 31 December 2022, the Company has irrevocable commitments amounted to TL 1,326,572 (31 December 2021 TL 663,983) 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 2022	31 December 2021
EUR	431,500	400,899
TL	731,183	211,496
USD	163,889	51,588
GBP	-	-
Total	1,326,572	663,983

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022, Company's financial lease commitments amounts to TL 2,499,494 (31 December 2021: TL 1,423,044).

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Financial lease commitment	1,238,773	1,260,721	334,663	1,088,381
Total	1,238,773	1,260,721	334,663	1,088,381

Derivative financial instruments

	31 December 2022		31 December 2021	
	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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

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

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2022	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	8,295,843	19,492	2,742,139	-	-	11,057,474
- The portion of maximum risk covered by guarantees	3,708,944	-	-	-	-	3,708,944
A. Net carrying value of financial assets which are neither impaired nor overdue	8,055,872	19,492	2,742,139	-	-	10,817,503
- The portion covered by guarantees	3,672,024	-	-	-	-	3,672,024
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	147,411	-	-	-	-	147,411
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	92,560	-	-	-	-	92,560
- Overdue (gross)	220,694	-	-	-	-	220,694
- Impairment (-)	(128,134)	-	-	-	-	(128,134)
- Net book value covered by guarantees	36,920	-	-	-	-	36,920
- Not past due (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022 and 31 December 2021, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
31 December 2021						
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	-	-	-	-	-	-

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2022, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Manufacturing	3,825,500	46.63	2,357,136	49.42
Construction	1,630,757	19.88	1,038,426	21.77
Wholesale, retail and trading	898,606	10.95	685,307	14.37
Real estate	482,298	5.88	188,787	3.96
Education	119,782	1.46	101,327	2.12
Mining	329,470	4.02	97,238	2.04
Health and social services	624,545	7.61	93,709	1.96
Transportation, warehousing and communication	67,333	0.82	69,288	1.45
Hotels and restaurants	87,250	1.06	63,598	1.33
Agriculture	81,877	1.00	54,980	1.15
Other social and individual services	40,271	0.49	9,780	0.21
Financial intermediary services	12,557	0.15	6,297	0.13
Others	3,037	0.05	3,678	0.09
Total	8,203,283	100	4,769,551	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 2022	Total Contractual/ Carrying expected maturity		6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	Amount	cash in/out flows					
Borrowings	10,850,603	12,821,904	3,405,484	1,303,018	4,534,774	3,578,628	-
Other liabilities	892,575	892,575	892,575	-	-	-	-
Total	11,743,178	13,714,479	4,298,059	1,303,018	4,534,774	3,578,628	-

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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	-

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 2022, the Company's foreign currency assets and liabilities with their TL equivalents are as follows:

31 December 2022	US Dollar	Euro	GBP	CHF	Total
Cash and Cash Equivalents	6,670	1,149,912	22	-	1,156,604
Financial Assets at Fair Value through Profit or Loss (1)	694,023	3,412,465	-	-	4,106,488
Other Assets	300,976	751,787	42	2,011	1,054,816
Total assets	1,001,669	5,314,164	64	2,011	6,317,908
Borrowing	298,014	3,939,704	-	-	4,237,718
Provisions	7	100	-	-	107
Other liabilities	157,211	406,909	-	40	564,160
Total liabilities	455,232	4,346,713	-	40	4,801,985
Net financial statement position	546,437	967,451	64	1,971	1,515,923
Net off-balance sheet items position	-	-	-	-	-
Net foreign currency position	546,437	967,451	64	1,971	1,515,923

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

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

31 December 2021	US Dollar	Euro	GBP	CHF	Total
Banks	91,472	449,279	1	-	540,752
Finance lease receivables, net ⁽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.

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 2022 and 31 December 2021 are shown below.

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

31 December 2022	Profit / (Loss)		Equity ^(*)	
	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	54,644	(54,644)	54,644	(54,644)
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar (1+2)	54,644	(54,644)	54,644	(54,644)
10% change of the Euro against TL				
4-Net Euro asset/liability	96,745	(96,745)	96,745	(96,745)
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	96,745	(96,745)	96,745	(96,745)
10% change of the CHF against TL				
7-Net CHF asset/liability	197	(197)	197	(197)
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	197	(197)	197	(197)
10% change of the GBP against TL				
10-Net GBP asset/liability	6	(6)	6	(6)
11-Hedged portion of TL against GBP (-)	-	-	-	-
Net effect of GBP (10+11)	6	(6)	6	(6)
TOTAL (3+6+9+12)	151,592	(151,592)	151,592	(151,592)

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021				
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)

(*) 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 2022, and 2021, the interest sensitive financial instruments of the Company are as follows:

	31 December 2022	31 December 2021
Financial assets and liabilities with fixed interest rate		
Time deposits	2,742,139	761,506
Finance lease receivables, net	8,203,283	4,769,551
Borrowing	2,463,146	3,178,980
Securities issued	-	-
Financial assets and liabilities with floating rate		
Borrowing	8,387,457	1,954,474

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

	Profit or Loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2022				
Floating liabilities	rate (839)	839	(839)	financial 839
Total, net	(839)	839	(839)	839
	Profit or Loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Floating rate financial liabilities	(195)	195	(195)	195
Total, net	(195)	195	(195)	195

(*) 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 2022, the ratio of the equities to the debts is 11% (31 December 2021: 13%). As of 31 December 2022 and 31 December 2021, the debt to equity ratio is as follows:

	31 December 2022	31 December 2021
Borrowing	10,850,603	5,133,454
Securities issued	-	-
Other liabilities	892,575	346,228
Total Liabilities	11,743,178	5,479,682
Total Equity	1,324,939	702,444
Equity/Debt ratio	% 11	13%

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Finance lease receivables, net	8,203,283	7,577,447	4,769,551	4,361,756
Banks	2,742,139	2,742,139	779,199	779,199
<i>Financial liabilities</i>				
Borrowings	10,850,603	9,549,186	5,133,454	5,169,549
Securities issued	-	-	-	-
Other liabilities	892,573	892,575	346,228	346,228

Classification of Fair Value Measurement

TFRS 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.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(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 2022 and 31 December 2021:

31 December 2022	1. Level	2. Level	3. Level	Total
Financial assets at fair value through Other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	46,781	46,781
Financial assets at fair value through profit or loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-

Total Financial Assets/Liabilities

(*) 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	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 2022	31 December 2021
Balance at the beginning of the period	26,434	25,618
Cash capital increase during the period	2,280	-
Total gains for the period recognized under equity	18,067	816
Balance at the end of the period	46,781	26,434

26 – OTHER EXPLANATIONS

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

	31 December 2022	31 December 2021
Independent audit fee for the reporting period	203	148
Total	203	148

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

27 - SUBSEQUENT EVENTS

By 14 January 2023 32073 published in the Official Gazette date and the tax procedural Law general communiqué No. 547 sequence (sequence No. 537), in depreciable assets and immovable with the communiqué on the amendment re-evaluation of the procedures and principles of Conduct which the law allows to be revised. Accordingly, the Bank will be able to make a revaluation on the real estate and depreciable economic assets on its balance sheet, provided that it meets the conditions set out in the Provisional Article 32 of the Tax Procedure Law and the provisions of the Repeated article 298 / Ç. Thus, corporate income tax will be able to be paid by calculating it according to the values of immovable and depreciable economic assets found after revaluation.

An earthquake has occurred in the south-eastern part of Turkey, affecting many of our cities. Due to the fact that the final severity of this earthquake, which caused the loss of thousands of lives and injuries, is currently unclear, the impact study on the Company's operations and financial situation is continuing.