

VAKIF FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT

AUDITOR'S REPORT AT 30 JUNE 2024

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

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

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, 2024 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 "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 and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted 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 that might be 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.

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

Tolga Özdemir, SMMM
Partner

30 July 2024
İstanbul, Türkiye

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET).....	1-2
OFF-BALANCE SHEET ITEMS.....	3
STATEMENT OF PROFIT OR LOSS.....	4
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	5
STATEMENT OF CHANGES IN EQUITY	6-7
STATEMENT OF CASH FLOW	8
NOTES TO THE FINANCIAL STATEMENTS	9-55
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY	9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	10-27
NOTE 3 SEGMENT REPORTING	27
NOTE 4 CASH AND CASH EQUIVALENTS	27
NOTE 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME.....	28
NOTE 6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	28
NOTE 7 LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES	29-31
NOTE 8 TANGIBLE ASSETS.....	32
NOTE 9 INTANGIBLE ASSETS.....	33
NOTE 10 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	33
NOTE 11 TAX ASSETS AND LIABILITIES	34-36
NOTE 12 OTHER ASSETS	36
NOTE 13 BORROWINGS	36-37
NOTE 14 LEASE LIABILITIES.....	38
NOTE 15 SECURITIES ISSUED.....	38
NOTE 16 DERIVATIVE FINANCIAL ASSETS	38
NOTE 17 PROVISIONS	39
NOTE 18 OTHER LIABILITIES	39
NOTE 19 EQUITY	40
NOTE 20 OPERATING EXPENSES.....	41
NOTE 21 OTHER OPERATING INCOME/EXPENSE	42
NOTE 22 EARNINGS PER SHARE.....	42
NOTE 23 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	43-44
NOTE 24 CONTINGENT ASSETS AND LIABILITIES	44-45
NOTE 25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	45-53
NOTE 26 FINANCIAL INSTRUMENTS	54-55
NOTE 27 OTHER ISSUES	55
NOTE 28 SUBSEQUENT EVENTS	55

VAKIF FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 JUNE 2024

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

ASSETS	Note	Current Period 30 June 2024			Prior Period 31 December 2023		
		TRY	FC	Total	TRY	FC	Total
I. CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	4	809,633	2,179,360	2,988,993	1,605,681	1,131,496	2,737,177
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	-	-	-	-	626,179	626,179
III. DERIVATIVE FINANCIAL ASSETS		-	-	-	-	-	-
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	6	104,561	-	104,561	104,561	-	104,561
V. FINANCIAL ASSETS AT AMORTISED COST (Net)	7	13,700,142	7,471,689	21,171,831	13,312,645	6,293,622	19,606,267
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)	7	13,624,781	7,324,087	20,948,868	13,269,897	6,264,053	19,533,950
5.4.1 Finance Lease Receivables		21,301,448	8,532,771	29,834,219	19,316,739	7,354,516	26,671,255
5.4.2 Operating Lease Receivables		-	-	-	-	-	-
5.4.3 Unearned Income (-)		(7,676,667)	(1,208,684)	(8,885,351)	(6,046,842)	(1,090,463)	(7,137,305)
5.5 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6 Non Performing Receivables	7	123,790	270,550	394,340	82,178	137,539	219,717
5.7 Allowance For Expected Credit Losses / Specific Provisions (-)	7	(48,429)	(122,948)	(171,377)	(39,430)	(107,970)	(147,400)
VI. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3 Jointly Controlled Partnerships (JointVentures) (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	8	152,627	-	152,627	158,974	-	158,974
VIII. INTANGIBLE ASSETS (Net)	9	3,365	-	3,365	1,121	-	1,121
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSETS	11	256,527	-	256,527	559,544	-	559,544
XI. DEFERRED TAX ASSET	11	-	-	-	-	-	-
XII. OTHER ASSETS	12	689,212	2,069,978	2,759,190	477,754	1,911,495	2,389,249
SUBTOTAL		15,716,067	11,721,027	27,437,094	16,220,280	9,962,792	26,183,072
XIII. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	10	49,500	-	49,500	49,500	-	49,500
13.1 Held for Sale		49,500	-	49,500	49,500	-	49,500
13.2 Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		15,765,567	11,721,027	27,486,594	16,269,780	9,962,792	26,232,572

The accompanying notes set out on pages 9 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 2024

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

LIABILITIES		Note	Current Period 30 June 2024			Prior Period 31 December 2023		
			TRY	FC	Total	TRY	FC	Total
I.	LOANS RECEIVED	13	10,885,603	10,690,098	21,575,701	12,024,426	8,119,287	20,143,713
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASE PAYABLES	14	6,012	-	6,012	6,666	-	6,666
V.	MARKETABLE SECURITIES (Net)	15	-	-	-	730,473	-	730,473
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VIII.	PROVISIONS	17	32,531	40	32,571	28,199	11,497	39,696
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		27,640	-	27,640	24,522	-	24,522
8.3	General Loan Loss Provisions	7	4,891	40	4,931	3,677	11,497	15,174
8.4	Other provisions		-	-	-	-	-	-
IX.	CURRENT TAX LIABILITIES	11	181,295	-	181,295	127,131	-	127,131
X.	DEFERRED TAX LIABILITY	11	163,864	-	163,864	171,447	-	171,447
XI.	SUBORDINATED DEBT		-	-	-	-	-	-
XII.	OTHER LIABILITIES	18	230,096	638,796	868,892	1,668,092	482,413	2,150,505
	SUBTOTAL		11,499,401	11,328,934	22,828,335	14,756,434	8,613,197	23,369,631
XIII.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND							
	DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	EQUITY	19	4,658,259	-	4,658,259	2,862,941	-	2,862,941
14.1	Issued capital		2,000,000	-	2,000,000	1,000,000	-	1,000,000
14.2	Capital Reserves		29,827	-	29,827	13,310	-	13,310
14.2.1	Equity Share Premiums		19,916	-	19,916	1,366	-	1,366
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		9,911	-	9,911	11,944	-	11,944
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In							
	Profit Or Loss		194,376	-	194,376	195,294	-	195,294
13.4	Other Accumulated Comprehensive Income That Will Be Reclassified In							
	Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		211,248	-	211,248	211,248	-	211,248
14.5.1	Legal Reserves		46,665	-	46,665	46,665	-	46,665
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		164,583	-	164,583	164,583	-	164,583
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Kâr veya Zarar		2,222,808	-	2,222,808	1,443,089	-	1,443,089
14.6.1	Prior Years' Profit or Loss		1,443,089	-	1,443,089	-	-	-
13.6.2	Current Period Net Profit Or Loss		779,719	-	779,719	1,443,089	-	1,443,089
TOTAL EQUITY AND LIABILITIES			16,157,660	11,328,934	27,486,594	17,619,375	8,613,197	26,232,572

The accompanying notes set out on pages 9 to 55 from an integral part of these financial statements.

VAKIF FİNANSAL KİRALAMA A.Ş.

OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2024

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

OFF-BALANCE SHEET ITEMS			Current Period			Prior Period		
			30 June 2024			31 December 2023		
	Note	TRY	FC	Total	TRY	FC	Total	
I.	RECOURSE FACTORING TRANSACTIONS		-	-	-	-	-	
II.	NON-RECOURSE FACTORING TRANSACTIONS		-	-	-	-	-	
III.	SAVING FINANCE AGREEMENTS TRANSACTIONS		-	-	-	-	-	
IV.	COLLATERALS RECEIVED	24	115,165,941	170,021,809	285,187,750	98,567,184	141,127,170	239,694,354
V.	COLLATERALS GIVEN		-	-	-	-	-	-
VI.	COMMITMENTS	24	1,565,812	4,225,638	5,791,450	2,812,044	2,395,088	5,207,132
6.1	Irrevocable Commitments		724,210	643,061	1,367,271	1,681,795	456,767	2,138,562
6.2	Revocable Commitments		841,602	3,582,577	4,424,179	1,130,249	1,938,321	3,068,570
6.2.1	Lease Commitments		841,602	3,582,577	4,424,179	1,130,249	1,938,321	3,068,570
6.2.1.1	Finance Lease Commitments		841,602	3,582,577	4,424,179	1,130,249	1,938,321	3,068,570
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
7.1	Derivative Financial Instruments Held For Hedging		-	-	-	-	-	-
7.1.1	Fair Value Hedges		-	-	-	-	-	-
7.1.2	Cash Flow Hedges		-	-	-	-	-	-
7.1.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
7.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
7.2.1	Forward Buy or Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Purchases/Sales		-	-	-	-	-	-
7.2.3	Option Purchases or Sales		-	-	-	-	-	-
7.2.4	Futures purchases/sales		-	-	-	-	-	-
7.2.5	Others		-	-	-	-	-	-
VIII.	ITEMS HELD IN CUSTODY		52,040,584	54,741,465	106,782,049	39,114,497	47,792,664	86,907,161
TOTAL OFF-BALANCE SHEET ITEMS			168,772,337	228,988,912	397,761,249	140,493,725	191,314,922	331,808,647

The accompanying notes set out on pages 9 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 2024

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

STATEMENT OF PROFIT OR LOSS	Note	Reviewed Current Period 1 January - 30 June 2024	Reviewed Current Period 1 January - 30 June 2023	Not Reviewed Current Period 1 April - 30 June 2024	Not Reviewed Prior Period 1 April - 30 June 2023
I. OPERATING INCOME		3,446,297	1,306,951	1,827,853	803,911
 FACTORING INCOME		-	-	-	-
1.1 Factoring Interest Income		-	-	-	-
1.1.1 Discounted		-	-	-	-
1.1.2 Other		-	-	-	-
1.2 Factoring Fee and Commission Income		-	-	-	-
1.2.1 Discounted		-	-	-	-
1.2.2 Other		-	-	-	-
 INCOME FROM FINANCING LOANS		-	-	-	-
1.3 Interest Income From Financing Loans		-	-	-	-
1.4 Fee and Commission Income From Financing Loans		-	-	-	-
 LEASE INCOME		3,446,297	1,306,951	1,827,853	803,911
1.5 Finance Lease Income		3,365,683	1,282,581	1,777,217	789,132
1.6 Operational Lease Income		-	-	-	-
1.7 Fee and Commission Income From Lease Operations		80,614	24,370	50,636	14,779
 SAVING FINANCE INCOME		-	-	-	-
1.8 Dividends Received from Savings Financing Receivables		-	-	-	-
1.9 Fees and Commissions Received from Savings Financing Activities		-	-	-	-
II. FINANCE COST (-)		(2,432,684)	(785,608)	(1,185,242)	(446,053)
2.1 Dividends on Savings Fund Pool		-	-	-	-
2.2 Interest Expenses on Funds Borrowed		(2,312,685)	(755,934)	(1,149,758)	(427,596)
2.3 Interest Expenses on Factoring Payables		-	-	-	-
2.4 Lease Interest Expenses		(780)	(30)	(378)	(16)
2.5 Interest Expenses on Securities Issued		(60,535)	-	(8,397)	-
2.6 Other Interest Expense		-	-	-	-
2.7 Fees and Commissions Paid		(58,684)	(29,644)	(26,709)	(18,441)
III. GROSS PROFIT (LOSS) (I+II)		1,013,613	521,343	642,611	357,858
IV. OPERATING EXPENSES (-)	17,20	(134,035)	(74,405)	(72,791)	(43,970)
4.1 Personnel Expenses		(96,036)	(48,631)	(55,526)	(27,868)
4.2 Provision Expense for Employment Termination Benefits		(2,594)	(1,436)	(1,297)	(718)
4.3 Research and development expense		-	-	-	-
4.4 General Operating Expenses		(35,405)	(24,338)	(15,968)	(15,384)
4.5 Other		-	-	-	-
V. GROSS OPERATING PROFIT (LOSS) (III+IV)		879,578	446,938	569,820	313,888
VI. OTHER OPERATING INCOME	21	369,539	823,434	156,181	621,038
6.1 Interest Income on Banks		291,954	241,240	124,605	82,028
6.2 Interest Income on Marketable Securities Portfolio		1,407	1,826	-	1,266
6.3 Dividend Income		-	-	-	-
6.4 Gains Arising from Capital Markets Transactions		-	-	-	-
6.5 Derivative Financial Transactions' Gains		-	-	-	-
6.6 Foreign Exchange Gains		-	530,749	-	522,979
6.7 Other		76,178	49,619	31,576	14,765
VII. PROVISION EXPENSES	7	(38,564)	(16,403)	(23,390)	(5,176)
7.1 Specific Provisions		(33,673)	(16,308)	(18,499)	(10,484)
7.2 Allowances For Expected Credit Losses		-	-	-	-
7.3 General Loan Loss Provisions		(4,891)	(95)	(4,891)	5,308
VIII. OTHER OPERATING EXPENSES (-)	21	(115,409)	(489)	(36,007)	(486)
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		-	-	-	-
8.5 Foreign Exchange Losses		(114,400)	-	(35,208)	-
8.6 Other		(1,009)	(489)	(799)	(486)
IX. NET OPERATING PROFIT (LOSS) (V+...+VIII)		1,095,144	1,253,480	666,604	929,264
X. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XI. PROFIT (LOSS) FROM COMPANIES ACCOUNTED FOR USING EQUITY METHOD		-	-	-	-
XII. NET MONETARY POSITION GAIN (LOSS)		-	-	-	-
XIII. PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX (IX+X+XI+XII)		1,095,144	1,253,480	666,604	929,264
XIV. TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	11	(315,425)	(310,882)	(195,167)	(232,125)
14.1 Current Tax Provision		(322,615)	(258,631)	(178,974)	(190,877)
14.2 Expense Effect of Deferred Tax		-	(52,251)	-	(41,248)
14.3 Income Effect of Deferred Tax		7,190	-	(16,193)	-
XV. NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS (XIII+XIV)		779,719	942,598	471,437	697,139
XVI. INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
16.1 Income on Assets Held for Sale		-	-	-	-
16.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-	-	-
16.3 Other Income on Discontinued Operations		-	-	-	-
XVII. EXPENSES ON DISCONTINUED OPERATIONS (-)		-	-	-	-
17.1 Expense on Assets Held for Sale		-	-	-	-
17.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-	-	-
17.3 Other Expenses on Discontinued Operations		-	-	-	-
XVIII. PROFIT (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-	-	-
XIX. TAX PROVISION FOR DISCONTINUED OPERATIONS (+/-)		-	-	-	-
19.1 Current Tax Provision		-	-	-	-
19.2 Expense Effect of Deferred Tax		-	-	-	-
19.3 Income Effect of Deferred Tax		-	-	-	-
XX. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-	-	-	-
XXI. NET PROFIT OR LOSS FOR THE PERIOD (XV+XX)		779,719	942,598	471,437	697,139
EARNINGS (LOSS) PER SHARE	22	0.6335	1.5710	0.3226	1.1619

The accompanying notes set out on pages 9 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 2024**

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

		Current Period 1 January - 30 June 2024	Prior Period 1 January - 30 June 2023
	Note		
I.	CURRENT PERIOD PROFIT/LOSS	779,719	942,598
II.	OTHER COMPREHENSIVE INCOME	(918)	(438)
2.1	Items that may not be Reclassified subsequently to Profit or Loss	(918)	(438)
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	17	(584)
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	393	146
2.2	Items that may be Reclassified subsequently to Profit or Loss	-	-
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2	Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income Valuation and/or Classification Income/Expenses of Financial Assets	-	-
2.2.3	Cash Flow Hedge Income/Losses	-	-
2.2.4	Investment Risk Hedge Income/Expenses Related to the Overseas Company	-	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	778,801	942,160

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

VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024

(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											
STATEMENT OF CHANGES IN EQUITY					Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period's Profit/(Loss)	Net Period Profit /(Loss)	Total Equity
I.	Prior Period (01.01. – 30.06.2024)																	
II.	Prior Year Period End Balance				1,000,000	1,366	-	11,944	108,815	(7,130)	93,609	-	-	-	211,248	1,443,089	-	2,862,941
	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)				1,000,000	1,366	-	11,944	108,815	(7,130)	93,609	-	-	-	211,248	1,443,089	-	2,862,941
IV.	Total Comprehensive Income				-	-	-	-	-	(918)	-	-	-	-	-	-	779,719	778,801
V.	Increase in Paid-in Capital				1,000,000	18,550	-	-	-	-	-	-	-	-	-	-	-	1,018,550
VI.	Capital Increase From Internal Resources				-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital				-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Bonds Convertible to Shares				-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans				-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes				-	-	-	(2,033)	-	-	-	-	-	-	-	-	-	(2,033)
XI.	Profit Distribution				-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividend Paid				-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves				-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Other				-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+.....+XI+XII)				2,000,000	19,916	-	9,911	108,815	(8,048)	93,609	-	-	-	211,248	1,443,089	779,719	4,658,259

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

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024

(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										
STATEMENT OF CHANGES IN EQUITY					Paid-in Capital(*)	Share Premium	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period's Profit/(Loss)	Net Period Profit /(Loss)	Total Equity
	Current Period (01.01. – 30.06.2023)																	
I.	Prior Year Period End Balance	600,000	1,366	-	296	76,531	(4,520)	40,018	-	-	-	92,682	518,566	-	-	-	-	1,324,939
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)	600,000	1,366	-	296	76,531	(4,520)	40,018	-	-	-	92,682	518,566	-	-	-	-	1,324,939
IV.	Total Comprehensive Income	-	-	-	-	-	(438)	-	-	-	-	-	-	-	-	942,598	-	942,160
V.	Increase in Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase From Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	7,360	-	-	-	-	-	-	-	-	-	-	-	-	7,360
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+XI+XII)		600,000	1,366	-	7,656	76,531	(4,958)	40,018	-	-	-	92,682	518,566	942,598	-	-	-	2,274,459

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

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

VAKIF FİNANSAL KİRALAMA A.Ş.

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2024

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

	Note	Current Period 1 January - 30 June 2024	Prior Period 1 January - 30 June 2023
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		1,185,698	975,897
1.1.1 Interests Received/ Leasing Income		3,646,191	1,318,082
1.1.2 Interest Paid/Leasing Expense		(2,336,359)	(774,646)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		80,613	24,384
1.1.5 Other Revenue Gained		76,178	49,619
1.1.6 Collections from Priorly Written-off Doubtful Receivables	7	24,830	15,426
1.1.7 Payments to Personnel and Service Suppliers		(111,332)	(55,293)
1.1.8 Taxes Paid		(275,702)	(99,379)
1.1.9 Other		81,279	497,704
1.2 Changes in Operating Assets and Liabilities		(1,976,547)	(601,763)
1.2.1 Net (Increase)/Decrease in Factoring Receivables		-	-
1.2.2 Net (Increase)/Decrease in Finance Loans		-	-
1.2.3 Net (Increase)/Decrease in Lease Receivables		(1,576,141)	(4,433,231)
1.2.4 Net (Increase)/Decrease in Other Assets		-	-
1.2.5 Net Increase/(Decrease) in Factoring Payables		(237,010)	(2,868,316)
1.2.6 Net Increase/(Decrease) in Lease Payables		-	-
1.2.7 Net Increase/(Decrease) in Funds Borrowed		-	-
1.2.8 Net Increase/(Decrease) in Liabilities Due		7,274	362
1.2.9 Net Increase/(Decrease) in Other Liabilities		1,335,663	6,272,643
1.2.10 Net increase (decrease) in Matured Payables		-	-
1.2.11 Net increase (decrease) in Other Liabilities		(1,506,333)	426,779
I. Net Cash Provided from Operating Activities		(790,849)	374,134
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Acquisition of Investments, Associates and Subsidiaries		-	-
2.2 Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment	8,9	(3,733)	(13,820)
2.4 Disposals of Property and Equipment	8,9	1,755	3,089
2.5 Purchase of financial assets at fair value through other comprehensive income		-	-
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		626,179	(481,302)
II. Net Cash (Used in)/Provided from Investing Activities		624,201	(492,033)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(730,473)	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(7,928)	(271)
3.6 Other	19	1,000,000	-
III. Net Cash Provided from Financing Activities		261,599	(271)
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		158,592	20,105
V. Net Increase/(Decrease) in Cash and Cash Equivalents		253,543	(98,065)
VI. Cash and Cash Equivalents at Beginning of the Period	2.3	2,730,249	2,740,246
VII. Cash and Cash Equivalents at End of the Period	2.3	2,983,792	2,642,181

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 2024

(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 37.95% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

As at 30 June 2024, the Company has 80 employees. (31 December 2023: 82).

The registered address of the Company is as follows:

İnkılap Mahallesi Dr. Adnan Büyükdeniz Caddesi
No:7A İç Kapı No:9
Ümraniye/İstanbul
Turkey

Ownership Structure

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank. As at 30 June 2024 and 31 December 2023, the share capital and ownership structure of the Company are as follows:

Shareholder	30 June 2024		31 December 2023	
	Share Amount (TRY)	Share Percentage (%)	Share Amount (TRY)	Share Percentage (%)
Vakıfbank	1,242,413	62.12	620,456	62.05
Public Shares(*)	757,587	37.88	379,544	37.95
Paid-in capital (**)	2,000,000	100	1,000,000	100

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

(**) With the decision taken on December 14, 2023, the Board of Directors of the Company decided to increase its paid-in capital by 100% rights issue. For this purpose, the Company applied to CMB on January 5, 2024. The application was approved on March 21, 2024. The new capital was registered on May 20, 2024.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis Of Presentation

2.1.1 Accounting standards

The Company prepared accompanying financial statements in accordance with to the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), ("TFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "BRSA Accounting and Financial Reporting Standards") in respect of accounting and financial reporting.

The financial statements as at 30 June 2024 are approved by the Board of Directors of the Company and authorized for issue as at 31 July 2024. 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.

Entities whose functional currency is the currency of a hyperinflationary economy present their financial statements in terms of the measuring unit current at the end of the reporting period according to "TAS 29 Financial Reporting in Hyperinflation Economies". Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying Turkish Financial Reporting Standards (TFRSs) are required to present their financial statements by adjusting for the impact of inflation for the annual reporting period ending on or after 31 December 2023, in accordance with the accounting principles specified in TAS 29. In the same announcement, it was stated that institutions or organizations authorized to regulate and supervise in their respective scope might determine different transition dates for the implementation of inflation accounting, and in this context, Banking Regulation and Supervision Agency (BRSA) announced that financial statements of banks, financial leasing, factoring, financing, savings financing and asset management companies as of 31 December 2023 would not be subject to the inflation adjustment in accordance with BRSA Board decision on 12 December 2023.

Accordingly, "TAS 29 Financial Reporting Standard in High Inflation Economies" is not applied in the financial statements of the Company as of June 30, 2024.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

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)

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 comparatively with the prior period in order to enable the determination of the financial position and performance trends. As of June 30, 2024 comparatively with the balance sheet as of December 31, 2023 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the interim period January 1 - June 30, 2024 comparatively with the interim period January 1 - June 30, 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

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 2024 are prepared were implemented in line with the new and adjusted TFRS standards in effect as of 1 January 2024 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, 2024 are as follows:

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

In March 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments must be applied retrospectively in accordance with TAS 8.

The effects of the change on the financial position and performance of the Company are being evaluated.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

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

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The Standard does not apply to the Company and will not have an impact on the Company's financial position or performance.

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose.

In general, no significant impact is expected on the Company's financial statements.

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 consolidated financial statements are as follows. The Company / the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

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. accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

The Company will assess the impact of these amendments when the standards are finalized.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA.

The Standard does not apply to the Company and will not have an impact on the Company's financial position or performance.

Amendments to TAS 21 - Lack of exchangeability

In May 2024, POA issued amendments to TAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

In general, no significant impact is expected on the Company's financial statements.

iii) The amendments which are effective immediately upon issuance

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

iv) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 12 and IAS 7 and IFRS 7 have been published by the IASB but have not yet been adapted/published to TFRS by the KGK. Therefore, they do not form part of TFRS. The company will make the necessary changes in its financial statements and footnotes after these changes take effect in TFRS.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

In May 2024, IASB issued amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7). The amendment clarifies that a financial liability is derecognised on the 'settlement date'. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendment also clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features as well as the treatment of non-recourse assets and contractually linked instruments. Additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income are added with the amendment.

In general, no significant impact is expected on the Company's financial statements.

IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34.

The effects of the change on the financial position and performance of the Company are being evaluated.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.2 Changes in Accounting Policies (Continued)****IFRS 19 – Subsidiaries without Public Accountability: Disclosures**

In May 2024, IASB issued IFRS 19, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity that is a subsidiary, does not have public accountability and has a parent (either ultimate or intermediate) which prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards may elect to apply IFRS 19.

The standard is not applicable for the Company.

2.3 Summary of significant accounting policies**Foreign exchange transactions**

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

Foreign currency exchange rates used on 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024	31 December 2023
USD	32.8262	29.4382
EUR	35.1284	32.5739
GBP	41.4365	37.4417
CHF	36.4135	34.9666

Cash and Cash Equivalents

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

Financial leasing transactions

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

(i) As lessor

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

(ii) As lessee

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

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

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

Allowances for impairment of lease receivables

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

As explained in Note 2.1.5 Significant Accounting Estimates and Assumptions, 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 TFRS. 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.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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 "TFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 December 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

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

(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 108,815 (31 December 2023: 108,815 TRY) after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

(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)

As of 30 June 2024, the conformity between net book values calculated over costs of properties for use and their revaluated amounts is as follows:

	30 June 2024	31 December 2023
Fair Value	24,055	24,055
Net book value calculated on cost value	102,182	102,182
Before tax revaluation differences	126,237	126,237
Calculated deferred tax liability (-)	(17,422)	(17,422)
Revaluation differences, net	108,815	108,815

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

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense. There are no pledges, mortgages and other encumbrances on tangible assets.

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis over the cost. Useful lives and residual values are reviewed at each reporting date.

The estimated useful lives of tangible assets are as follows:

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

Intangible assets

The Company's intangible assets consist of software.

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Assets held for resale

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

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

Non-financial assets

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

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

For the purpose of impairment testing, assets are 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 2024(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)****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 2024 is TRY 35,058.58 full TRY (31 December 2023: 23,489.83 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 2024 and 31 December 2023, the actuarial assumptions are as follows:

	30 June 2024	31 December 2023
Discount rate	3.00%	3.00%
Expected rate of salary/ceiling increase	28.24%	28.24%

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 2024

(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)

Taxation

Corporate taxes

In the financial statements dated June 30, 2024, 30% was used as the tax rate in the tax calculations for the period. (December 31, 30%)

With the Law submitted to the Grand National Assembly of Turkey on July 5, 2023 and published in the Official Gazette dated July 15, 2023, amendments were made to the Corporate Tax Law No. 5520. Accordingly; Starting from the declarations to be submitted as of October 1, 2023, the corporate tax rate has been increased from 25% to 30% for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. In addition, with the amendment, as of July 15, 2023; The 50% tax exemption stipulated in Law No. 5520 for immovable sales gains has been abolished. However, this exemption will be applied as 25% to the sales of immovables that were in the assets of the enterprises before July 15, 2023.

Within the scope of Article 298 of the Tax Procedure Code, it is stipulated that if the increase in the producer price index is more than 100% in the last 3 accounting periods including the current period and more than 10% in the current accounting period, the financial statements will be subject to inflation adjustment and these conditions have been fulfilled as of December 31, 2023. December 28, 2023 and published in the Official Gazette No. 32413, Some Laws and Decrees with the Force of Law No. 7491 on the Amendment of the Law No. 17, Banks, companies in accordance with the Law on Financial Leasing, Factoring, Financing and Savings Financing Companies dated November 21, 2012 and No. 6361, payment and electronic money institutions, authorized exchange institutions, asset management companies, the Law on Financial Leasing, Factoring, Financing and Savings Financing Companies, pay and electronic money institutions, asset management companies, it has been enacted that profit/loss differences arising from the inflation adjustment to be made by capital market institutions, insurance and reinsurance companies and pension companies in the accounting periods of 2024 and 2025, including temporary tax periods, will not be taken into account in the determination of earnings.

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 2024, the Company has no deductible tax losses (31 December 2023: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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

(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)

Taxation (Continued)

Deferred taxes

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

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

In the financial statements as at 30 June 2024, deferred tax assets and liabilities are calculated with 30% rates for the parts of temporary differences that will have tax effects in 2024. (December 31, 2023: 30%).

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.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Related party

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

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

Earnings per share

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

Subsequent events

Subsequent events mean the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 - Events After the Balance Sheet Date; post-balance sheet events that provide additional information about the Company's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

Statement of cash flows

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

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

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

(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 2024 and 2023, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	30 June 2024	30 June 2023
The statement of financial position		
located in total cash and cash equivalents	2,988,993	2,737,177
Rediscounts on Interest income of cash and cash equivalents	(5,201)	(6,928)
Cash and cash equivalents in the statement of cash flows	2,983,792	2,730,249

Classifications

In the previous period of the Statement of Changes in Equity, adjustments have been made to be compatible with the current period.

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 2024 and 31 December 2023, details of bank balances are as follow

	30 June 2024	31 December 2023
Banks	2,988,993	2,737,177
Time deposit	2,665,601	2,217,416
Demand deposit	323,392	519,761
Total	2,988,993	2,737,177

As at 30 June 2024, time deposits consist of bank placements with maturity less than three months and with interest rates average 2.94% for foreign currency and 50.97% for TRY time deposits. (31 December 2023: 41.80% for TRY and 3.80% for foreign).

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

5- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As of 30 June 2024 and 31 December 2023, details of financial assets for which the fair value difference is recognised through profit or loss are as follows:

	30 June 2024		31 December 2023	
	TP	YP	TP	YP
Government debt securities	-	-	-	626,179
Financial assets at fair value through profit or loss	-	-	-	626,179

6- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 30 June 2024, details of financial assets for which the fair value difference is recognised through other comprehensive income are as follows:

	30 June 2024		31 December 2023	
	Carrying value (*)	Share (%)	Carrying value	Share (%)
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	81,552	3.79	81,552	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	17,411	3.27	17,411	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	5,598	0.25	5,598	0.25
Financial assets for which fair value difference is recognised through other comprehensive income	104,561		104,561	

(*) 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.

VAKIF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024**

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

7 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

Financial assets at fair value through other comprehensive income are as follow:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Lease receivables	21,214,869	8,444,378	19,273,231	7,239,008
Invoiced lease receivables	86,579	88,393	43,508	115,508
Subtotal	21,301,448	8,532,771	19,316,739	7,354,516
Unearned interest income	(7,676,667)	(1,208,684)	(6,046,842)	(1,090,463)
Finance lease receivables, net of unearned income	13,624,781	7,324,087	13,269,897	6,264,053
Impaired lease receivables	123,790	270,550	82,178	137,539
Specific provision	(48,429)	(122,948)	(39,430)	(107,970)
Impaired lease receivables, net	75,361	147,602	42,748	29,569
Finance lease receivables, net	13,700,142	7,471,689	13,312,645	6,293,622

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

7 - 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 2024	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	15,584,350	9,308,444	4,039,098	615,315	287,012	29,834,219
Unearned interest income	(5,252,338)	(2,923,946)	(636,495)	(44,187)	(28,385)	(8,885,351)
Finance lease receivables, Net	10,332,012	6,384,498	3,402,603	571,128	258,627	20,948,868

31 December 2023	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	14,207,432	7,670,418	3,680,751	762,495	350,159	26,671,255
Unearned interest income	(4,478,211)	(1,989,351)	(564,490)	(71,468)	(33,785)	(7,137,305)
Finance lease receivables, Net	9,729,221	5,681,067	3,116,261	691,027	316,374	19,533,950

As of 30 June 2024, the average compounded interest rates for finance lease receivables are 39.90% for TRY, 10.47% for USD, and 8.94% for EUR (31 December 2023: 32.27% for TRY, 9.59% for USD and 8.18% for EUR).

As at 30 June 2024 the aging of the lease receivables and related specific provisions are as follows:

	30 June 2024	31 December 2023
Neither past due nor impaired	20,773,896	19,374,934
Past due but not impaired	174,972	159,016
Impaired	394,340	219,717
Allowances for impairment	(171,377)	(147,400)
Finance lease receivables, net	21,171,831	19,606,267

	30 June 2024	31 December 2023
151-240 days	186,051	37,877
241-1 year	35,635	3,528
1 year and over	172,654	178,312
Impaired lease receivables, net	394,340	219,717

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

7 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 30 June 2024, details of the impaired lease receivables and related specific provisions are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Impaired lease receivables	123,790	270,550	82,178	137,539
Specific provisions	(48,429)	(122,948)	(39,430)	(107,970)
Impaired lease receivables, net	75,361	147,602	42,748	29,569

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

	30 June 2024	31 December 2023
Specific provisions at the beginning of the year	162,574	137,499
Provision for the year	33,673	40,149
General loan loss provisions for the year	4,891	11,390
Amounts written off during the period	-	(4,498)
Collections during the year	(24,830)	(21,966)
Specific provisions at the end of the year	176,308	162,574

(*) None (December 31, 2023: NPL ratio was realized as 1.11% instead of 1.13% due to the amount written off from assets).

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

	30 June 2024	31 December 2023
Mortgage	42,001	40,761
Other	68,619	1,993
Total collateral	110,620	42,754

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 2024

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

8 - TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 30 June 2024:

	1 January 2024	Additions	Disposals	30 June 2024
Cost:				
Buildings	130,311	-	-	130,311
Motor vehicles	28,808	40	-	28,848
Furniture and fixture	7,020	401	(855)	6,566
Other tangible assets	858	142	(347)	653
Leasehold	-	89	-	89
Right of use intangible assets (*)	7,382	366	(172)	7,576
	174,379	1,038	(1,374)	174,043
Accumulated depreciation:				
Buildings	(8,506)	(1,995)	-	(10,501)
Motor vehicles	(3,156)	(2,919)	-	(6,075)
Furniture and fixture	(1,345)	(470)	868	(947)
Other tangible assets	(1,367)	(391)	-	(1,758)
Leasehold	-	(7)	-	(7)
Right of use intangible assets (*)	(1,031)	(1,269)	172	(2,128)
	(15,405)	(7,051)	1,040	(21,416)
Net Book Value	158,974			152,627

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

(**) The amount stated in the entries section represents the increase in value.

Movement in tangible assets in the period from 1 January to 30 June 2023 is as follows:

	1 January 2023	Additions(*)	Disposals	30 June 2023
Cost:				
Buildings	90,943	-	-	90,943
Motor vehicles	7,231	11,026	(2,983)	15,274
Furniture and fixture	2,341	2,412	(54)	4,699
Other tangible assets	755	25	-	780
Right of use in tangible assets (*)	220	137	(52)	305
	101,490	13,600	(3,089)	112,001
Accumulated depreciation:				
Buildings	(5,249)	(1,367)	-	(6,616)
Motor vehicles	(2,329)	(902)	1,086	(2,145)
Furniture and fixture	(1,322)	(98)	32	(1,388)
Other tangible assets	(782)	(178)	-	(960)
Right of use in tangible assets (*)	(59)	(47)	49	(57)
	(9,741)	(2,592)	1,167	(11,166)
Net Book Value	91,749			100,835

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

As 30 June 2024 and 31 December 2023, there is no mortgage on the tangible assets of the Company.

As of 30 June 2024 total insurance coverage for tangible assets of the Company is TRY 104,129 (31 December 2023: 96,507 TRY).

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

9 - INTANGIBLE ASSETS

Movement in intangible assets in the period from 1 January to 30 June 2024 is as follows:

	1 January 2024	Additions	Disposals	30 June 2024
<i>Cost:</i>				
Software	5,642	2,695	(381)	7,956
	5,642	2,695	(381)	7,956
<i>Accumulated amortization:</i>				
Software	(4,521)	(451)	381	(4,591)
	(4,521)	(451)	381	(4,591)
Net book value	1,121			3,365

Movement in intangible assets in the period from 1 January to 30 June 2023 is as follows:

	1 January 2023	Additions	Disposals	30 June 2023
<i>Cost:</i>				
Software	5,035	220	-	5,255
	5,035	220	-	5,255
<i>Accumulated amortization:</i>				
Software	(3,972)	(285)	-	(4,257)
	(3,972)	(285)	-	(4,257)
Net book value	1,063			998

10 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of June 30, 2024, the Company's non-current assets held for sale consist of real estates included in the Company's assets as a result of legal proceedings related to non-performing receivables and the details are as follows:

	30 June 2024	31 December 2023
Assets held for sale real estates	49,500	49,500
Total collateral	49,500	49,500

VAKIF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024**

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

11 - TAX ASSETS AND LIABILITIES

	30 June 2024	31 December 2023
VAT carried forward	256,527	559,544
	256,527	559,544

	30 June 2024	31 December 2023
Social Security Premiums	7,142	3,916
Income tax	5,016	1,268
VAT payable	292	178
Stamp tax	205	42
	12,655	5,404

	30 June 2024	31 December 2023
Tax provision	322,615	541,407
Less: Prepaid taxes	(153,975)	(419,680)
Current income tax liabilities, net	168,640	121,727

	30 June 2024	31 December 2023
Tax expense		
Corporate tax expense for the period	(322,615)	(258,631)
Deferred tax income/expense effect	7,190	(52,251)
	(315,425)	(310,882)

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

	30 June 2024	31 December 2023
Profit before taxes	1,095,144	1,253,480
Theoretical tax expense with 30% tax rate	(328,543)	(313,370)
General loan loss provision not subjected to deferred tax	(1,467)	(24)
Other ^(**)	14,585	2,512
Current year tax expense	(315,425)	(310,882)

(*) Tax rate is calculated as 30% for 2024 and 25% for 2023.

(**) 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 2024

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

11 - 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. (31 December 2023: %30)

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

	Total Temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Property, plant and equipment and intangible assets	66,332	55,994	19,900	16,798
Impairment of finance lease receivables	43,698	43,751	13,109	13,125
Accrued expenses on borrowings	25,231	19,604	7,569	5,883
Provision for employment termination benefits	15,584	13,364	4,675	4,009
Other short-term employee benefits	9,778	9,703	2,933	2,910
Payables from leasing transactions	6,012	6,666	1,806	2,000
Provision for unused vacations	2,277	1,455	683	437
Deferred tax assets	168,912	150,537	50,675	45,162
Finance lease income accruals	(670,508)	(657,655)	(201,153)	(197,296)
Tangible and intangible assets revaluation difference	(44,622)	(64,378)	(13,386)	(19,313)
Deferred tax liabilities	(715,130)	(722,033)	(214,539)	(216,609)
Deferred tax assets, (net)	(546,218)	(571,496)	(163,864)	(171,447)

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

11 - TAX ASSETS AND LIABILITIES (Continued)

The movement for deferred tax assets is as follows:

	30 June 2024	31 December 2023
1 January	(171,447)	(95,931)
Current year deferred tax income/expense	7,190	(71,895)
Deferred tax income/expense recorded under Equity	393	(3,621)
30 June	(163,864)	(171,447)

12 - OTHER ASSETS

As at 30 June 2024 and 31 December 2023, details of other assets are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Advances given for leasing transactions	61,674	1,294,114	31,371	1,760,301
Investments under leasing	421,339	641,149	329,674	30,273
Other receivables regarding leasing transactions	184,116	51,141	86,345	52,199
Prepaid expenses	22,083	83,574	30,364	68,722
Total other assets	689,212	2,069,978	477,754	1,911,495

13 - BORROWINGS

As at 30 June 2024, details of the borrowings are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Domestic banks	10,885,603	8,020,175	12,024,426	5,494,649
Foreign banks	-	2,669,923	-	2,624,638
Total Borrowings	10,885,603	10,690,098	12,024,426	8,119,287

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

13 - 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 2024						
Borrowings from domestic banks:						
Fixed rate borrowings						
TRY	320,172	46.00	-	320,172	-	320,172
EUR (thousand)	127,028	6.22	132,746	184,424	4,145,151	4,462,321
USD (thousand)	15,611	5.46	3,646	508,806	-	512,452
Floating rate borrowings:						
TRY	10,565,431	36.22	431,310	5,730,954	4,403,167	10,565,431
EUR (thousand)	86,693	7.04	117,606	1,941,805	985,991	3,045,402
Total borrowing from domestic banks			685,308	8,686,161	9,534,309	18,905,778
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	27,057	5.99	314,833	73,593	562,055	950,481
Floating rate borrowings						
EUR(thousand)	48,947	5.92	86,048	146,703	1,486,691	1,719,442
Total borrowings from foreign banks			400,881	220,296	2,048,746	2,669,923
Total borrowings			1,086,189	8,906,457	11,583,055	21,575,701

			Carrying value			
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2023						
Borrowings from domestic banks:						
Fixed rate borrowings						
TRY	534,119	26.21	2,680	531,439	-	534,119
EUR (thousand)	65,602	5.13	190,613	48,860	1,897,430	2,136,903
USD (thousand)	15,711	5.46	3,526	458,986	-	462,512
Floating rate borrowings:						
TL	11,490,307	26.88	945,817	1,731,657	8,812,833	11,490,307
EUR (thousand)	88,882	3.99	50,493	1,800,896	1,043,845	2,895,234
Total borrowing from domestic banks			1,193,129	4,571,838	11,754,108	17,519,075
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	37,164	4.92	498,571	287,472	424,524	1,210,567
Floating rate borrowings						
EUR (thousand)	29,803	4.05	89,516	62,234	819,061	970,811
USD (thousand)	15,057	3.00	1,687	441,573	-	443,260
Total borrowings from foreign banks			589,774	791,279	1,243,585	2,624,638
Total borrowings			1,782,903	5,363,117	12,997,693	20,143,713

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

14 - LEASE LIABILITIES

As at 30 June 2024 details of lease liabilities are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Right of use of Real Estates.	6,012	-	6,666	-
Total lease liabilities	6,012	-	6,666	-

15 - SECURITIES ISSUED

	30 June 2024		31 December 2023	
	TP	YP	TP	YP
Bond(*)	-	-	403,650	-
Bond(**)	-	-	273,066	-
Interest accrual on marketable securities issued	-	-	53,757	-
Total securities issued	-	-	730,473	-

(*) The Company issued a financing bond with a nominal value of TRY 490.200 with a maturity of 182 days on October 17, 2023 through sales to qualified investors. The maturity date of the bond is October 17, 2023 and the redemption date is April 16, 2024. The annual simple interest rate of this financial bond is 43.00%.

(**) The Company issued a financial bond with a nominal value of TRY 300.000 with a maturity of 90 days on October 24, 2023 through sales to qualified investors. The maturity date of the bond is October 24, 2023 and the redemption date is January 22, 2024. The annual simple interest rate of this financial bond is 40.00%.

16 – DERIVATIVE INSTRUMENTS

None.

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

17 - PROVISIONS

As at 30 June 2024 details of provisions for liabilities and charges are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
General loan loss provisions for financial lease receivables ^(*)	4,891	40	3,677	11,497
Reserve for employee benefits	27,640	-	24,522	-
<i>Reserve for employee termination benefit</i>	<i>15,584</i>	-	<i>13,364</i>	-
<i>Provision for unused vacations</i>	<i>5,195</i>	-	<i>4,062</i>	-
<i>Reserve for bonuses</i>	<i>2,277</i>	-	<i>1,455</i>	-
<i>Provisions for other employee rights</i>	<i>4,584</i>	-	<i>5,641</i>	-
Total provisions	32,531	40	28,199	11,497

(*) 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.

	30 June 2024	31 December 2023
At the beginning of the year	13,364	9,833
Interest expenses	1,889	1,814
Service cost	705	1,057
Payments during the year	(1,685)	(3,070)
Actuarial gain/loss ^(*)	1,311	3,728
At the end of the year	15,584	13,364

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

18 - OTHER LIABILITIES

As at 30 June 2024 details of other liabilities are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Advances received ^(*)	182,869	427,876	397,860	227,723
Other trade payables	22,807	185,896	1,244,757	229,248
Deferred income	24,420	25,024	25,475	25,442
Total other liabilities	230,096	638,796	1,668,092	482,413

(*) 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.

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

19 - EQUITY

Share capital

As at 30 June 2024, the share in capital of the Company amounts to TRY 2,000,000 and composed of 200.000.000.000 shares with a face value of TRY 0.01 each (31 December 2023: capital shares TRY 2,000,000 nominal value: 100.000.000.000 shares).

As at 30 June 2024 and 31 December 2023, the share capital and ownership structure of the Company is as follows:

	30 June 2024		31 December 2023	
	Amount of Share(TRY)	Share Percentage (%)	Amount of Share(TRY)	Share Percentage (%)
Vakıfbank	1,242,413	62.12	620,456	62.05
Publicly traded (*)	757,587	37.88	379,544	37.95
Pain-in capital (**)	2,000,000	100%	1,000,000	100%

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

(**) With the decision taken on December 14, 2023, the Board of Directors of the Company decided to increase its paid-in capital by 100% rights issue. For this purpose, the Company applied to CMB on January 5, 2024. The application was approved on March 21, 2024. The new capital was registered on May 20, 2024 and the issued capital was increased from TRY 1.000.000 to TRY 2.000.000 within the registered capital ceiling of TRY 2.000.000.000.

Capital reserves

As at 30 June 2024, capital reserves amounted to TRY 29,827 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2023: TRY 13,310).

As at 30 June 2024, revaluation difference on tangible assets amounting to TRY 108,815 (31 December 2023: TRY 108,815) is accounted directly in equity. As at 30 June 2023, the marketable securities valuation differences amounts to TRY 93,609 (31 December 2023: TRY 93,609).

Profit reserves

As at 30 June 2024, profit reserves of the Company consists of first legal reserves amounting to TRY 46,665 (31 December 2023: TRY 46,665) and extraordinary reserves amounting to TRY 164,583 (31 December 2022: TRY 164,583).

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 2023 Ordinary General Assembly meeting held on July 13, 2024, it was resolved to set aside TRY 72,154 as first legal reserves over the net profit for the year 2023 of TRY 1,443,089, and to add TRY 1,370,935 to the capital by issuing bonus shares, and to add TRY 129,065 to the capital to be covered from extraordinary reserves.

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

20 - OPERATING EXPENSES

For the period ended 30 June 2024, general administrative expenses included in the operating expenses are as follow:

	30 June 2024	30 June 2023
General administration expenses	9,330	4,959
Depreciation and amortization expenses	5,340	2,331
Consultancy expenses	3,426	2,222
Share custody expense	3,294	285
Taxes, duties and charges expense	3,251	353
Notary expenses	2,652	1,685
Transportation expenses	1,592	651
Advertising expenses	1,122	8,404
Court expenses	1,112	1,400
Non-deductible expenses	976	546
Registration expenses	493	21
Printing, stationery, and office expenses	334	190
Marketing expenses	229	180
Other operating expenses	2,254	1,111
Total general administrative expenses	35,405	24,338

For the period ended 30 June 2024, personnel expenses included in the operating expenses are as follows:

	30 June 2024	30 June 2023
Salaries	75,745	39,017
Social security premiums and other contributions	10,375	4,708
Personnel insurance expense	4,867	2,197
Other personnel expenses	5,049	2,709
Total personnel expenses	96,036	48,631

VAKIF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024**

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

21 - OTHER OPERATING INCOME/EXPENSE

For the period ended 30 June 2024 and 2023, personnel expenses included in the operating expenses are as follows:

	30 June 2024	30 June 2023
Interest income from bank deposits	291,954	241,240
Delinquent interest income	31,138	6,574
Provisions no longer required	26,514	30,066
Interest income from non-performing loans	6,564	4,084
Interest Received from Marketable Securities Portfolio	1,407	1,826
Income from sales of fixed assets and assets held for sale	794	390
Operating lease income	247	168
Foreign exchange gains	-	530,749
Other income	10,921	8,337
Total other operating income	369,539	823,434

Other operating expenses:

	30 June 2024	30 June 2023
Foreign exchange loss	114,400	-
Other expense	1,009	489
Total other operating expenses	115,409	489

22 - EARNINGS PER SHARE

	30 June 2024	30 June 2023
At the beginning of the year		
Total number of outstanding shares	100,000,000,000	46,894,556,000

At the end of the year

Total number of outstanding shares	200,000,000,000	60,000,000,000
---	------------------------	-----------------------

	30 June 2024	30 June 2023
Net income for the period	779,719	942,598
Weighted average number of outstanding shares with a nominal value of TRY 0.01	123.076.923.077	60,000,000,000

Earnings per share (TRY)	0.6335	1.5710
---------------------------------	---------------	---------------

VAKIF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024**

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

23- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As at 30 June 2024, details of related party balances are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Türkiye Vakıflar Bankası T.A.O.	540,783	1,223,804	1,450,587	36,291
Bank Deposits	540,783	1,223,804	1,450,587	36,291
Vakıf Faktoring A.Ş.	81,552	-	81,552	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	17,411	-	17,411	-
Vakıf Yatırım Menkul Değerler A.Ş.	5,598	-	5,598	-
Financial assets for which fair value difference is recognised through other comprehensive income	104,561	-	104,561	-
Türkiye Vakıflar Bankası T.A.O.	10,565,431	3,876,822	11,493,384	3,768,593
Borrowings	10,565,431	3,876,822	11,493,384	3,768,593
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	119	-	79	-
Vakıf Yatırım Menkul Değerler A.Ş.	72	-	-	-
Payables to related parties	191	-	79	-

As at 30 June 2024, details of income and expenses arising from transactions with related parties are as follows:

	30 June 2024	30 June 2023
Türkiye Vakıflar Bankası T.A.O.	188,839	234,315
Interest income from related parties	188,839	234,315
Türkiye Vakıflar Bankası T.A.O. - interest expense	1,986,526	571,098
Finance expenses of related parties	1,986,526	571,098
Vakıf Faktoring A.Ş.	60	33
Other incomes of related parties	60	33
Türkiye Vakıflar Bankası T.A.O.	39,025	18,924
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	922	631
Vakıf Yatırım Menkul Değerler A.Ş.	398	108
Vakıf Faktoring A.Ş.	-	31
Other expenses of related parties	40,345	19,694

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

23- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Executive management compensations

As at 30 June 2024, Company's executive management compensations are as follows:

	30 June 2024	30 June 2023
Fees and other short term benefits	14,124	5,607
Total	14,124	5,607

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

24 - CONTINGENT ASSETS AND LIABILITIES

Collaterals received

As at 30 June 2024, the collaterals obtained by the Company against finance lease receivables are as follows:

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Received guarantees	107,635,435	142,073,560	91,453,506	130,128,227
Mortgages	3,491,609	6,877,494	3,449,599	6,176,824
Assignment of claims	1,858,561	2,092,252	1,883,071	2,040,916
Company share pledge	1,323,588	139,511	1,213,588	125,112
Letters of guarantee	117,501	8,080	117,501	7,492
Cash blockage	6,670	7,953	2,510	16,816
Others	732,577	18,822,959	447,409	2,631,783
Total	115,165,941	170,021,809	98,567,184	141,127,170

Commitments

As at 30 June 2024, the Company has irrevocable commitments amounted to TRY 1,367,271 (31 December 2023 TRY 2,138,562) 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 2024	31 December 2023
TRY	724,210	1,681,795
EUR	573,480	383,209
USD	35,206	73,558
CHF	34,375	-
Total	1,367,271	2,138,562

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

24 - CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals received (Continued)

Revocable Commitments

As at 30 June 2024, Company's financial lease commitments amounting to TRY 4,424,179 (31 December 2023: TRY : 3,068,570).

	30 June 2024		31 December 2023	
	TRY	FC	TRY	FC
Financial lease commitment	841,602	3,582,577	1,130,249	1,938,321
Total	841,602	3,582,577	1,130,249	1,938,321

Derivative financial instruments

As of 30 June 2024, the Company has no derivative financial instruments.

25 - 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.

25 - 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 2024

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

As at 30 June 2024, exposure to credit risk based on categories of financial instruments is as follows:

30 June 2024	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	21,171,831	235,257	2,988,993	-	-	24,396,081
- The portion of maximum risk covered by guarantees	7,119,977	-	-	-	-	7,119,977
A. Net carrying value of financial assets which are neither impaired nor overdue	20,773,896	235,257	2,988,993	-	-	23,998,146
- The portion covered by guarantees	7,009,357	-	-	-	-	7,009,357
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	174,972	-	-	-	-	174,972
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	222,963	-	-	-	-	222,963
- Overdue (gross)	394,340	-	-	-	-	394,340
- Impairment (-)	(171,377)	-	-	-	-	(171,377)
- Net book value covered by guarantees	110,620	-	-	-	-	110,620
- 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 2024

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

31 December 2023	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	19,606,267	138,544	2,737,177	-	-	22,481,988
- The portion of maximum risk covered by guarantees	4,792,962	-	-	-	-	4,792,962
A. Net carrying value of financial assets which are neither impaired nor overdue	19,374,934	138,544	2,737,177	-	-	22,250,655
- The portion covered by guarantees	4,750,208	-	-	-	-	4,750,208
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	159,016	-	-	-	-	159,016
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	72,317	-	-	-	-	72,317
- Overdue (gross)	219,717	-	-	-	-	219,717
- Impairment (-)	(147,400)	-	-	-	-	(147,400)
- Net book value covered by guarantees	42,754	-	-	-	-	42,754
- 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 2024

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 30 June 2024, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	30 June 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Manufacturing	8,670,255	41.39	7,496,892	38.38
Construction	3,394,306	16.20	3,237,204	16.57
Transportation, warehousing and communication	2,300,915	10.98	2,076,977	10.63
Health and social services	1,780,172	8.50	1,682,828	8.61
Wholesale, retail and trading	1,777,436	8.48	2,187,097	11.20
Real estate commissions and renting	1,533,389	7.32	1,609,322	8.24
Mining	518,465	2.47	593,503	3.04
Hotels and restaurants	298,129	1.42	215,376	1.10
Agriculture	198,528	0.95	185,861	0.95
Education	168,914	0.81	65,446	0.34
Other social and individual services	112,004	0.53	123,875	0.63
Financial intermediary services	9,499	0.05	9,040	0.05
Other	186,856	0.90	50,529	0.26
Total	20,948,868	100	19,533,950	100

Liquidity risk

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

Management of liquidity risk

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

The 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 2024	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	21,575,701	26,100,235	6,921,767	6,223,546	8,119,968	4,834,954	-
Other liabilities	868,892	868,892	868,892	-	-	-	-
Total	22,444,593	26,969,127	7,790,659	6,223,546	8,119,968	4,834,954	-

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2023	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	20,143,713	26,388,008	4,315,874	6,528,338	11,290,235	4,253,561	-
Other liabilities	2,150,505	2,150,505	2,150,505	-	-	-	-
Total	22,294,218	28,538,513	6,466,379	6,528,338	11,290,235	4,253,561	-

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 2024, the Company's foreign currency assets and liabilities with their TRY equivalents are as follows:

30 June 2024	US Dollar	Euro	GBP	CHF	Total
Cash and Cash equivalents, Banks	3,684	2,175,676	-	-	2,179,360
Financial assets measured at amortized cost, net ⁽¹⁾	1,663,316	5,660,771	-	-	7,324,087
Other Assets	543,195	1,517,971	168	8,644	2,069,978
Total assets	2,210,195	9,354,418	168	8,644	11,573,425
Borrowing	512,452	10,177,646	-	-	10,690,098
Provisions	40	-	-	-	40
Other liabilities	132,632	506,164	-	-	638,796
Total liabilities	645,124	10,683,810	-	-	11,328,934
Net financial statement position	1,565,071	(1,329,392)	168	8,644	244,491
Net off-balance sheet items position	-	-	-	-	-
Net foreign currency position	1,565,071	(1,329,392)	168	8,644	244,491

⁽¹⁾ 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 2024

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

31 December 2023	US Dollar	Euro	GBP	CHF	Total
Cash and Cash equivalents, Banks	448,804	682,692	-	-	1,131,496
Financial Liabilities at fair value through profit or loss	-	626,179	-	-	626,179
Financial assets measured at amortized cost, net ⁽¹⁾	984,290	5,279,762	-	-	6,264,052
Other Assets	603,263	1,308,086	146	-	1,911,495
Total assets	2,036,357	7,896,719	146	-	9,933,222
Borrowing	905,772	7,213,515	-	-	8,119,287
Provisions	11,410	87	-	-	11,497
Other liabilities	180,188	302,225	-	-	482,413
Total liabilities	1,097,370	7,515,827	-	-	8,613,197
Net financial statement position	938,987	380,892	146	-	1,320,025
Net off-balance sheet items position	-	-	-	-	-
Net foreign currency position	938,987	380,892	146	-	1,320,025

⁽¹⁾ 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 2024 and 31 December 2023 are shown below.

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

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 June 2024				
10% change of the US Dollar against TRY				
1-Net USD asset/liability	156,507	(156,507)	156,507	(156,507)
2-Hedged portion of TRY against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	156,507	(156,507)	156,507	(156,507)
10% change of the Euro against TRY				
4-Net Euro asset/liability	(132,939)	132,939	(132,939)	132,939
5-Hedged portion of TRY against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	(132,939)	132,939	(132,939)	132,939
10% change of the CHF against TRY				
7-Net CHF asset/liability	864	(864)	864	(864)
8-Hedged portion of TRY against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	864	(864)	864	(864)
10% change of the GBP against TRY				
10-Net GBP asset/liability	17	(17)	17	(17)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	17	(17)	17	(17)
TOTAL (3+6+9+12)	24,449	(24,449)	24,449	(24,449)

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Profit / (Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2023				
10% change of the US Dollar against TRY				
1-Net USD asset/liability	93,899	(93,899)	93,899	(93,899)
2-Hedged portion of TRY against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	93,899	(93,899)	93,899	(93,899)
10% change of the Euro against TRY				
4-Net Euro asset/liability	38,089	(38,089)	38,089	(38,089)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	38,089	(38,089)	38,089	(38,089)
10% change of the CHF against TRY				
7-Net CHF asset/liability	-	(-)	-	(-)
8-Hedged portion of TRY against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	-	(-)	-	(-)
10% change of the GBP against TRY				
10-Net GBP asset/liability	15	(15)	15	(15)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	15	(15)	15	(15)
TOTAL (3+6+9+12)	132,003	(132,003)	132,003	(132,003)

(*) 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 2024 and 31 December 2023, the interest bearing financial assets and liabilities of the Company are as follows:

	30 June 2024	31 December 2023
Financial assets and liabilities with fixed interest rate		
Time deposits	2,665,601	2,217,416
Financial assets at fair value through profit or loss	-	626,179
Finance lease receivables, net	20,948,868	19,533,950
Borrowing	6,245,426	4,344,100
Financial assets and liabilities with floating rate		
Borrowing	15,330,275	15,799,613

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

25 - 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 2024 and effect on net interest income(excluding tax implications) of floating rate non-trading financial assets and financial liabilities held.

30 June 2024	Profit or Loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(1,533)	1,533	(1,533)	1,533
Total, net	(1,533)	1,533	(1,533)	1,533

31 December 2023	Profit or Loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(1,580)	1,580	(1,580)	1,580
Total, net	(1,580)	1,580	(1,580)	1,580

(*) 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 2024, the ratio of the equities to the debts is 21% (31 December 2023: 13%). As of 30 June 2024 and 31 December 2023, the debt to equity ratio is as follows:

	30 June 2024	31 December 2023
Borrowing	21,575,701	20,143,713
Other liabilities	868,892	2,150,505
Total Liabilities	22,444,593	22,294,218
Total Equity	4,658,259	2,862,941
Equity/Debt ratio	%21	%13

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

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

26 - 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

	30 June 2024		31 December 2023	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Banks	2,988,993	2,988,993	2,737,177	2,737,177
Financial assets at fair value through profit or loss	-	-	626,179	626,179
Finance lease receivables, net	20,948,868	21,210,112	19,533,950	19,163,876
<i>Financial liabilities</i>				
Borrowings	21,575,701	24,176,403	20,143,713	23,371,697
Other liabilities	868,892	868,892	2,150,505	2,150,505

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2024

(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 2024 and 31 December 2023, The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

30 June 2024	1. Level	2. Level	3. Level	Total
Financial assets which fair value difference reflected to other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	104,561	104,561
Financial assets which fair value difference reflected to profit/loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			104,561	104,561

(*) 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 2023	1. Level	2. Level	3. Level	Total
Financial assets which fair value difference reflected to other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	104,561	104,561
Financial assets which fair value difference reflected to profit/loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			104,561	104,561

(*) 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 June 2024	31 December 2023
Balance at the beginning of the period	104,561	467,813
Capital increase	-	6,533
Total gains for the period recognized in equity	-	51,247
Balance at the end of the period	104,561	104,561

27- OTHER EXPLANATIONS

None.

28 - EVENTS AFTER THE REPORTING PERIOD

Pursuant to the decision taken at the Ordinary General Assembly Meeting of 2023 held on June 13, 2024; the Board of Directors of the Company, at its meeting dated July 4, 2024, decided to distribute 100.00% of the net distributable profit amount of TRY 1.370.934.895,01- in the form of bonus shares at the rate of 68.54674% of the paid-in capital by adding TRY 1.370.934.895,01- to the capital, and also to distribute TRY 129.065.104,99- to be covered from "Extraordinary Reserves", the paid-in capital of TRY 2.000.000.000.- within the registered capital ceiling of TRY 2.000.000.000.- will be increased by 75.00% to TRY 3.500.000.000.- and an application will be made to the Capital Markets Board. On July 17, 2024, the application was made to the Capital Markets Board.