

**VAKIF FİNANSAL KİRALAMA A.Ş.**

**FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S  
REPORT AT 30 JUNE 2022**

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

(Convenience translation of a report and financial statements originally prepared and issued in Turkish, see in Note 2)

## **Report on Review of Interim Financial Statements**

### **To the Board of Directors of Vakıf Finansal Kiralama Anonim Şirketi**

#### *Introduction*

We have reviewed the interim statement of financial position of Vakıf Finansal Kiralama A.Ş. (the Company) as at June 30, 2022 and the interim statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows and other explanatory notes to the financial statements (interim financial statements) for six-month-period then ended. The management of the Company is responsible for the preparation of interim financial statements in accordance with "Communique 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, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements made by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standard ("TAS") 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### *Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not prepared, in all material respects, in accordance with BRSA Accounting and Financial Reporting Legislation.

**Additional paragraph for convenience translation to English**

As explained in detail in Note 2, there are differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"), including non application of IAS 29 Financial Reporting in Hyperinflation Economies. The effect of such differences have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Cem Uçarlar, SMMM  
Sorumlu Denetçi

5 August 2022  
İstanbul, Türkiye

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# VAKIF FİNANSAL KİRALAMA A.Ş.

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

ASSETS	Note	Current Period 30 June 2022			Prior Period 31 December 2021		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK</b>	<b>4</b>	<b>680,368</b>	<b>840,686</b>	<b>1,521,054</b>	<b>238,447</b>	<b>540,752</b>	<b>779,199</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL ASSETS</b>		-	-	-	-	-	-
<b>IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)</b>	<b>5</b>	<b>28,713</b>	-	<b>28,713</b>	<b>26,434</b>	-	<b>26,434</b>
<b>V. FINANCIAL ASSETS AT AMORTISED COST (Net)</b>	<b>6</b>	<b>1,934,068</b>	<b>4,042,094</b>	<b>5,976,162</b>	<b>1,138,999</b>	<b>3,673,959</b>	<b>4,812,958</b>
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 From the Savings Fund Pool		-	-	-	-	-	-
5.2.2 From Equity		-	-	-	-	-	-
5.3 Financial Loans		-	-	-	-	-	-
5.3.1 Consumer loans		-	-	-	-	-	-
5.3.2 Credit Cards		-	-	-	-	-	-
5.3.3 Installment Commercial Loans		-	-	-	-	-	-
5.4 Leasing Transactions (Net)	<b>6</b>	<b>1,915,766</b>	<b>3,974,977</b>	<b>5,890,743</b>	<b>1,128,712</b>	<b>3,640,839</b>	<b>4,769,551</b>
5.4.1 Finance Lease Receivables		<b>2,563,150</b>	<b>4,576,650</b>	<b>7,139,800</b>	<b>1,508,558</b>	<b>4,202,749</b>	<b>5,711,307</b>
5.4.2 Operating Lease Receivables							
5.4.3 Unearned Income (-)		<b>(647,384)</b>	<b>(601,673)</b>	<b>(1,249,057)</b>	<b>(379,846)</b>	<b>(561,910)</b>	<b>(941,756)</b>
5.5 Other Financial Assets Measured at Amortised Cost							
5.6 Non Performing Receivables	<b>6</b>	<b>62,896</b>	<b>205,029</b>	<b>267,925</b>	<b>49,697</b>	<b>162,083</b>	<b>211,780</b>
5.7 Allowance For Expected Credit Losses / Specific Provisions (-)	<b>6</b>	<b>(44,594)</b>	<b>(137,912)</b>	<b>(182,506)</b>	<b>(39,410)</b>	<b>(128,963)</b>	<b>(168,373)</b>
<b>VI. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3 Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-	-	-	-
<b>VII. TANGIBLE ASSETS (Net)</b>	<b>7</b>	<b>26,818</b>	-	<b>26,818</b>	<b>28,990</b>	-	<b>28,990</b>
<b>VIII. INTANGIBLE ASSETS (Net)</b>	<b>8</b>	<b>506</b>	-	<b>800</b>	<b>967</b>	-	<b>967</b>
<b>IX. INVESTMENT PROPERTY (Net)</b>		-	-	-	-	-	-
<b>X. CURRENT TAX ASSETS</b>	<b>10</b>	<b>37,551</b>	-	<b>37,551</b>	<b>8,862</b>	-	<b>8,862</b>
<b>XI. DEFERRED TAX ASSET</b>	<b>10</b>	-	-	-	-	-	-
<b>XII. OTHER ASSETS</b>	<b>11</b>	<b>700,105</b>	<b>910,385</b>	<b>1,610,490</b>	<b>134,401</b>	<b>505,396</b>	<b>639,797</b>
<b>SUBTOTAL</b>		<b>3,408,129</b>	<b>5,793,165</b>	<b>9,201,294</b>	<b>1,576,817</b>	<b>4,720,107</b>	<b>6,296,924</b>
<b>XIII. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>9</b>	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>3,408,129</b>	<b>5,793,165</b>	<b>9,201,294</b>	<b>1,576,817</b>	<b>4,720,107</b>	<b>6,296,924</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES		Note	Current Period 30 June 2022			Prior Period 31 December 2021		
			TRY	FC	Total	TRY	FC	Total
<b>I.</b>	<b>LOANS RECEIVED</b>	<b>12</b>	<b>3,877,555</b>	<b>3,273,175</b>	<b>7,150,730</b>	<b>957,605</b>	<b>4,175,849</b>	<b>5,133,454</b>
<b>II.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>III.</b>	<b>LIABILITIES FROM THE SAVING FUND POOL</b>		-	-	-	-	-	-
<b>IV.</b>	<b>LEASE PAYABLES</b>	<b>13</b>	<b>169</b>	-	<b>169</b>	<b>171</b>	-	<b>171</b>
<b>V.</b>	<b>MARKETABLE SECURITIES (Net)</b>	<b>14</b>	-	-	-	-	-	-
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH</b>		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>15</b>	<b>119,193</b>	-	<b>119,193</b>	<b>21,516</b>	-	<b>21,516</b>
<b>VIII.</b>	<b>PROVISIONS</b>	<b>16</b>	<b>23,896</b>	<b>38,224</b>	<b>62,120</b>	<b>12,832</b>	<b>35,170</b>	<b>48,002</b>
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		14,404	-	14,404	7,720	-	7,720
8.3	General Loan Loss Provisions	<b>6,16</b>	9,492	38,224	47,716	5,112	35,170	40,282
8.4	Other provisions		-	-	-	-	-	-
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	<b>10</b>	<b>58,152</b>	-	<b>58,152</b>	<b>33,367</b>	-	<b>33,367</b>
<b>X.</b>	<b>DEFERRED TAX LIABILITY</b>	<b>10</b>	<b>8,891</b>	-	<b>8,891</b>	<b>11,742</b>	-	<b>11,742</b>
<b>XI.</b>	<b>SUBORDINATED DEBT</b>		-	-	-	-	-	-
<b>XII.</b>	<b>OTHER LIABILITIES</b>	<b>17</b>	<b>204,930</b>	<b>672,674</b>	<b>877,604</b>	<b>75,174</b>	<b>271,054</b>	<b>346,228</b>
	<b>SUBTOTAL</b>		<b>4,292,786</b>	<b>3,984,073</b>	<b>8,276,859</b>	<b>1,112,407</b>	<b>4,482,073</b>	<b>5,594,480</b>
<b>XIII.</b>	<b>LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV.</b>	<b>EQUITY</b>	<b>18</b>	<b>924,435</b>	-	<b>924,435</b>	<b>702,444</b>	-	<b>702,444</b>
14.1	Issued capital		600,000	-	600,000	468,895	-	468,895
14.2	Capital Reserves		1,771	-	1,771	513	-	513
14.2.1	Equity Share Premiums		1,366	-	<b>1,366</b>	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		405	-	405	513	-	513
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		38,777	-	38,777	40,354	-	40,354
13.4	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	Kâr veya Zarar		191,205	-	191,205	128,071	-	128,071
14.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
13.6.2	Current Period Net Profit Or Loss		191,205	-	191,205	128,071	-	128,071
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>5,217,221</b>	<b>3,984,073</b>	<b>9,201,294</b>	<b>1,814,851</b>	<b>4,482,073</b>	<b>6,296,924</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## OFF-BALANCE SHEET ITEMS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

OFF-BALANCE SHEET ITEMS		Current Period 30 June 2022			Prior Period 31 December 2021			
		Note	TRY	FC	Total	TRY	FC	Total
I.	IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II.	REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III.	COLLATERALS RECEIVED	23	31,156,728	77,150,993	108,307,721	11,757,031	67,207,941	78,964,972
IV.	COLLATERALS GIVEN		-	-	-	-	-	-
V.	COMMITMENTS	23	1,569,657	1,544,549	3,114,206	546,159	1,540,868	2,087,027
5.1	Irrevocable Commitments		436,246	395,536	831,782	211,496	452,487	663,983
5.2	Revocable Commitments		1,133,411	1,149,013	2,282,424	334,663	1,088,381	1,423,044
5.2.1	Lease Commitments		1,133,411	1,149,013	2,282,424	334,663	1,088,381	1,423,044
5.2.1.1	Finance Lease Commitments		1,133,411	1,149,013	2,282,424	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		495,625	596,212	1,091,837	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		495,625	596,212	1,091,837	55,195	73,412	128,607
6.2.1	Forward Buy or Sell Transactions		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		495,625	596,212	1,091,837	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		9,427,634	22,011,481	31,439,115	4,703,562	17,305,946	22,009,508
TOTAL OFF-BALANCE SHEET ITEMS			42,649,644	101,303,235	143,952,879	17,061,947	86,128,167	103,190,114

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD ENDED 30 June 2022

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

		Reviewed Current Period 1 January - 30 June 2022	Reviewed Current Period 1 January - 30 June 2021	Not Reviewed Current Period 1 April - 30 June 2022	Not Reviewed Prior Period 1 April - 30 June 2021
STATEMENT OF PROFIT OR LOSS		Note			
<b>I.</b>	<b>OPERATING INCOME</b>		<b>368,193</b>	<b>151,518</b>	<b>218,669</b>
	<b>FACTORING INCOME</b>		-	-	-
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		-	-	-
	<b>INCOME FROM FINANCING LOANS</b>		-	-	-
1.3	Interest Income From Financing Loans		-	-	-
1.4	Fee and Commission Income From Financing Loans		-	-	-
	<b>LEASE INCOME</b>		<b>368,193</b>	<b>151,518</b>	<b>218,669</b>
1.5	Finance Lease Income		355,489	148,385	209,005
1.6	Operational Lease Income		-	-	-
1.7	Fee and Commission Income From Lease Operations		12,704	3,133	9,664
	<b>SAVING FINANCE INCOME</b>		-	-	-
1.8	Dividends Received from Savings Financing Receivables		-	-	-
1.9	Fees and Commissions Received from Savings Financing Activities		-	-	-
<b>II.</b>	<b>FINANCE COST (-)</b>		<b>(267,866)</b>	<b>(77,487)</b>	<b>(171,768)</b>
2.1	Dividends on Savings Fund Pool		-	-	-
2.2	Interest Expenses on Funds Borrowed		(247,506)	(69,752)	(157,019)
2.3	Interest Expenses on Factoring Payables		-	-	-
2.4	Lease Interest Expenses		(19)	(6)	(11)
2.5	Interest Expenses on Securities Issued		-	(3,761)	-
2.6	Other Interest Expense		-	-	-
2.7	Fees and Commissions Paid		(20,341)	(3,968)	(14,738)
<b>III.</b>	<b>GROSS PROFIT (LOSS) (I+II)</b>		<b>100,327</b>	<b>74,031</b>	<b>46,901</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>19</b>	<b>(35,592)</b>	<b>(15,549)</b>	<b>(21,988)</b>
4.1	Personnel Expenses		(20,715)	(9,796)	(13,400)
4.2	Provision Expense for Employment Termination Benefits		(703)	(391)	(351)
4.3	Research and development expense		-	-	-
4.4	General Operating Expenses		(14,174)	(5,362)	(8,237)
4.5	Other		-	-	-
<b>V.</b>	<b>GROSS OPERATING PROFIT (LOSS) (III+IV)</b>		<b>64,735</b>	<b>58,482</b>	<b>24,913</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>20</b>	<b>327,677</b>	<b>23,723</b>	<b>241,261</b>
6.1	Interest Income on Banks		42,391	5,083	23,731
6.2	Interest Income on Marketable Securities Portfolio		-	-	-
6.3	Dividend Income		250	250	250
6.4	Gains Arising from Capital Markets Transactions		-	-	-
6.5	Derivative Financial Transactions' Gains		29,119	1,437	25,255
6.6	Foreign Exchange Gains		235,936	-	181,967
6.7	Other		19,981	16,953	10,058
<b>VII.</b>	<b>PROVISION EXPENSES</b>	<b>6</b>	<b>(28,181)</b>	<b>(26,089)</b>	<b>(13,640)</b>
7.1	Specific Provisions		(20,748)	(16,769)	(15,115)
7.2	Allowances For Expected Credit Losses		-	-	-
7.3	General Loan Loss Provisions		(7,433)	(9,320)	1,475
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>20</b>	<b>(108,376)</b>	<b>(1,074)</b>	<b>(63,315)</b>
8.1	Impairment in Value of Securities		-	-	-
8.2	Impairment in Value of Non-Current Assets		-	-	-
8.3	Capital Market Transactions Losses		-	-	-
8.4	Loss Arising from Derivative Financial Transaction		(108,063)	(169)	(63,073)
8.5	Foreign Exchange Losses		-	(234)	-
8.6	Other		(313)	(671)	(242)
<b>IX.</b>	<b>NET OPERATING PROFIT (LOSS) (V+...+VIII)</b>		<b>55,042</b>	<b>51,631</b>	<b>36,355</b>
<b>X.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-	-
<b>XI.</b>	<b>PROFIT (LOSS) FROM COMPANIES ACCOUNTED FOR USING EQUITY METHOD</b>		-	-	-
<b>XII.</b>	<b>NET MONETARY POSITION GAIN (LOSS)</b>		-	-	-
<b>XIII.</b>	<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX (IX+X+XI+XII)</b>		<b>255,855</b>	<b>55,042</b>	<b>189,219</b>
<b>XIV.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (+/-)</b>	<b>10</b>	<b>(64,650)</b>	<b>(9,491)</b>	<b>(47,034)</b>
14.1	Current Tax Provision		(67,107)	(7,863)	(49,036)
14.2	Expense Effect of Deferred Tax		-	(1,628)	-
14.3	Income Effect of Deferred Tax		2,457	-	2,002
<b>XV.</b>	<b>NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS (XIII+XIV)</b>		<b>191,205</b>	<b>45,551</b>	<b>142,185</b>
<b>XVI.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>		-	-	-
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		-	-	-
<b>XVII.</b>	<b>EXPENSES ON DISCONTINUED OPERATIONS (-)</b>		-	-	-
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		-	-	-
<b>XVIII.</b>	<b>PROFIT (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)</b>		-	-	-
<b>XIX.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (+/-)</b>		-	-	-
19.1	Current Tax Provision		-	-	-
19.2	Expense Effect of Deferred Tax		-	-	-
19.3	Income Effect of Deferred Tax		-	-	-
<b>XX.</b>	<b>NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII+XIX)</b>		-	-	-
<b>XXI.</b>	<b>NET PROFIT OR LOSS FOR THE PERIOD (XV+XX)</b>		<b>191,205</b>	<b>45,551</b>	<b>142,185</b>
	<b>EARNINGS (LOSS) PER SHARE</b>	<b>21</b>	<b>0.3187</b>	<b>0.08007</b>	<b>0.2370</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.



# VAKIF FİNANSAL KİRALAMA A.Ş.

## PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD ENDED 30 June 2022

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

		Current Period 1 January - 30 June 2022	Prior Period 1 January - 30 June 2021
	Note		
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>191,205</b>	<b>45,551</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(1,577)</b>	<b>(84)</b>
<b>2.1</b>	<b>Items that may not be Reclassified subsequently to Profit or Loss</b>	<b>(1,577)</b>	<b>(84)</b>
2.1.1	Tangible Assets Revaluation Increases/Decreases	-	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	16	(106)
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	394	22
<b>2.2</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>	<b>-</b>	<b>-</b>
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2	Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income Valuation and/or Classification Income/Expenses of Financial Assets	-	-
2.2.3	Cash Flow Hedge Income/Losses	-	-
2.2.4	Investment Risk Hedge Income/Expenses Related to the Overseas Company	-	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>189,628</b>	<b>45,467</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 June 2022

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

						Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement		Accumulated other comprehensive income or losses to be reclassified under profit or loss statement							
		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
<b>STATEMENT OF CHANGES IN EQUITY</b>															
<b>Current Period (01.01. – 30.06.2022)</b>															
<b>I.</b>	<b>Prior Year Period End Balance</b>	468,895	-	-	513	18,779	(1,505)	23,080	-	-	-	64,611	128,071	-	702,444
<b>II.</b>	<b>Changes in Accounting Policies according to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>New Balance (I+II)</b>	468,895	-	-	513	18,779	(1,505)	23,080	-	-	-	64,611	128,071	-	702,444
<b>IV.</b>	<b>Total Comprehensive Income</b>	-	-	-	-	-	(1,577)	-	-	-	-	-	-	191,205	189,628
<b>V.</b>	<b>Increase in Paid-in Capital</b>	31,105	-	-	-	-	-	-	-	-	-	-	-	-	31,105
<b>VI.</b>	<b>Capital Increase From Internal Resources</b>	100,000	-	-	-	-	-	-	-	-	-	-	(100,000)	-	-
<b>VII.</b>	<b>Adjustments to Paid-in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Bonds Convertible to Shares</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Subordinated Loans</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Other Changes</b>	-	-	-	1,258	-	-	-	-	-	-	-	-	-	1,258
<b>XI.</b>	<b>Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	28,071	(28,071)	-	-
11.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	28,071	(28,071)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+XI+XII)</b>		600,000	-	-	1,771	18,779	(3,082)	23,080	-	-	-	92,682	-	191,205	924,435

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 taken on October 7, 2021, the Board of Directors of the Company has decided to increase its paid-in capital as 100% paid-in. As of 31 December 2021, 218,895 TL of the increased amount has been collected. The collection of the remaining portion was completed in 2022, and the registration process regarding the capital increase was completed as of January 31, 2022.

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 June 2022

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

						Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement r		Accumulated other comprehensive income or losses to be reclassified under profit or loss statement							
STATEMENT OF CHANGES IN EQUITY		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period's Profit/(Loss)	Net Period Profit /(Loss)	Total Equity
<b>Prior Period (01.01. – 30.06.2021)</b>															
I.	Prior Year Period End Balance	200,000	-	-	244	18,823	(592)	10,580	-	-	-	54,290	60,321	-	355,161
II.	Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	200,000	-	-	244	18,779	(777)	22,304	-	-	-	54,290	60,321	-	355,161
IV.	Total Comprehensive Income	-	-	-	-	-	(84)	-	-	-	-	-	-	45,551	45,467
V.	Increase in Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	10,321	(10,321)	-	-
11.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	10,321	(10,321)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+XI+XII)</b>		<b>250,000</b>	<b>-</b>	<b>-</b>	<b>244</b>	<b>18,779</b>	<b>(861)</b>	<b>22,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,611</b>	<b>-</b>	<b>45,551</b>	<b>400,628</b>

- The accumulated revaluation increases/losses on property and equipment.
- The accumulated remeasurement gains/losses on defined benefit plans.
- 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).
- Foreign currency translation differences.
- The accumulated revaluation increases/losses on financial assets at fair value through other comprehensive income.
- 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 55 from an integral part of these financial statements.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 June 2022

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

	Note	Current Period 1 January - 30 June 2022	Prior Period 1 January - 30 June 2021
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1.1 Operating Profit before Changes in Operating Assets and Liabilities</b>		<b>178,776</b>	<b>53,901</b>
1.1.1 Interests Received/ Leasing Income		320,176	129,791
1.1.2 Interest Paid/Leasing Expense		(204,200)	(75,280)
1.1.3 Dividend Received	19	250	250
1.1.4 Fees and Commissions Received		12,710	3,120
1.1.5 Other Revenue Gained		49,100	18,156
1.1.6 Collections from Priorly Written-off Doubtful Receivables	6	6,614	4,094
1.1.7 Payments to Personnel and Service Suppliers		(21,749)	(10,405)
1.1.8 Taxes Paid		(11,434)	(1,086)
1.1.9 Other		27,309	(14,739)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>357,883</b>	<b>360,150</b>
1.2.1 Net (Increase)/Decrease in Factoring Receivables		-	-
1.2.1 Net (Increase)/Decrease in Finance Loans		-	-
1.2.1 Net (Increase)/Decrease in Lease Receivables		(1,113,682)	(304,990)
1.2.2 Net (Increase)/Decrease in Other Assets		(1,001,465)	10,705
1.2.3 Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3 Net Increase/(Decrease) in Lease Payables		358	177
1.2.4 Net Increase/(Decrease) in Funds Borrowed		1,953,610	588,414
1.2.5 Net Increase/(Decrease) in Liabilities Due		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		519,062	65,844
<b>I. Net Cash Provided from Operating Activities</b>		<b>536,659</b>	<b>414,051</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	(228)	(4,437)
2.4 Disposals of Property and Equipment	7,8	1,318	581
2.5 Purchase of financial assets at fair value through other comprehensive income		(2,279)	-
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		-	-
<b>II. Net Cash (Used in)/Provided from Investing Activities</b>		<b>(1,189)</b>	<b>(3,856)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Capital Instruments		-	1,268
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(360)	(35)
3.6 Other	18	31,105	-
<b>III. Net Cash Provided from Financing Activities</b>		<b>30,745</b>	<b>1,233</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>173,557</b>	<b>1,614</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>739,772</b>	<b>413,042</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>2.3</b>	<b>779,082</b>	<b>118,715</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>2.3</b>	<b>1,518,854</b>	<b>531,757</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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 28.52% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

As at 30 June 2022, the Company has 73 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 at 30 June 2022 and 31 December 2021, the share capital and ownership structure of the Company are as follows:

Shareholder	30 June 2022		31 December 2021	
	Share Amount (TRY)	Share Percentage (%)	Share Amount (TRY)	Share Percentage (%)
Vakıfbank	352,274	58.71	293,562	62.61
Türkiye Sigorta Anonim Şirketi(**)	76,635	12.77	78,244	16.69
Public Shares(*)	171,091	28.52	97,089	20.70
<b>Paid-in capital</b>	<b>600,000</b>	<b>100</b>	<b>468,895</b>	<b>100</b>

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

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

(\*\*\*) With the decision taken on October 7, 2021, the Board of Directors of the Company has decided to increase its paid-in capital as 100% paid-in. As of 31 December 2021, 218,895 TL of the increased amount has been collected. The collection of the remaining portion was completed in 2022, and the registration process regarding the capital increase was completed as of January 31, 2022.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

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**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 24 December 2013 and numbered 28861 and Turkish Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), ("IFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "BRSA Accounting and Financial Reporting Standards") in respect of accounting and financial reporting.

The financial statements as at 30 June 2022 are approved by the Board of Directors of the Company and authorized for issue as at 5 August 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.

Covid-19 (Coronavirus), which first appeared in China and spread rapidly around the world in a short time, started to be seen in our country in March. The epidemic has had economic and social effects worldwide. In order to slow down the epidemic, including in our country, many measures have been taken, such as restricting travel around the world, taking quarantine measures, increasing remote work, and various regulations are made to reduce the economic effects of the epidemic. The company management continues to take measures to eliminate the possible effects of the epidemic on the Company's operations. In addition, the Company Management monitors the effects of the epidemic in the financial statements dated 30 June 2022 has been evaluated and no significant impact has been identified

Due to Covid-19, the company has been given the opportunity to postpone the principal, interest and installment payments of its individual and corporate customers if they request, and has started to apply delays within this scope.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of an 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 recommends all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. In the announcement published by the Public Oversight Accounting and Auditing Standards Authority (POB) on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021. Nevertheless, the Authority has not published any announcement on whether the entities would restate their financial statements for the accounting period ending on 30 June 2022 in accordance with TAS 29. In this context, since there is no consensus on the application of inflation accounting in TFRS financial statements throughout the country, and it is expected that POB will delay the application of TAS 29, financial statements as of June 30, 2022 are not adjusted for inflation in accordance with TAS 29 in order to ensure comparability.

**Additional paragraph for convenience translation into English**

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") including non application of IAS 29 Financial Reporting in Hyperinflation Economies have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis Of Presentation (Continued)**

**2.1.2 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**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 (“TRY”).

**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 judgments 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 notes:

**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 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.

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 leasing receivables whose collection is delayed between 240 and 365 days from the due date. and 100% specific provision is set after taking into account the guarantees of financial leasing receivables whose collection is overdue for more than 365 days.

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis Of Presentation (Continued)**

**2.1.5 Critical Accounting evaluations, estimates and assumptions (Continued)**

According to the Communiqué, specific provisions are set in the following proportions: minimum 20% after deducting the effect of collaterals for lease receivables that are overdue between 151 and 240 days, minimum 50% after deducting the effect of collaterals for lease receivables that are overdue between 240 and 365 days and 100% after deducting the effect of collaterals for lease receivables that are overdue for more than one year. Due to economic recession caused by Covid-19 pandemic, considering notice period of 60 days, given time for leasing receivables are rearranged from 90 days to 240 days according to article 6 clause (a) on BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies by the decision of BRSA dated 19 March 2020 and letter numbered 24049440-010.03 As of 19 March 2020, the company takes this regulation into account as the number of delay days in the calculation of special provisions. These regulations made according to the BRSA's decision dated 17 June 2021 and numbered 9624 ended on 30 September 2021. 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's financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. As of 30 June 2022, the company has prepared the financial statement, off-balance sheet, profit or loss statement, cash flow statement and changes in equity statement in comparison with the financial statements dated 31 December 2021 and 1 January-30 June 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.



**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Changes in Accounting Policies (Continued)**

**Amendments In Standards And Interpretations**

The accounting policies accepted to be the bases when the financial statements related to the accounting period ending 30 June 2022 are prepared were implemented in line with the new and adjusted IFRS standards in effect as of 1 January 2022 and the standards used in the Prior year, except for the TFRYK interpretations. The effects of these standards and interpretations on the financial position and performance of the Company have been explained 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, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments 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, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments 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, the 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.

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Changes in Accounting Policies (Continued)**

**Annual Improvements – 2018–2020 Cycle**

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

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

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

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

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 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.

The Company will wait until the final amendment to assess the impacts of the changes.

## **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

### **2.2 Changes in Accounting Policies (Continued)**

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

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

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

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

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

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

#### **Amendments to TAS 8 - Definition of Accounting Estimates**

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

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

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.2. Changes in Accounting Policies (Continued)****Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. Overall, the Company expects no significant impact on its balance sheet and equity. 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, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability 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.

**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 30 June 2022 and 31 December 2021 are as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
USD	16.6690	12.9775
EUR	17.5221	14.6823
GBP	20.2527	17.4530
CHF	17.4297	14.1207

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3. Summary of significant accounting policies**

**Cash and Cash Equivalents**

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

**Financial leasing transactions**

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

**(i) As lessor**

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

**(ii) As lessee**

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

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

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

**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.

In accordance with the related Provisions Communiqué, the Company also recognises specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in IFRS. The Company does not have any provision that has been allocated at the rates determined without including the guarantee amount in the calculation, except for the rates set forth in the relevant regulation.

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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

(Amounts expressed in thousands of Turkish Lira ("TRY") 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 Recognised 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 TRY 18,779 (31 December 2020: 18,779 TRY) after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

As of 30 June 2022, the conformity between net book values calculated over costs of properties for use and their revaluated amounts is as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
Fair Value	24,055	24,055
Net book value calculated on cost value	3,190	3,190
<b>Before tax revaluation differences</b>	<b>20,865</b>	<b>20,865</b>
Calculated deferred tax liability (-)	(2,086)	(2,086)
<b>Revaluation differences, net</b>	<b>18,779</b>	<b>18,779</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Summary of significant accounting policies (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:

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

**Intangible assets**

The Company's intangible assets consist of software.

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

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



**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Assets held for resale**

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

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

**Non-financial assets**

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are firm 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 income statement.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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**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 at 30 June 2022 is TRY 15,371.40 full TRY (31 December 2021: 10,596.74 Full TRY) The Company provided reserve for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the TAS 19.

As at 30 June 2022 and 31 December 2021, the actuarial assumptions are as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
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.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards.

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 obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Provisions, contingent assets, and liabilities (Continued)**

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

**Income and expense recognition**

**Finance lease income**

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

**Interest income and expenses**

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values.

Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

**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.*

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

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**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 at 30 June 2021, 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.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Taxation (Continued)**

*Deferred taxes (Continued)*

In accordance with the Law No. 7394 published in the Official Gazette dated April 15, 2022, the corporate tax rate has been increased to 25% for the taxation period of 2022, since declarations submitted as of July 1, 2022 and being valid for the taxation period starting from January 1, 2022. This rate will be applied as 23% for the taxation period of 2022.

In the financial statements as at 30 June 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, tax payers could deduct investment incentives calculated according to the legislation provisions (including tax rate related provisions) in force as at 31 December 2005, only from the taxable income of the years 2006, 2007, and 2008. In this context, income and corporate taxpayers could deduct the following items only from the taxable income of 2006, 2007, and 2008;

- The carried forward investment incentive exemptions, which could not be deducted from 2005 revenue and available as at 31 December 2005,
- For the investments, which made in the scope of investment incentive certificates drawn upon taxpayer's application before 24 April 2003 and started within the frame of 193 numbered Income Tax Law's additional 1, 2,3,4,5 and 6th articles - later repealed by 4842 numbered law- the amounts that realized in the scope of certificate after the date 1 January 2006.
- Within the frame of Article 19 of 193 numbered Law which repealed 5479 numbered Law, investment expenditures incurred after 1 January 2006 will be deductible only from the profits of years 2006, 2007 and 2008 provided that they are economically and technically integral parts of the investment started before 1 January 2006.

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Taxation (Continued)**

*Investment incentive (Continued)*

In this frame the rights of taxpayers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, are abrogated as at 31 December 2008. According to this regulation limiting the right to deduct the investment expenditure from taxable profit, investment incentive exemption will be applied to the taxable profit of 2008 at the latest.

Investment incentive exemption amount which could not be deducted due to lack of taxable profit till the end of 2009 is not possible to be deducted from the taxable profit of 2009 and subsequent years. Meanwhile, this exemption amount cannot be recorded as expense in the tax books.

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

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

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

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

**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 (Note 20).

**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.

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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 30 June 2022 and 2021, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	30 June 2022	30 June 2021
<b>The statement of financial position</b>		
<b>located in total cash and cash equivalents</b>	<b>1,521,054</b>	<b>779,199</b>
Rediscounts on Interest income of cash and cash equivalents	(2,200)	(117)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1,518,854</b>	<b>779,082</b>

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

	30 June 2022	31 December 2021
Banks	1,521,054	779,199
Time deposit	1,509,818	761,506
Demand deposit	11,236	17,693
<b>Total</b>	<b>1,521,054</b>	<b>779,199</b>

As at 30 June 2022, time deposits consist of bank placements with maturity less than three months and with interest rates average 16.83% for foreign currency and 3.09% for TRY time deposits. (31 December 2021: 17.06% for TRY and 0.70% for foreign).



## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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:

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>Carrying value (*)</b>	<b>Share (%)</b>	<b>Carrying value</b>	<b>Share (%)</b>
<b>Not Traded at Stock Market:</b>				
Vakıf Faktoring A.Ş.	22,288	3.79	22,288	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	4,925	3.27	2,646	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	1,500	0.25	1,500	0.25
<b>Financial assets for which fair value difference is recognised through other comprehensive income</b>	<b>28,713</b>		<b>26,434</b>	

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

#### 6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

As at 30 June 2022 and 31 December 2021, financial assets at fair value through other comprehensive income are as follow:

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Lease receivables	2,515,268	4,325,631	1,458,309	3,967,664
Invoiced lease receivables	47,882	251,019	50,249	235,085
<b>Subtotal</b>	<b>2,563,150</b>	<b>4,576,650</b>	<b>1,508,558</b>	<b>4,202,749</b>
Unearned interest income	(647,384)	(601,673)	(379,846)	(561,910)
<b>Finance lease receivables, net of unearned income</b>	<b>1,915,766</b>	<b>3,974,977</b>	<b>1,128,712</b>	<b>3,640,839</b>
Impaired lease receivables	62,896	205,029	49,697	162,083
Specific provision	(44,594)	(137,912)	(39,410)	(128,963)
<b>Impaired lease receivables, net</b>	<b>18,302</b>	<b>67,117</b>	<b>10,287</b>	<b>33,120</b>
<b>Finance lease receivables, net</b>	<b>1,934,068</b>	<b>4,042,094</b>	<b>1,138,999</b>	<b>3,673,959</b>

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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:

30 June 2022	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	3,150,171	1,876,315	987,339	622,264	503,711	7,139,800
Unearned interest income	(583,000)	(311,230)	(193,477)	(94,492)	(66,858)	(1,249,057)
<b>Finance lease receivables, Net</b>	<b>2,567,171</b>	<b>1,565,085</b>	<b>793,862</b>	<b>527,772</b>	<b>436,853</b>	<b>5,890,743</b>

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)
<b>Finance lease receivables, Net</b>	<b>1,939,548</b>	<b>1,248,803</b>	<b>684,807</b>	<b>493,996</b>	<b>402,397</b>	<b>4,769,551</b>

As of 30 June 2022, the average compounded interest rates for finance lease receivables are 22.61% for TRY, 8.99% for USD, and 6.87% for EUR (31 December 2021: 18.04% for TRY, 8.80% for USD and 6.61% for EUR).

As at 30 June 2022 the aging of the lease receivables and related specific provisions are as follows:

	30 June 2022	31 December 2021
Neither past due nor impaired	5,591,842	4,484,217
Past due but not impaired	298,901	285,334
Impaired	267,925	211,780
Allowances for impairment	(182,506)	(168,373)
<b>Finance lease receivables, net</b>	<b>5,976,162</b>	<b>4,812,958</b>

	30 June 2022	31 December 2021
151-240 days	58,711	9,940
241-1 year	7,401	3,632
1 year and over	201,813	198,208
<b>Impaired lease receivables, net</b>	<b>267,925</b>	<b>211,780</b>

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 30 June 2022, details of the impaired lease receivables and related specific provisions are as follows:

	30 June 2022		31 December 2021	
	TRY	FC	TRY	FC
Impaired lease receivables	62,896	205,029	49,697	162,083
Specific provisions	(44,594)	(137,912)	(39,410)	(128,963)
<b>Impaired lease receivables, net</b>	<b>18,302</b>	<b>67.117</b>	<b>10,287</b>	<b>33,120</b>

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

	30 June 2022	31 December 2021
<b>Specific provisions at the beginning of the year</b>	<b>208,655</b>	<b>172,719</b>
Provision for the year	20,748	26,462
General loan loss provisions for the year (Note 16)	7,433	16,894
Collections during the year	(6,614)	(7,419)
<b>Specific provisions at the end of the year</b>	<b>230,222</b>	<b>208,655</b>

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

	30 June 2022	31 December 2021
Mortgage	40,261	31,570
Other	3,293	5,865
<b>Total collateral</b>	<b>43,554</b>	<b>37,435</b>

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.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

### 7 - TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 30 June 2022:

	1 January 2022	Additions	Disposals	30 June 2022
<b>Cost:</b>				
Buildings	24,940	-	-	24,940
Motor vehicles	8,523	-	(1,292)	7,231
Furniture and fixture	2,089	76	(6)	2,159
Other tangible assets	696	57	-	753
Right of use intangible assets (*)	199	29	(20)	208
	<b>36,447</b>	<b>162</b>	<b>(1,318)</b>	<b>35,291</b>
<b>Accumulated depreciation:</b>				
Buildings	(4,617)	(316)	-	(4,933)
Motor vehicles	(1,141)	(723)	258	(1,606)
Furniture and fixture	(1,003)	(163)	2	(1,164)
Other tangible assets	(659)	(60)	-	(719)
Right of use intangible assets (*)	(37)	(34)	20	(51)
	<b>(7,457)</b>	<b>(1,296)</b>	<b>280</b>	<b>(8,473)</b>
<b>Net Book Value</b>	<b>28,990</b>	<b>(1,134)</b>	<b>(1,038)</b>	<b>26,818</b>

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

Movement in tangible assets in the period from 1 January to 30 June 2021 is as follows:

	1 January 2021	Additions(*)	Disposals	30 June 2021
<b>Cost:</b>				
Buildings	24,940	-	-	24,940
Motor vehicles	3,188	3,690	(416)	6,462
Furniture and fixture	1,773	420	(107)	2,086
Other tangible assets	692	4	-	696
Right of use in tangible assets (*)	85	211	(58)	238
	<b>30,678</b>	<b>4,325</b>	<b>(581)</b>	<b>34,422</b>
<b>Accumulated depreciation:</b>				
Buildings	(3,985)	(316)	-	(4,301)
Motor vehicles	(723)	(646)	149	(1,120)
Furniture and fixture	(773)	(169)	98	(844)
Other tangible assets	(546)	(57)	-	(603)
Right of use in tangible assets (*)	(48)	(23)	18	(53)
	<b>(6,075)</b>	<b>(1,211)</b>	<b>265</b>	<b>(7,021)</b>
<b>Net Book Value</b>	<b>24,603</b>	<b>3,114</b>	<b>(316)</b>	<b>27,401</b>

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

As 30 June 2022 and 31 December 2021, there is no mortgage on the tangible assets of the Company.

As of 30 June 2021 total insurance coverage for tangible assets of the Company is TRY 37,272 (31 December 2021: 34,301 TRY).

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 8 - INTANGIBLE ASSETS

Movement in intangible assets in the period from 1 January to 30 June 2021 is as follows:

	1 January 2022	Additions	Disposals	30 June 2022
<i>Cost:</i>				
Software	4,210	66	-	4,276
	<b>4,210</b>	<b>66</b>	<b>-</b>	<b>4,276</b>
<i>Accumulated amortization:</i>				
Software	(3,526)	(244)	-	(3,770)
	<b>(3,526)</b>	<b>(244)</b>	<b>-</b>	<b>(3,770)</b>
<b>Net book value</b>	<b>684</b>			<b>506</b>

Movement in intangible assets in the period from 1 January to 30 June 2021 is as follows:

	1 January 2021	Additions	Disposals	30 June 2021
<i>Cost:</i>				
Software	3,944	112	-	4,056
	<b>3,944</b>	<b>112</b>	<b>-</b>	<b>4,056</b>
<i>Accumulated amortization:</i>				
Software	(2,977)	(279)	-	(3,256)
	<b>(2,977)</b>	<b>(279)</b>	<b>-</b>	<b>(3,256)</b>
<b>Net book value</b>	<b>967</b>			<b>800</b>

#### 9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None.

**VAKIF FİNANSAL KİRALAMA A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

**10 - TAX ASSETS AND LIABILITIES**

	<b>30 June 2022</b>	<b>31 December 2021</b>
Social Security Premiums	528	403
Income tax	247	289
VAT payable	156	129
Stamp tax	8	10
	<b>939</b>	<b>831</b>

	<b>30 June 2022</b>	<b>31 December 2021</b>
Tax provision	67,107	33,433
Less: Prepaid taxes	(9,894)	(897)
<b>Current income tax liabilities, net</b>	<b>57,213</b>	<b>32,536</b>

	<b>30 June 2022</b>	<b>31 December 2021</b>
<b>Tax expense</b>		
Corporate tax expense for the period	(67,107)	(33,433)
Deferred tax income/expense effect	2,457	(3,585)
	<b>(64,650)</b>	<b>(37,018)</b>

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

	<b>30 June 2022</b>	<b>31 December 2021</b>
Profit before taxes	255,855	165,089
Theoretical tax expense with 25% tax rate	(63,964)	(41,272)
General loan loss provision not subjected to deferred tax	(1,858)	(4,224)
Other <sup>(*)</sup>	1,172	(8,478)
<b>Current year tax expense</b>	<b>(64,650)</b>	<b>(37,018)</b>

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

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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.

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

In the financial statements as at 30 June 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).

As mentioned above, as of 30 June 2022, the Company's management recorded deferred tax asset amounting to TRY 126,362 from unused investment according to constitutional court decision (31 December 2021: TRY 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:

	<b>Total Temporary differences</b>		<b>Deferred tax assets/ (liabilities)</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
Derivative instruments	119,193	21,516	29,798	4,949
Lease Asset Receivable Impairment	67,585	67,617	16,896	15,552
Provision for employee termination benefit	7,202	4,792	1,801	958
Other short term employee benefits	6,342	2,371	1,586	545
Provision for unused vacations	860	557	215	128
Debts from leasing transactions	169	171	42	39
Unused investment incentives- stoppage included	-	36,609	-	1,171
<b>Deferred tax assets</b>	<b>201,351</b>	<b>133,633</b>	<b>50,338</b>	<b>23,342</b>
Finance lease income accruals	(212,141)	(134,436)	(53,035)	(30,920)
Tangible and intangible assets revaluation difference	(20,865)	(20,865)	(2,608)	(2,086)
Subsidiary revaluation fund	(24,294)	(24,294)	(1,518)	(1,214)
Others	(8,270)	(3,758)	(2,068)	(864)
<b>Deferred tax liabilities</b>	<b>(265,570)</b>	<b>(183,353)</b>	<b>(59,229)</b>	<b>(35,084)</b>
<b>Deferred tax assets, (net)</b>	<b>(64,219)</b>	<b>(49,720)</b>	<b>(8,891)</b>	<b>(11,742)</b>

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 10 - TAX ASSETS AND LIABILITIES (Continued)

The movement for deferred tax assets is as follows:

	30 June 2022	31 December 2021
1 January	(11,742)	(8,299)
Current year deferred tax income/expense	(2,457)	(3,585)
Deferred tax income/expense recorded under Equity	394	142
30 June	(8,891)	(11,742)

#### 11 - OTHER ASSETS

As at 30 June 2022 and 31 December 2021, details of other assets are as follows:

	30 June 2022		31 December 2021	
	TRY	FC	TRY	FC
Advances given for leasing transactions	661,610	179,843	112,884	118,759
Investments under leasing	29,134	701,339	12,925	359,852
Prepaid expenses	1,463	14,706	2,921	13,259
Other receivables regarding leasing transactions	6,114	8,881	4,544	3,680
Checks received	-	4,880	-	7,601
Other	1,784	736	1,127	2,245
<b>Total other assets</b>	<b>700,105</b>	<b>910,385</b>	<b>134,401</b>	<b>505,396</b>

#### 12 - BORROWINGS

As at 30 June 2022, details of the borrowings are as follows:

	30 June 2022		31 December 2021	
	TRY	FC	TRY	FC
Domestic banks	3,877,555	2,195,978	957,605	3,196,911
Foreign banks	-	1,077,197	-	978,938
<b>Total Borrowings</b>	<b>3,877,555</b>	<b>3,273,175</b>	<b>957,605</b>	<b>4,175,849</b>



# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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
30 June 2022						
Borrowings from domestic banks:						
Fixed rate borrowings						
TRY	871,030	13.83	60,963	694,785	115,282	871,030
EUR (thousand)	68,127	2.92	322,969	581,658	289,115	1,193,742
USD (thousand)	4,304	3.44	57,202	5,711	8,839	71,752
Floating rate borrowings:						
TRY	3,006,525	4.75	9,051	1,158,783	1,838,691	3,006,525
EUR (thousand)	53,103	2.92	112,612	274,601	543,271	930,484
Total borrowing from domestic banks			562,797	2,715,538	2,795,198	6,073,533
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	31,069	3.80	89,239	-	455,162	544,401
Floating rate borrowings						
EUR(thousand)	16,119	1.24	30,364	42,592	209,493	282,449
USD(thousand)	15,018	3.08	-	-	250,347	250,347
Total borrowings from foreign banks			119,603	42,592	915,002	1,077,197
Total borrowings			682,400	2,758,130	3,710,200	7,150,730

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

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 13 - LEASE LIABILITIES

As at 30 June 2022 details of lease liabilities are as follows:

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Right of use of Real Estates.	169	-	171	-
<b>Total lease liabilities</b>	<b>169</b>	<b>-</b>	<b>171</b>	<b>-</b>

#### 14 - SECURITIES ISSUED

None.

#### 15 – DERIVATIVE INSTRUMENTS

As of 30 June 2022, derivative financial liabilities held for trading consist of the fair value difference arising from the Company's cross currency swap transactions, amounting to TL 119,193 (31 December 2021: TL 21,516).

#### 16 - PROVISIONS

As at 30 June 2022 details of provisions for liabilities and charges are as follows:

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
General loan loss provisions for financial lease receivables <sup>(*)</sup> (Note 6)	9,492	38,224	5,112	35,170
Reserve for employee benefits	14,404	-	7,720	-
<i>Reserve for employee termination benefit</i>	<i>7,202</i>	<i>-</i>	<i>4,792</i>	<i>-</i>
<i>Provision for unused vacations</i>	<i>1,365</i>	<i>-</i>	<i>851</i>	<i>-</i>
<i>Reserve for bonuses</i>	<i>860</i>	<i>-</i>	<i>557</i>	<i>-</i>
<i>Provisions for other employee rights</i>	<i>4,977</i>	<i>-</i>	<i>1,520</i>	<i>-</i>
<b>Total provisions</b>	<b>23,896</b>	<b>38,224</b>	<b>12,832</b>	<b>35,170</b>

<sup>(\*)</sup> 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.

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 16 – PROVISIONS (Continued)

	30 June 2022	30 June 2021
At the beginning of the year	4,792	3,405
Interest expenses	452	218
Service cost	251	173
Payments during the year	(264)	(209)
Actuarial gain/loss <sup>(*)</sup>	1,971	106
<b>At the end of the year</b>	<b>7,202</b>	<b>4,693</b>

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

#### 17 - OTHER LIABILITIES

As at 30 June 2022 details of other liabilities are as follows:

	30 June 2022		31 December 2021	
	TRY	FC	TRY	FC
Advances received <sup>(*)</sup>	190,394	260,286	65,843	176,062
Other trade payables	11,079	404,055	7,613	90,641
Deferred income	3,457	8,333	1,718	4,351
<b>Total other liabilities</b>	<b>204,930</b>	<b>672,674</b>	<b>75,174</b>	<b>271,054</b>

(\*) Advances received consist of rent advances received from the customers in respect to financial lease contracts for the machinery and equipment that are not delivered to the customers.

#### 18 - EQUITY

##### Share capital

As at 30 June 2022, the share in capital of the Company amounts to TRY 2,000,000 and composed of 60.000.000.000 shares with a face value of TRY0.01 each (31 December 2021: capital shares TRY1,000,000, nominal value: 50.000.000.000 shares).

As at 30 June 2022 and 31 December 2021, the share capital and ownership structure of the Company is as follows:

	30 June 2022		31 December 2021	
	Amount of Share(TRY)	Share Percentage (%)	Amount of Share(TRY)	Share Percentage (%)
Vakıfbank	352,274	58.71	293,562	62.61
Publicly traded <sup>(*)</sup>	171,091	28.52	97,089	20.70
Türkiye Sigorta A.Ş.	76,635	12.77	78,244	16.69
<b>Paid-in capital</b>	<b>600,000</b>	<b>100%</b>	<b>468,895</b>	<b>100%</b>

(\*) The ratio is calculated from the shares of the Company registered at Takasbank.

(\*\*) With the decision taken on October 7, 2021, the Board of Directors of the Company has decided to increase its paid-in capital as 100% paid-in. As of 31 December 2021, 218,895 TL of the increased amount has been collected. The collection of the remaining portion was completed in 2022, and the registration process regarding the capital increase was completed as of January 31, 2022.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

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**18 - EQUITY (Continued)**

**Capital reserves**

As at 30 June 2022, capital reserves amounted to TRY 1,771 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2021: TRY 513).

As at 30 June 2022, revaluation difference on tangible assets amounting to TRY 18,779 (31 December 2021: TRY 18,779) is accounted directly in equity. As at 30 June 2022, the marketable securities valuation differences amounts to TRY 23,080 (31 December 2021: TRY 23,080).

**Profit reserves**

As at 30 June 2022, profit reserves of the Company consists of first legal reserves amounting to TRY 20,737 (31 December 2021: TRY14,333) and extraordinary reserves amounting to TRY 71,945 (31 December 2021: TRY50,278).

**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.

At the Annual General Assembly held on 31 March 2022, due to the 2020 year end gain amounting TRY 6,404 which corresponds to 5% of the net profit of TRY 128,071 as the legal reserve adding to the capital TRY 100,000 to give bonus shares and to reserve extraordinary reserve TRY 21,667.

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 19 - OPERATING EXPENSES

For the period ended 30 June 2022, general administrative expenses included in the operating expenses are as follow:

	30 June 2022	30 June 2021
Advertising expenses	5,851	-
General administration expenses	2,447	1,475
Depreciation and amortization expenses	1,540	1,490
Consultancy expenses	864	591
Court expenses	647	486
Notary expenses	582	270
Transportation expenses	491	229
Non-deductible expenses	338	163
Taxes, duties and charges expenses	167	102
Printing, stationery, and office expenses	153	12
Marketing expenses	127	70
Registration expenses	117	41
Other operating expenses	850	433
<b>Total general administrative expenses</b>	<b>14,174</b>	<b>5,362</b>

For the period ended 30 June 2022, personnel expenses included in the operating expenses are as follows:

	30 June 2022	30 June 2021
Salaries	16,917	7,591
Social security premiums and other contributions	1,939	1,105
Personnel insurance expense	702	583
Other personnel expenses	1,157	517
<b>Total personnel expenses</b>	<b>20,715</b>	<b>9,796</b>

**VAKIF FİNANSAL KİRALAMA A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

**20 - OTHER OPERATING INCOME/EXPENSE**

For the period ended 30 June 2022, personnel expenses included in the operating expenses are as follows:

	30 June 2022	30 June 2021
Foreign exchange gains	235,936	-
Interest income from bank deposits	42,391	5,083
Derivative trading profit	29,119	1,437
Provisions no longer required	6,879	4,301
Interest income from non-performing loans	5,427	3,124
Delinquent interest income	2,442	5,887
Income from sales of fixed assets and assets held for sale	2,065	1,079
Dividend income	250	250
Operating lease income	12	10
Other income	3,156	2,552
<b>Total other operating income</b>	<b>327,677</b>	<b>23,723</b>

**Other operating expenses:**

	30 June 2022	30 June 2021
Loss on derivative financial transactions	108,063	169
Loss on exchange transactions	-	234
Other expense	313	671
<b>Total other operating expenses</b>	<b>108,376</b>	<b>1,074</b>

**21 - EARNINGS PER SHARE**

	30 June 2022	30 June 2021
At the beginning of the year		
Total number of outstanding shares	46,894,556,000	46,894,556,000
At the end of the year		
<b>Total number of outstanding shares</b>	<b>60,000,000,000</b>	<b>56,895,000,000</b>
	30 June 2022	30 June 2021
<b>Net income for the period</b>	<b>191,205</b>	<b>45,551</b>
Weighted average number of outstanding shares with a nominal value of TRY 0.01	60,000,000,000	56,800,000,000
<b>Earnings per share (TRY)</b>	<b>0.319</b>	<b>0.080</b>

**VAKIF FİNANSAL KİRALAMA A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022**

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

**22- TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

As at 30 June 2022, details of related party balances are as follows:

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Türkiye Vakıflar Bankası T.A.O.	663,231	836,292	207,431	538,956
<b>Bank Deposits</b>	<b>663,231</b>	<b>836,292</b>	<b>207,431</b>	<b>538,956</b>
Vakıf Faktoring A.Ş.	22,288	-	22,288	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	4,925	-	2,646	-
Vakıf Yatırım Menkul Değerler A.Ş.	1,500	-	1,500	-
<b>Financial assets for which fair value difference is recognised through other comprehensive income</b>	<b>28,713</b>	<b>-</b>	<b>26,434</b>	<b>-</b>
Türkiye Vakıflar Bankası T.A.O.	3,544,048	464,062	720,048	481,386
Vakıfbank International AG	-	-	-	4,953
<b>Borrowings</b>	<b>3,544,048</b>	<b>464,062</b>	<b>720,048</b>	<b>486,339</b>
Türkiye Sigorta A.Ş.	50,638	-	10,181	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	38	-	-	-
<b>Payables to related parties</b>	<b>50,676</b>	<b>-</b>	<b>10,213</b>	<b>-</b>
		<b>30 June 2022</b>	<b>30 June 2021</b>	
Türkiye Vakıflar Bankası T.A.O.		33,374	4,512	
<b>Interest income from related parties</b>		<b>33,374</b>	<b>4,512</b>	
Türkiye Vakıflar Bankası T.A.O. - interest expense		159,056	17,571	
Vakıfbank International AG- interest expense		87	337	
<b>Finance expenses of related parties</b>		<b>159,143</b>	<b>17,908</b>	
Türkiye Sigorta A.Ş.		9,955	1,617	
Vakıf Yatırım Menkul Değerler A.Ş.		250	-	
Vakıf Faktoring A.Ş.		19	14	
<b>Other incomes of related parties</b>		<b>10,224</b>	<b>1,631</b>	
Türkiye Vakıflar Bankası T.A.O.		16,197	1,134	
Türkiye Sigorta A.Ş.		523	435	
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.		245	194	
Vakıf Yatırım Menkul Değerler A.Ş.		198	36	
Türkiye Hayat ve Emeklilik A.Ş.		52	16	
Vakıf Faktoring A.Ş.		21	4	
<b>Other expenses of related parties</b>		<b>17,236</b>	<b>1,819</b>	

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 22- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

##### Executive management compensations

As at 30 June 2022, Company's executive management compensations are as follows:

	30 June 2022	30 June 2021
Fees and other short term benefits	2,218	1,029
<b>Total</b>	<b>2,218</b>	<b>1,029</b>

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

#### 23 - CONTINGENT ASSETS AND LIABILITIES

##### Collaterals received

As at 30 June 2022, the collaterals obtained by the Company against finance lease receivables are as follows:

	30 June 2022		31 December 2021	
	TRY	FC	TRY	FC
Received guarantees	27,941,777	69,501,053	8,719,610	60,928,050
Mortgages	1,114,887	4,288,103	976,212	3,799,781
Assignment of claims	813,427	2,089,999	837,778	1,829,615
Company share pledge	1,061,488	70,843	1,074,588	55,154
Cash blockage	4,390	4,798	860	5,915
Letters of guarantee	-	-	4,001	10
Others	220,759	1,196,197	143,982	589,416
<b>Total</b>	<b>31,156,728</b>	<b>77,150,993</b>	<b>11,757,031</b>	<b>67,207,941</b>

##### Commitments

As at 30 June 2022, the Company has irrevocable commitments amounted to TRY 831,782 (31 December 2021 TRY 663,983) arising from letter of credits used for the tangible asset purchases and accreditive risks. The distribution of the commitments according to currency types is as follows:

	30 June 2022	31 December 2021
TRY	436,246	211,496
EUR	345,272	400,899
USD	50,264	51,588
<b>Total</b>	<b>831,782</b>	<b>663,983</b>



## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 23 - CONTINGENT ASSETS AND LIABILITIES (Continued)

##### *Revocable Commitments*

As at 30 June 2022, Company's financial lease commitments amounting to TRY 2,282,424 (31 December 2021: TRY : 1,423,044).

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Financial lease commitment	1,133,411	1,149,013	334,663	1,088,381
<b>Total</b>	<b>1,133,411</b>	<b>1,149,013</b>	<b>334,663</b>	<b>1,088,381</b>

##### **Derivative financial instruments**

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Swap purchases	495,625	-	55,195	-
Swap sales	-	596,212	-	73,412
<b>Total</b>	<b>495,625</b>	<b>596,212</b>	<b>55,195</b>	<b>73,412</b>

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

**24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Credit Risk**

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Company aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and obtaining sufficient collaterals for the loans provided. Besides, the Company analyze 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 that fair value difference is reflected in profit/loss
- Banks,
- Other receivables.

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

### 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Credit Risk (Continued)

As at 30 June 2022, exposure to credit risk based on categories of financial instruments is as follows:

30 June 2022	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>5,976,162</b>	<b>17,519</b>	<b>1,521,054</b>	-	-	<b>7,514,735</b>
- The portion of maximum risk covered by guarantees	2,492,546	-	-	-	-	2,492,546
A. Net carrying value of financial assets which are neither impaired nor overdue	5,591,842	17,519	1,521,054	-	-	7,130,415
- The portion covered by guarantees	2,448,992	-	-	-	-	2,448,992
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	298,901	-	-	-	-	298,901
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	85,419	-	-	-	-	85,419
- Overdue (gross)	267,925	-	-	-	-	267,925
- Impairment (-)	(182,506)	-	-	-	-	(182,506)
- Net book value covered by guarantees	43,554	-	-	-	-	43,554
- Not past due (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

### 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Credit Risk (Continued)

31 December 2021	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>4,812,958</b>	<b>19,198</b>	<b>779,199</b>	<b>-</b>	<b>-</b>	<b>5,611,355</b>
- 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	-	-	-	-	-	-

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 30 June 2022, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	30 June 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Manufacturing	2,856,084	48.48	2,357,136	49.42
Construction	1,284,614	21.81	1,038,426	21.77
Wholesale, retail and trading	763,728	12.96	685,307	14.37
Real estate commissions and renting	319,703	5.43	188,787	3.96
Health and social services	166,587	2.83	93,709	1.96
Mining	126,852	2.15	97,238	2.04
Education	89,694	1.52	101,327	2.12
Transportation, warehousing and communication	80,052	1.36	69,288	1.45
Agriculture	74,500	1.26	54,980	1.15
Hotels and restaurants	73,829	1.25	63,598	1.33
Financial intermediary services	41,576	0.71	6,297	0.13
Other social and individual services	10,629	0.18	9,780	0.21
Other	2,895	0.06	3,678	0.09
<b>Total</b>	<b>5,890,743</b>	<b>100</b>	<b>4,769,551</b>	<b>100</b>

#### 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 table below provides the analysis of the Company's non-derivative financial liabilities by making the appropriate maturity order, based on the remaining period until the maturity date of the contract as of the balance sheet date. The following table provides undiscounted cash flows with respect to the contractual (or expected) maturities of the Company's financial liabilities

30 June 2022	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	7,150,730	8,485,798	1,728,612	2,316,063	1,913,375	2,527,748	-
Other liabilities	877,604	877,604	877,604	-	-	-	-
<b>Total</b>	<b>8,028,334</b>	<b>9,363,402</b>	<b>2,606,216</b>	<b>2,316,063</b>	<b>1,913,375</b>	<b>2,527,748</b>	<b>-</b>

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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	-	-	-	-
<b>Total</b>	<b>5,479,682</b>	<b>5,722,204</b>	<b>2,722,338</b>	<b>718,931</b>	<b>1,289,521</b>	<b>991,414</b>	<b>-</b>

#### 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, foreign exchange rates. 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 TRY 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 at 30 June 2022, the Company's foreign currency assets and liabilities with their TRY equivalents are as follows:

30 June 2022	US Dollar	Euro	GBP	CHF	Total
Cash and Cash equivalents, Banks	628,298	212,340	31	17	840,686
Financial assets measured at amortized cost, net <sup>(1)</sup>	792,169	3,182,808	-	-	3,974,977
Other Assets	210,091	699,695	242	357	910,385
<b>Total assets</b>	<b>1,630,558</b>	<b>4,094,843</b>	<b>273</b>	<b>374</b>	<b>5,726,048</b>
Borrowing	322,099	2,951,076	-	-	3,273,175
Provisions	183	38,041	-	-	38,224
Other liabilities	323,347	349,268	9	50	672,674
<b>Total liabilities</b>	<b>645,629</b>	<b>3,338,385</b>	<b>9</b>	<b>50</b>	<b>3,984,073</b>
<b>Net financial statement position</b>	<b>984,929</b>	<b>756,458</b>	<b>264</b>	<b>324</b>	<b>1,741,975</b>
<b>Net off-balance sheet items position (333,380)</b>		<b>(262,832)</b>	<b>-</b>	<b>-</b>	<b>(596,212)</b>
<b>Net foreign currency position</b>	<b>651,549</b>	<b>493,626</b>	<b>264</b>	<b>324</b>	<b>1,145,763</b>

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

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

### 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Currency risk (Continued)

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

<sup>(1)</sup> Impaired receivables which is stated as FC in financial statements are not included.

#### Foreign currency sensitivity analysis

The effects of 10 percent change of the TRY against the following currencies on the statement of income and equity for the years ended 30 June 2022 and 31 December 2021 are shown below.

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

	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>30 June 2022</b>				
<b>10% change of the US Dollar against TRY</b>				
1-Net USD asset/liability	65,154	(65,154)	65,154	(65,154)
2-Hedged portion of TRY against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>65,154</b>	<b>(65,154)</b>	<b>65,154</b>	<b>(65,154)</b>
<b>10% change of the Euro against TRY</b>				
4-Net Euro asset/liability	49,363	(49,363)	49,363	(49,363)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>49,363</b>	<b>(49,363)</b>	<b>49,363</b>	<b>(49,363)</b>
<b>10% change of the CHF against TRY</b>				
7-Net CHF asset/liability	32	(32)	32	(32)
8-Hedged portion of TRY against CHF (-)	-	-	-	-
<b>9-Net effect of CHF (7+8)</b>	<b>32</b>	<b>(32)</b>	<b>32</b>	<b>(32)</b>
<b>10% change of the GBP against TRY</b>				
10-Net GBP asset/liability	27	(27)	27	(27)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
<b>12-Net effect of GBP (10+11)</b>	<b>27</b>	<b>(27)</b>	<b>27</b>	<b>(27)</b>
<b>TOTAL (3+6+9+12)</b>	<b>114,576</b>	<b>(114,576)</b>	<b>114,576</b>	<b>(114,576)</b>

# VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") 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
<b>31 December 2021</b>				
<b>10% change of the US Dollar against TRY</b>				
1-Net USD asset/liability	11,077	(11,077)	11,077	(11,077)
2-Hedged portion of TRY against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>11,077</b>	<b>(11,077)</b>	<b>11,077</b>	<b>(11,077)</b>
<b>10% change of the Euro against TRY</b>				
4-Net Euro asset/liability	2,065	(2,065)	2,065	(2,065)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>2,065</b>	<b>(2,065)</b>	<b>2,065</b>	<b>(2,065)</b>
<b>10% change of the CHF against TRY</b>				
7-Net CHF asset/liability	1	(1)	1	(1)
8-Hedged portion of TRY against CHF (-)	-	-	-	-
<b>9-Net effect of CHF (7+8)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
<b>10% change of the GBP against TRY</b>				
10-Net GBP asset/liability	7	(7)	7	(7)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
<b>12-Net effect of GBP (10+11)</b>	<b>7</b>	<b>(7)</b>	<b>7</b>	<b>(7)</b>
<b>TOTAL (3+6+9+12)</b>	<b>13,150</b>	<b>(13,150)</b>	<b>13,150</b>	<b>(13,150)</b>

(\*) 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 company with appropriate distribution between fixed and variable rate borrowings.

As at 30 June 2022 and 31 December 2021, the interest bearing financial assets and liabilities of the Company are as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
<b>Financial assets and liabilities with fixed interest rate</b>		
Time deposits	1,509,818	761,506
Finance lease receivables, net	5,890,743	4,769,551
Borrowing	2,680,925	3,178,980
Securities issued	-	-
<b>Financial assets and liabilities with floating rate</b>		
Borrowing	4,469,805	1,954,474



## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

##### *Interest rate sensitivity analysis*

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 30 June 2022 and effect on net interest income(excluding tax implications) of floating rate non-trading financial assets and financial liabilities held.

30 June 2022	Profit or Loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(447)	447	(447)	447
<b>Total, net</b>	<b>(447)</b>	<b>447</b>	<b>(447)</b>	<b>447</b>

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

(\*) 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 12% (31 December 2021: 13%). As of 30 June 2022 and 31 December 2021, the debt to equity ratio is as follows:

	30 June 2022	31 December 2021
Borrowing	7,150,730	5,133,454
Other liabilities	877,604	346,228
<b>Total Liabilities</b>	<b>8,028,334</b>	<b>5,479,682</b>
<b>Total Equity</b>	<b>924,435</b>	<b>702,444</b>
<b>Equity/Debt ratio</b>	<b>%12</b>	<b>%13</b>

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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

	<b>30 June 2022</b>		<b>31 December 2021</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b><i>Financial assets</i></b>				
Finance lease receivables, net	5,890,743	5,263,523	4,769,551	4,361,756
Banks	1,521,054	1,521,054	779,199	779,199
<b><i>Financial liabilities</i></b>				
Borrowings	7,150,730	7,271,716	5,133,454	5,169,549
Other liabilities	877,604	877,604	346,228	346,228

##### *Classification of Fair Value Measurement*

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

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

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

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

Classification requires using observable market data if possible.

## VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2022

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

#### 25 - FINANCIAL INSTRUMENTS (Continued)

##### *Classification of Fair Value Measurement (Continued)*

As at 30 June 2022 and 31 December 2021, The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

30 June 2022	1. Level	2. Level	3. Level	Total
Financial assets which fair value difference reflected to other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	28,713	28,713
Financial assets which fair value difference reflected to profit/loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
<b>Total Financial Assets/Liabilities</b>			<b>28,713</b>	<b>28,713</b>

(\*) 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 which fair value difference reflected to other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	26,434	26,434
Financial assets which fair value difference reflected to profit/loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
<b>Total Financial Assets/Liabilities</b>			<b>26,434</b>	<b>26,434</b>

(\*) 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

	30 December 2022	31 December 2021
Balance at the beginning of the period	26,434	25,618
Capital increase	2,279	-
Total gains for the period recognized in equity	-	816
<b>Balance at the end of the period</b>	<b>28,713</b>	<b>26,434</b>

#### 26 - EVENTS AFTER THE REPORTING PERIOD

Regarding the shares of Türkiye Sigorta AŞ., Vakıf Finansal Kiralama AŞ (VAKFN) on 4 August 2022; With a special order, 20,000,000 lots were sold to Türkiye Vakıflar Bankası T.A.O at a price of 2.45 TL, and 5,500,000 lots were sold to various investors at a price of 2.47 TL with a market order. In total, 25.5 million VAKFN shares were sold at an average price of 2.45 TL. As a result of the sales transactions, the share of Türkiye Sigorta AŞ in the capital of Vakıf Finansal Kiralama AŞ decreased to 8.25%, while the shares of T.Vakıflar Bankası TAO increased to 62.05%.