

VAKIF FİNANSAL KİRALAMA A.Ş.

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S
REPORT AT 30 JUNE 2023**

*(Convenience translation at publicity 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, 2023 and the interim statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows and other explanatory notes to the financial statements (interim financial statements) for six-month-period then ended. The management of the Company is responsible for the preparation of interim financial statements in accordance with "Communique on Financial Leasing, Factoring and Uniform chart of Accounts" which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements made by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standard ("TAS") 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

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

Emre Çelik, SMMM
Sorumlu Denetçi

27 July 2023
İstanbul, Türkiye

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VAKIF FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS AT 30 June 2023

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

ASSETS	Note	Current Period 30 June 2023			Prior Period 31 December 2022		
		TRY	FC	Total	TRY	FC	Total
I. CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	4	2,578,821	70,568	2,649,389	1,585,535	1,156,604	2,742,139
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	-	481,722	481,722	-	-	-
III. DERIVATIVE FINANCIAL ASSETS		-	-	-	-	-	-
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	6	46,781	-	46,781	46,781	-	46,781
V. FINANCIAL ASSETS AT AMORTISED COST (Net)	7	7,539,097	5,385,150	12,924,247	4,113,233	4,182,610	8,295,843
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	7,526,315	5,336,710	12,863,025	4,096,795	4,106,488	8,203,283
5.4.1 Finance Lease Receivables		10,785,819	6,169,375	16,955,194	6,106,482	4,694,976	10,801,458
5.4.2 Operating Lease Receivables		-	-	-	-	-	-
5.4.3 Unearned Income (-)		(3,259,50)	(832,665)	(4,092,169)	(2,009,68)	(588,488)	(2,598,175)
5.5 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6 Non Performing Receivables	7	46,148	148,462	194,610	46,157	174,537	220,694
5.7 Allowance For Expected Credit Losses / Specific Provisions (-)	7	(33,366)	(100,022)	(133,388)	(29,719)	(98,415)	(128,134)
VI. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3 Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	8	100,835	-	100,835	91,749	-	91,749
VIII. INTANGIBLE ASSETS (Net)	9	998	-	998	1,063	-	1,063
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSETS	11	208,641	-	208,641	56,228	-	56,228
XI. DEFERRED TAX ASSET	11	-	-	-	-	-	-
XII. OTHER ASSETS	12	2,131,918	2,564,718	4,696,636	802,752	1,054,816	1,857,568
SUBTOTAL		12,607,091	8,502,158	21,109,249	6,697,341	6,394,030	13,091,371
XIII. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	10	-	-	-	128,480	-	128,480
13.1 Held for Sale		-	-	-	128,480	-	128,480
13.2 Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		12,607,091	8,502,158	21,109,249	6,825,821	6,394,030	13,219,851

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

VAKIF FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS AT 30 June 2023

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

LIABILITIES		Note	Current Period 30 June 2023			Prior Period 31 December 2022		
			TRY	FC	Total	TRY	FC	Total
I.	LOANS RECEIVED	13	11,660,938	5,473,270	17,134,208	6,612,885	4,237,718	10,850,603
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASE PAYABLES	14	271	-	271	180	-	180
V.	MARKETABLE SECURITIES (Net)		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VIII.	PROVISIONS	17	22,486	203	22,689	25,185	107	25,292
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		17,660	-	17,660	15,927	-	15,927
8.3	General Loan Loss Provisions	7,16	4,826	203	5,029	9,258	107	9,365
8.4	Other provisions		-	-	-	-	-	-
IX.	CURRENT TAX LIABILITIES	11	191,318	-	191,318	30,331	-	30,331
X.	DEFERRED TAX LIABILITY	11	148,036	-	148,036	95,931	-	95,931
XI.	SUBORDINATED DEBT		-	-	-	-	-	-
XII.	OTHER LIABILITIES	18	770,395	567,873	1,338,268	328,415	564,160	892,575
	SUBTOTAL		12,793,444	6,041,346	18,834,790	7,092,927	4,801,985	11,894,912
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	2,274,459	-	2,274,459	1,324,939	-	1,324,939
14.1	Issued capital		600,000	-	600,000	600,000	-	600,000
14.2	Capital Reserves		9,022	-	9,022	1,662	-	1,662
14.2.1	Equity Share Premiums		1,366	-	1,366	1,366	-	1,366
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		7,656	-	7,656	296	-	296
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		111,591	-	111,591	112,029	-	112,029
13.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		92,682	-	92,682	92,682	-	92,682
14.5.1	Legal Reserves		20,737	-	20,737	20,737	-	20,737
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		71,945	-	71,945	71,945	-	71,945
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Kâr veya Zarar		1,461,164	-	1,461,164	518,566	-	518,566
14.6.1	Prior Years' Profit or Loss		518,566	-	518,566	-	-	-
13.6.2	Current Period Net Profit Or Loss		942,598	-	942,598	518,566	-	518,566
	TOTAL EQUITY AND LIABILITIES		15,067,903	6,041,346	21,109,249	8,417,866	4,801,985	13,219,851

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

VAKIF FİNANSAL KİRALAMA A.Ş.

OFF-BALANCE SHEET ITEMS AS AT 30 June 2023

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

OFF-BALANCE SHEET ITEMS		Current Period 30 June 2023			Prior Period 31 December 2022			
		Note	TRY	FC	Total	TRY	FC	Total
I.	IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II.	REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III.	COLLATERALS RECEIVED	24	72,055,792	121,609,707	193,665,499	42,472,094	88,963,889	131,435,983
IV.	COLLATERALS GIVEN		-	-	-	-	-	-
V.	COMMITMENTS	24	4,361,263	1,998,082	6,359,345	1,969,956	1,856,110	3,826,066
5.1	Irrevocable Commitments		1,476,176	692,949	2,169,125	731,183	595,389	1,326,572
5.2	Revocable Commitments		2,885,087	1,305,133	4,190,220	1,238,773	1,260,721	2,499,494
5.2.1	Lease Commitments		2,885,087	1,305,133	4,190,220	1,238,773	1,260,721	2,499,494
5.2.1.1	Finance Lease Commitments		2,885,087	1,305,133	4,190,220	1,238,773	1,260,721	2,499,494
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
6.1	Derivative Financial Instruments Held For Hedging		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
6.2.1	Forward Buy or Sell Transactions		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		-	-	-	-	-	-
6.2.3	Option Purchases or Sales		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		27,035,986	37,896,034	64,932,020	15,720,236	26,245,263	41,965,499
TOTAL OFF-BALANCE SHEET ITEMS			103,453,041	161,503,823	264,956,864	60,162,286	117,065,262	177,227,548

The accompanying notes set out on pages 10 to 56 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 2023

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

		Reviewed Current Period 1 January - 30 June 2023	Reviewed Current Period 1 January - 30 June 2022	Not Reviewed Current Period 1 April - 30 June 2023	Not Reviewed Prior Period 1 April - 30 June 2022
STATEMENT OF PROFIT OR LOSS		Note			
I.	OPERATING INCOME		1,306,951	368,193	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		1,306,951	368,193	803,911
1.5	Finance Lease Income		1,282,581	355,489	789,132
1.6	Operational Lease Income		-	-	-
1.7	Fee and Commission Income From Lease Operations		24,370	12,704	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 (-)		(785,608)	(267,866)	(446,053)
2.1	Dividends on Savings Fund Pool		-	-	-
2.2	Interest Expenses on Funds Borrowed		(755,934)	(247,506)	(427,596)
2.3	Interest Expenses on Factoring Payables		-	-	-
2.4	Lease Interest Expenses		(30)	(19)	(16)
2.5	Interest Expenses on Securities Issued		-	-	-
2.6	Other Interest Expense		-	-	-
2.7	Fees and Commissions Paid		(29,644)	(20,341)	(18,441)
III.	GROSS PROFIT (LOSS) (I+II)		521,343	100,327	357,858
IV.	OPERATING EXPENSES (-)	20	(74,405)	(35,592)	(43,970)
4.1	Personnel Expenses		(48,631)	(20,715)	(27,868)
4.2	Provision Expense for Employment Termination Benefits		(1,436)	(703)	(718)
4.3	Research and development expense		-	-	-
4.4	General Operating Expenses		(24,338)	(14,174)	(15,384)
4.5	Other		-	-	-
V.	GROSS OPERATING PROFIT (LOSS) (III+IV)		446,938	64,735	313,888
VI.	OTHER OPERATING INCOME	21	823,434	327,677	621,038
6.1	Interest Income on Banks		241,240	42,391	82,028
6.2	Interest Income on Marketable Securities Portfolio		1,826	-	1,266
6.3	Dividend Income		-	250	-
6.4	Gains Arising from Capital Markets Transactions		-	-	-
6.5	Derivative Financial Transactions' Gains		-	29,119	-
6.6	Foreign Exchange Gains		530,749	235,936	522,979
6.7	Other		49,619	19,981	14,765
VII.	PROVISION EXPENSES	7	(16,403)	(28,181)	(5,176)
7.1	Specific Provisions		(16,308)	(20,748)	(10,484)
7.2	Allowances For Expected Credit Losses		-	-	-
7.3	General Loan Loss Provisions		(95)	(7,433)	5,308
VIII.	OTHER OPERATING EXPENSES (-)	21	(489)	(108,376)	(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		-	(108,063)	-
8.5	Foreign Exchange Losses		-	-	-
8.6	Other		(489)	(313)	(486)
IX.	NET OPERATING PROFIT (LOSS) (V+...+VIII)		1,253,480	255,855	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)		1,253,480	255,855	929,264
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	11	(310,882)	(64,650)	(232,125)
14.1	Current Tax Provision		(258,631)	(67,107)	(190,877)
14.2	Expense Effect of Deferred Tax		(52,251)	-	(41,248)
14.3	Income Effect of Deferred Tax		-	2,457	-
XV.	NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS (XIII+XIV)		942,598	191,205	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)		942,598	191,205	697,139
	EARNINGS (LOSS) PER SHARE	22	1.5710	0.3187	1.1619

The accompanying notes set out on pages 10 to 56 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 2023**

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

		Current Period 1 January - 30 June 2023	Prior Period 1 January - 30 June 2022
	Note		
I.	CURRENT PERIOD PROFIT/LOSS	942,598	191,205
II.	OTHER COMPREHENSIVE INCOME	(438)	(1,577)
2.1	Items that may not be Reclassified subsequently to Profit or Loss	(438)	(1,577)
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	18 (584)	(1,971)
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	146	394
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)	942,160	189,628

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

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

VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 June 2023

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

						Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement r		Accumulated other comprehensive income or losses to be reclassified under profit or loss statement							
		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
STATEMENT OF CHANGES IN EQUITY															
I. Prior Period (01.01. – 30.06.2023)															
I. Prior Year Period End Balance		600,000	-	-	1,662	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	-	-	1,662	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	-	-	9,022	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.

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

VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 June 2023

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

STATEMENT OF CHANGES IN EQUITY		Paid-in Capital(*)	Share Premium	Share Cancellation Profits	Other Reserves	Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement			Profit Reserves	Prior Period's Profit/(Loss)	Net Period Profit /(Loss)	Total Equity
						1	2	3	4	5	6				
I.	Current Period (01.01. – 30.06.2022)														
I.	Prior Year Period End Balance	468,895	-	-	513	18,779	(1,505)	23,080	-	-	-	64,611	128,071	-	702,444
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)	468,895	-	-	513	18,779	(1,505)	23,080	-	-	-	64,611	128,071	-	702,444
IV.	Total Comprehensive Income	-	-	-	-	-	(1,577)	-	-	-	-	-	-	191,205	189,628
V.	Increase in Paid-in Capital	31,105	-	-	-	-	-	-	-	-	-	-	-	-	31,105
VI.	Capital Increase From Internal Resources	100,000	-	-	-	-	-	-	-	-	-	-	(100,000)	-	-
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	1,258	-	-	-	-	-	-	-	-	-	1,258
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	28,071	(28,071)	-	-
11.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	28,071	(28,071)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+XI+XII)		600,000	-	-	1,771	18,779	(3,082)	23,080	-	-	-	92,682	-	191,205	924,435

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

VAKIF FİNANSAL KİRALAMA A.Ş.

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 June 2023

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

	Note	Current Period 1 January - 30 June 2023	Prior Period 1 January - 30 June 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		382,182	178,776
1.1.1 Interests Received/ Leasing Income		1,318,082	320,176
1.1.2 Interest Paid/Leasing Expense		(774,646)	(204,200)
1.1.3 Dividend Received		-	250
1.1.4 Fees and Commissions Received		24,384	12,710
1.1.5 Other Revenue Gained		49,619	49,100
1.1.6 Collections from Priorly Written-off Doubtful Receivables	7	15,426	6,614
1.1.7 Payments to Personnel and Service Suppliers		(55,293)	(21,749)
1.1.8 Taxes Paid		(99,379)	(11,434)
1.1.9 Other		(96,011)	27,309
1.2 Changes in Operating Assets and Liabilities		(489,770)	357,883
1.2.1 Net (Increase)/Decrease in Factoring Receivables		-	-
1.2.1 Net (Increase)/Decrease in Finance Loans		-	-
1.2.1 Net (Increase)/Decrease in Lease Receivables		(2,889,185)	(1,113,682)
1.2.2 Net (Increase)/Decrease in Other Assets		(2,477,539)	(1,001,465)
1.2.3 Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3 Net Increase/(Decrease) in Lease Payables		362	358
1.2.4 Net Increase/(Decrease) in Funds Borrowed		4,681,264	1,953,610
1.2.5 Net Increase/(Decrease) in Liabilities Due		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		195,328	519,062
I. Net Cash Provided from Operating Activities		(107,588)	536,659
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	(13,820)	(228)
2.4 Disposals of Property and Equipment	8,9	3,089	1,318
2.5 Purchase of financial assets at fair value through other comprehensive income		-	(2,279)
2.6 Sale of financial assets at fair value through other comprehensive income		-	-
2.7 Purchase of financial assets at amortized cost		-	-
2.8 Sale of financial assets at amortized cost		-	-
2.9 Other		420	-
II. Net Cash (Used in)/Provided from Investing Activities		(10,311)	(1,189)
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		-	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(271)	(360)
3.6 Other	19	-	31,105
III. Net Cash Provided from Financing Activities		(271)	30,745
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		20,105	173,557
V. Net Increase/(Decrease) in Cash and Cash Equivalents		(98,065)	739,772
VI. Cash and Cash Equivalents at Beginning of the Period	2.3	2,740,246	779,082
VII. Cash and Cash Equivalents at End of the Period	2.3	2,642,181	1,518,854

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

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023, the Company has 78 employees. (31 December 2022: 76).

The registered address of the Company is as follows:

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

Ownership Structure

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank. As at 30 June 2023 and 31 December 2022, the share capital and ownership structure of the Company are as follows:

Shareholder	30 June 2023		31 December 2022	
	Share Amount (TRY)	Share Percentage (%)	Share Amount (TRY)	Share Percentage (%)
Vakıfbank	372,274	62.05	372,274	62.05
Public Shares(*)	227,726	37.95	227,726	37.95
Paid-in capital	600,000	100	600,000	100

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023 are approved by the Board of Directors of the Company and authorized for issue as at 27 July 2023. 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.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 30 June 2023 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of June 30, 2023.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis Of Presentation (Continued)

2.1.2 Offsetting

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

2.1.3 Going concern

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

2.1.4 Currency used

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

2.1.5 Critical Accounting evaluations, estimates and assumptions

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

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

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

Allowances for impairment of lease receivables

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

The total provision for leasing receivables determined as a result of the evaluation of financial leasing receivables is determined to include doubtful receivables in the Company's leasing receivables portfolio. The Company reserves the relevant provision in accordance with Article 6 of the “Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and numbered 28861 by the BRSA. According to the relevant communiqué, at least 20% of the financial leasing receivables whose collection is delayed between 151-240 days from the due date, after taking into account the guarantees, and at least 50% after taking into account the collaterals of the leasing receivables whose collection is delayed between 240 and 365 days from the due date. and 100% specific provision is set after taking into account the guarantees of financial leasing receivables whose collection is overdue for more than 365 days.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis Of Presentation (Continued)

2.1.5 Critical Accounting evaluations, estimates and assumptions (Continued)

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

Recognition of deferred tax asset

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

Fair value measurements of the share certificates

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

2.2 Changes in Accounting Policies

2.2.1 Comparatives and restatement of prior year financial statements

The Company's financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. As of 30 June 2023, the company has prepared the financial statement, off-balance sheet, profit or loss statement, cash flow statement and changes in equity statement in comparison with the financial statements dated 31 December 2022 and 1 January-30 June 2022.

2.2.2 Changes in accounting policies

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

2.2.3 Change in Accounting Estimates And Errors

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

Amendments In Standards And Interpretations

The accounting policies accepted to be the bases when the financial statements related to the accounting period ending 30 June 2023 are prepared were implemented in line with the new and adjusted TFRS standards in effect as of 1 January 2023 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, 2023 are as follows:

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

The 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 2023

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

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

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

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

The new standards, interpretations and amendments that have been published as of the approval date of the financial statements but have not yet entered into force for the current reporting period and have not been applied early by the Company are as follows. Unless stated otherwise, the company will make the necessary changes that will affect its financial statements and footnotes after the new standards and interpretations come into force.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The company will evaluate the effects of these changes after the mentioned 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, 2024 with the announcement made by the POA.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

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

In January 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 clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

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 to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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)

iii) Changes published by International Accounting Standards Institution (UMSK) but not published by KGK

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

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

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

Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued in May 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 IFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023(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****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 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
USD	25.8231	18.6983
EUR	28.1540	19.9349
GBP	32.8076	22.4892
CHF	28.8079	20.2019

Cash and Cash Equivalents

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

Financial leasing transactions

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

(i) As lessor

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

(ii) As lessee

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

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Allowances for impairment of lease receivables

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

As 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.

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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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)

Financial instruments (Continued)

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

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

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

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

Property and equipment

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

The Company decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment". As a result of the valuation performed by an independent appraisal company, revaluation difference of TRY 76,531 (31 December 2022: 76,531 TRY) after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

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

	30 June 2023	31 December 2022
Fair Value	24,055	24,055
Net book value calculated on cost value	62,813	62,813
Before tax revaluation differences	86,868	86,868
Calculated deferred tax liability (-)	(10,337)	(10,337)
Revaluation differences, net	76,531	76,531

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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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)

Property and equipment (Continued)

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

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

The estimated useful lives of tangible assets are as follows:

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

Intangible assets

The Company's intangible assets consist of software.

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

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

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 2023

(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 2023 is TRY 19,982.83 full TRY (31 December 2022: 15,371.40 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 2023 and 31 December 2022, the actuarial assumptions are as follows:

	30 June 2023	31 December 2022
Discount rate	3.00%	3.00%
Expected rate of salary/ceiling increase	18.45%	18.45%

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

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

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

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

Provisions, contingent assets, and liabilities

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provisions, contingent assets, and liabilities (Continued)

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

Income and expense recognition

Finance lease income

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

Interest income and expenses

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

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

Fees and commissions

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

Dividend

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

Other income and expenses

Other income and expenses are recognized on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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

As of July 1, 2022, Taxable income is subject to corporate tax at 25%. This rate is applied to net income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax-deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings. Under the Turkish taxation system, tax losses can be carried forward up to five years. As at 30 June 2023, the Company has no deductible tax losses (31 December 2022:None).

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

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

Deferred taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 (Continued)

In the financial statements as at 30 June 2023, deferred tax assets and liabilities are calculated with 25% rates for the parts of temporary differences that will have tax effects in 2023. (December 31, 2022: 25%).

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 2023

(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 2023 and 2022, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	30 June 2023	30 June 2022
The statement of financial position		
located in total cash and cash equivalents	2,649,389	1,521,054
Rediscounts on Interest income of cash and cash equivalents	(7,208)	(2,200)
Cash and cash equivalents in the statement of cash flows	2,642,181	1,518,854

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 2023 and 31 December 2022, details of bank balances are as follow

	30 June 2023	31 December 2022
Banks	2,649,389	2,742,139
Time deposit	2,635,781	2,727,690
Demand deposit	13,608	14,449
Total	2,649,389	2,742,139

As at 30 June 2023, time deposits consist of bank placements with maturity less than three months and with interest rates average 0.4% for foreign currency and 26.12% for TRY time deposits. (31 December 2022: 15.69% for TRY and 1.35% for foreign).

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023 and 31 December 2022, details of financial assets for which the fair value difference is recognised through profit or loss are as follows:

	<u>30 June 2023</u>		<u>31 December 2022</u>	
	TP	YP	TP	YP
Government debt securities	-	481,722	-	-
Financial assets at fair value through profit or loss	-	481,722	-	-

6- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 30 June 2023 , details of financial assets for which the fair value difference is recognised through other comprehensive income are as follows:

	<u>30 June 2023</u>		<u>31 December 2022</u>	
	Carrying value (*)	Share (%)	Carrying value	Share (%)
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	38,781	3.79	38,781	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	5,902	3.27	5,902	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	2,098	0.25	2,098	0.25
Financial assets for which fair value difference is recognised through other comprehensive income	46,781		46,781	

(*) 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 2023**

(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 2023		31 December 2022	
	TRY	FC	TRY	FC
Lease receivables	10,761,686	6,003,025	6,077,456	4,576,591
Invoiced lease receivables	24,133	166,350	29,026	118,385
Subtotal	10,785,819	6,169,375	6,106,482	4,694,976
Unearned interest income	(3,259,504)	(832,665)	(2,009,687)	(588,488)
Finance lease receivables, net of unearned income	7,526,315	5,336,710	4,096,795	4,106,488
Impaired lease receivables	46,148	148,462	46,157	174,537
Specific provision	(33,366)	(100,022)	(29,719)	(98,415)
Impaired lease receivables, net	12,782	48,440	16,438	76,122
Finance lease receivables, net	7,539,097	5,385,150	4,113,233	4,182,610

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	6,751,559	5,169,758	3,260,984	1,179,190	593,703	16,955,194
Unearned interest income	(1,814,929)	(1,462,966)	(608,183)	(150,750)	(55,341)	(4,092,169)
Finance lease receivables, Net	4,936,630	3,706,792	2,652,801	1,028,440	538,362	12,863,025

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

As of 30 June 2023, the average compounded interest rates for finance lease receivables are 30.20% for TRY, 8.95% for USD, and 7.28% for EUR (31 December 2022: 27.09% for TRY, 8.45% for USD and 7.00% for EUR).

As at 30 June 2023 the aging of the lease receivables and related specific provisions are as follows:

	30 June 2023	31 December 2022
Neither past due nor impaired	12,672,542	8,055,872
Past due but not impaired	190,483	147,411
Impaired	194,610	220,694
Allowances for impairment	(133,388)	(128,134)
Finance lease receivables, net	12,924,247	8,295,843

	30 June 2023	31 December 2022
151-240 days	22,393	33,793
241-1 year	10,184	40,430
1 year and over	162,033	146,471
Impaired lease receivables, net	194,610	220,694

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

7 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 30 June 2023, details of the impaired lease receivables and related specific provisions are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Impaired lease receivables	46,148	148,462	46,157	174,537
Specific provisions	(33,366)	(100,022)	(29,719)	(98,415)
Impaired lease receivables, net	12,782	48.440	16,438	76.122

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

	30 June 2023	31 December 2022
Specific provisions at the beginning of the year	137,449	208,655
Provision for the year	16,308	26,197
General loan loss provisions for the year (Note 16)	95	4,253
Amounts written off during the period	(9)	(92,081)
Collections during the year	(15,426)	(9,575)
Specific provisions at the end of the year	138,417	137,449

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

	30 June 2023	31 December 2022
Mortgage	40,516	36,359
Other	2,078	561
Total collateral	42,594	36,920

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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023:

	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 intangible 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 intangible 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.

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

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

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

As 30 June 2023 and 31 December 2022, there is no mortgage on the tangible assets of the Company.

As of 30 June 2023 total insurance coverage for tangible assets of the Company is TRY 71,299 (30 June 2022: 37,272 TRY).

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 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

Movement in intangible assets in the period from 1 January to 30 June 2022 is as follows:

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

10 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of June 30, 2023, 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 2023	31 December 2022
Assets held for sale real estates	-	128,480
Total collateral	-	128,480

VAKIF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023**

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

11 - TAX ASSETS AND LIABILITIES

	30 June 2023	31 December 2022
Social Security Premiums	3,068	1,622
Income tax	916	564
VAT payable	210	295
Stamp tax	37	15
	4,231	2,496

	30 June 2023	31 December 2022
Tax provision	258,631	97,436
Less: Prepaid taxes	(71,544)	(69,601)
Current income tax liabilities, net	187,087	27,835

	30 June 2023	31 December 2022
Tax expense		
Corporate tax expense for the period	(258,631)	(97,436)
Deferred tax income/expense effect	(52,251)	(75,808)
	(310,882)	(173,244)

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

	30 June 2023	31 December 2022
Profit before taxes	1,253,480	691,810
Theoretical tax expense with 25% tax rate	(313,370)	(172,953)
General loan loss provision not subjected to deferred tax	(24)	(1,063)
Other ^(*)	2,512	772
Current year tax expense	(310,882)	(173,244)

(*) 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 2023

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

10 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes

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

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 2023	31 December 2022	30 June 2023	31 December 2022
Lease Asset Receivable Impairment	43,773	43,784	10,943	10,943
Provision for employee termination benefit	8,784	9,834	2,196	2,458
Other short term employee benefits	7,688	5,391	1,922	1,348
Provision for unused vacations	1,188	702	297	176
Debts from leasing transactions	271	180	68	45
Deferred tax assets	61,704	59,891	15,426	14,973
Finance lease income accruals	(588,611)	(381,343)	(147,153)	(95,336)
Tangible and intangible assets revaluation difference	(86,868)	(86,868)	(10,859)	(10,859)
Subsidiary revaluation fund	(42,362)	(42,362)	(2,648)	(2,648)
Others	(11,219)	(8,253)	(2,802)	(2,061)
Deferred tax liabilities	(729,060)	(518,826)	(163,462)	(110,904)
Deferred tax assets, (net)	(667,356)	(458,935)	(148,036)	(95,931)

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023	31 December 2022
1 January	(95,931)	(11,742)
Current year deferred tax income/expense	(52,251)	(75,808)
Deferred tax income/expense recorded under Equity	146	(8,381)
30 June	(148,036)	(95,931)

12 - OTHER ASSETS

As at 30 June 2023 and 31 December 2022, details of other assets are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Advances given for leasing transactions	319,376	2,164,847	57,370	918,004
Investments under leasing	1,650,952	316,676	736,201	113,949
Prepaid expenses	29,692	53,306	2,795	9,756
Other receivables regarding leasing transactions	127,568	29,889	4,899	12,210
Checks received	-	-	-	-
Other	4,330	-	1,487	897
Total other assets	2,131,918	2,564,718	802,752	1,054,816

13 - BORROWINGS

As at 30 June 2023, details of the borrowings are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Domestic banks	11,660,938	3,632,280	6,612,885	2,763,261
Foreign banks	-	1,840,990	-	1,474,457
Total Borrowings	11,660,938	5,473,270	6,612,885	4,237,718

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023						
Borrowings from domestic banks:						
Fixed rate borrowings						
TRY	1,558,888	20.11	1,552,109	6,779	-	1,558,888
EUR (thousand)	16,732	3.95	48,758	147,809	274,502	471,069
USD (thousand)	538	3.52	9,238	2,313	2,363	13,914
Floating rate borrowings:						
TRY	10,102,049	15.46	1,470,097	1,209,453	7,422,500	10,102,050
EUR (thousand)	111,788	3.83	95,424	629,989	2,421,884	3,147,297
Total borrowing from domestic banks			3,175,626	1,996,343	10,121,249	15,293,218
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	26,040	3.77	11,051	423,655	298,432	733,138
Floating rate borrowings						
EUR(thousand)	25,543	1.46	63,456	230,568	425,113	719,137
USD(thousand)	15,052	3.08	1,368	387,347	-	388,715
Total borrowings from foreign banks			75,875	1,041,570	723,545	1,840,990
Total borrowings			3,251,501	3,037,913	10,844,794	17,134,208

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

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

14 - LEASE LIABILITIES

As at 30 June 2023 details of lease liabilities are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Right of use of Real Estates.	271	-	180	-
Total lease liabilities	271	-	180	-

14 - SECURITIES ISSUED

None. (31 December 2022: None.)

15 – DERIVATIVE INSTRUMENTS

None.

16 - PROVISIONS

As at 30 June 2023 details of provisions for liabilities and charges are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
General loan loss provisions for financial lease receivables (*) (Note 6)	4,826	203	9,258	107
Reserve for employee benefits	17,660	-	15,927	-
Reserve for employee termination benefit	8,784	-	9,833	-
Provision for unused vacations	1,188	-	702	-
Reserve for bonuses	2,738	-	1,759	-
Provisions for other employee rights	4,950	-	3,633	-
Total provisions	22,486	203	25,185	107

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

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

17 – PROVISIONS (Continued)

	30 June 2023	31 December 2022
At the beginning of the year	9,833	4,792
Interest expenses	907	905
Service cost	529	501
Payments during the year	(3,069)	(379)
Actuarial gain/loss ^(*)	584	4,014
At the end of the year	8,784	9,833

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

18 - OTHER LIABILITIES

As at 30 June 2023 details of other liabilities are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Advances received ^(*)	742,234	289,665	305,740	232,691
Other trade payables	8,343	261,024	11,175	320,194
Deferred income	19,818	17,184	11,500	11,275
Total other liabilities	770,395	567,873	328,415	564,160

(*) 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.

19 - EQUITY

Share capital

As at 30 June 2023, the share in capital of the Company amounts to TRY 2,000,000 and composed of 60.000.000.000 shares with a face value of TRY0.01 each (31 December 2022: capital shares TRY2,000,000, nominal value: 60.000.000.000 shares).

As at 30 June 2023 and 31 December 2022, the share capital and ownership structure of the Company is as follows:

	30 June 2023		31 December 2022	
	Amount of Share(TRY)	Share Percentage (%)	Amount of Share(TRY)	Share Percentage (%)
Vakıfbank	372,274	62.05	372,274	62.05
Publicly traded ^(*)	227,726	37.95	227,726	37.95
Pain-in capital	600,000	%100	600,000	%100

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

19 - EQUITY (Continued)

Capital reserves

As at 30 June 2023, capital reserves amounted to TRY 9,022 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2022: TRY 1,662).

As at 30 June 2023, revaluation difference on tangible assets amounting to TRY 76,531 (31 December 2022: TRY 76,531) is accounted directly in equity. As at 30 June 2023, the marketable securities valuation differences amounts to TRY 40,018 (31 December 2022: TRY 40,018).

Profit reserves

As at 30 June 2023, profit reserves of the Company consists of first legal reserves amounting to TRY 20,737 (31 December 2022: TRY 71,945) and extraordinary reserves amounting to TRY 71,945 (31 December 2022: TRY 71,945).

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.

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

20 - OPERATING EXPENSES

For the period ended 30 June 2023, general administrative expenses included in the operating expenses are as follow:

	30 June 2023	30 June 2022
Advertising expenses	8,404	5,851
General administration expenses	4,959	2,447
Depreciation and amortization expenses	2,331	1,540
Consultancy expenses	2,222	864
Court expenses	1,400	647
Notary expenses	1,685	582
Transportation expenses	651	491
Non-deductible expenses	546	338
Taxes, duties and charges expenses	353	167
Printing, stationery, and office expenses	190	127
Marketing expenses	180	117
Registration expenses	21	153
Other operating expenses	1,396	850
Total general administrative expenses	24,338	14,174

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

	30 June 2023	30 June 2022
Salaries	39,017	16,917
Social security premiums and other contributions	4,708	1,939
Personnel insurance expense	2,197	702
Other personnel expenses	2,709	1,157
Total personnel expenses	48,631	20,715

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

21 - OTHER OPERATING INCOME/EXPENSE

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

	30 June 2023	30 June 2022
Foreign exchange gains	530,749	235,936
Interest income from bank deposits	241,240	42,391
Derivative trading profit	-	29,119
Provisions no longer required	30,066	6,879
Interest income from non-performing loans	4,084	5,427
Delinquent interest income	6,574	2,442
Income from sales of fixed assets and assets held for sale	390	2,065
Dividend income	-	250
Operating lease income	168	12
Other income	8,337	3,156
Total other operating income	823,434	327,677

Other operating expenses:

	30 June 2023	30 June 2022
Loss on derivative financial transactions	-	108,063
Other expense	489	313
Total other operating expenses	489	108,376

22 - EARNINGS PER SHARE

	30 June 2023	30 June 2022
At the beginning of the year		
Total number of outstanding shares	60,000,000,000	46,894,556,000

At the end of the year

Total number of outstanding shares	60,000,000,000	60,000,000,000(*)
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	30 June 2023	30 June 2022
Net income for the period	942,598	191,205
Weighted average number of outstanding shares		
with a nominal value of TRY 0.01	60,000,000,000	60,000,000,000

Earnings per share (TRY)	1.571	0.319
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(*) The Company has realized a capital increase amounting to TL 100,000 from internal resources and the number of shares of previous years has been adjusted in parallel with the current period.

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

23- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As at 30 June 2023, details of related party balances are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Türkiye Vakıflar Bankası T.A.O.	2,504,942	67,003	1,585,535	1,153,566
Bank Deposits	2,504,942	67,003	1,585,535	1,153,566
Vakıf Faktoring A.Ş.	38,781	-	38,781	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	5,902	-	5,902	-
Vakıf Yatırım Menkul Değerler A.Ş.	2,098	-	2,098	-
Financial assets for which fair value difference is recognised through other comprehensive income	46,781	-	46,781	-
Türkiye Vakıflar Bankası T.A.O.	10,213,718	1,908,317	5,855,935	1,476,476
Borrowings	10,213,718	1,908,317	5,855,935	1,476,476
Vakıf Yatırım Menkul Değerler A.Ş.	21	-	-	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	80	-	64	-
Payables to related parties	101	-	64	-
Vakıf Faktoring A.Ş.	6	-	-	-
Receivables from related parties	6	-	-	-

As at 30 June 2023, details of income and expenses arising from transactions with related parties are as follows:

	30 June 2023	30 June 2022
Türkiye Vakıflar Bankası T.A.O.	234,315	33,374
Interest income from related parties	234,315	33,374
Türkiye Vakıflar Bankası T.A.O. - interest expense	571,098	159,056
Vakıfbank International AG- interest expense	-	87
Finance expenses of related parties	571,098	159,143
Türkiye Sigorta A.Ş.	-	9,955
Vakıf Yatırım Menkul Değerler A.Ş.	-	250
Vakıf Faktoring A.Ş.	33	19
Other incomes of related parties	33	10,224
Türkiye Vakıflar Bankası T.A.O.	18,924	16,197
Türkiye Sigorta A.Ş.	-	523
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	631	245
Vakıf Yatırım Menkul Değerler A.Ş.	108	198
Türkiye Hayat ve Emeklilik A.Ş.	-	52
Vakıf Faktoring A.Ş.	31	21
Other expenses of related parties	19,694	17,236

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023, Company's executive management compensations are as follows:

	30 June 2023	30 June 2022
Fees and other short term benefits	5,607	2,218
Total	5,607	2,218

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 2023, the collaterals obtained by the Company against finance lease receivables are as follows:

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Received guarantees	66,087,004	109,655,588	37,043,320	80,046,755
Mortgages	2,601,189	6,439,914	2,345,391	4,749,676
Assignment of claims	1,538,532	2,874,784	1,472,826	2,112,698
Company share pledge	1,481,488	109,748	1,089,488	79,468
Cash blockage	4,390	11,067	4,390	9,429
Letters of guarantee	85,601	-	-	-
Others	257,588	2,518,606	516,679	1,965,863
Total	72,055,792	121,609,707	42,472,094	88,963,889

Commitments

As at 30 June 2023, the Company has irrevocable commitments amounted to TRY 2,169,125 (31 December 2022 TRY 1,326,572) 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 2023	31 December 2022
TRY	1,476,176	731,183
EUR	558,229	431,500
USD	134,720	163,889
Total	2,169,125	1,326,572

VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023, Company's financial lease commitments amounting to TRY 4,190,220 (31 December 2022: TRY : 2,499,494).

	30 June 2023		31 December 2022	
	TRY	FC	TRY	FC
Financial lease commitment	2,885,087	1,305,133	1,238,773	1,260,721
Total	2,885,087	1,305,133	1,238,773	1,260,721

Derivative financial instruments

As of 30 June 2023, 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 2023

(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 2023, exposure to credit risk based on categories of financial instruments is as follows:

30 June 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)	12,924,247	161,787	2,649,389	-	-	15,735,423
- The portion of maximum risk covered by guarantees	4,618,132	-	-	-	-	4,618,132
A. Net carrying value of financial assets which are neither impaired nor overdue	12,672,142	161,787	2,649,389	-	-	15,483,318
- The portion covered by guarantees	4,575,438	-	-	-	-	4,575,438
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	190,483	-	-	-	-	190,483
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	61,622	-	-	-	-	61,622
- Overdue (gross)	194,610	-	-	-	-	194,610
- Impairment (-)	(133,388)	-	-	-	-	(133,388)
- Net book value covered by guarantees	42,594	-	-	-	-	42,594
- 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 2023

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

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

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 30 June 2023, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	30 June 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Manufacturing	5,537,213	43.05	3,825,500	46.63
Construction	2,196,366	17.08	1,630,757	19.88
Wholesale, retail and trading	1,937,206	15.06	898,606	10.95
Real estate commissions and renting	1,064,169	8.27	482,298	5.88
Health and social services	768,068	5.97	624,545	7.61
Mining	487,678	3.79	329,470	4.02
Education	139,788	1.09	119,782	1.46
Transportation, warehousing and communication	166,795	1.30	67,333	0.82
Agriculture	148,137	1.15	81,877	1.00
Hotels and restaurants	184,013	1.43	87,250	1.06
Financial intermediary services	13,158	0.10	12,557	0.15
Other social and individual services	95,168	0.74	9,780	0.21
Other	125,266	0.97	3,037	0.05
Total	12,863,025	100	8,203,283	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 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	17,134,208	19,969,859	5,674,116	1,979,446	9,389,349	2,926,948	-
Other liabilities	1,338,268	1,338,268	1,338,268	-	-	-	-
Total	18,472,476	21,308,127	7,012,384	1,979,446	9,389,349	2,926,948	-

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	Carrying Amount	Total Contractual/ expected maturity cash in/out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	10,850,603	12,821,904	3,405,484	1,303,018	4,534,774	3,578,628	-
Other liabilities	892,575	892,575	892,575	-	-	-	-
Total	11,743,178	13,714,479	4,298,059	1,303,018	4,534,774	3,578,628	-

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 2023, the Company’s foreign currency assets and liabilities with their TRY equivalents are as follows:

30 June 2023	US Dollar	Euro	GBP	CHF	Total
Cash and Cash equivalents, Banks	30,367	40,169	32	-	70,568
Financial assets at fair value through profit or loss	-	481,722	-	-	481,722
Financial assets measured at amortized cost, net ⁽¹⁾	868,562	4,468,148	-	-	5,336,710
Other Assets	1,050,893	1,513,764	61	-	2,564,718
Total assets	1,949,822	6,503,803	93	-	8,453,718
Borrowing	402,629	5,070,641	-	-	5,473,270
Provisions	75	128	-	-	203
Other liabilities	251,462	316,411	-	-	567,873
Total liabilities	654,166	5,387,180	-	-	6,041,346
Net financial statement position	1,295,656	1,116,623	93	-	2,412,372
Net off-balance sheet items position	-	-	-	-	-
Net foreign currency position	1,295,656	1,116,623	93	-	2,412,372

⁽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 2023

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

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

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

⁽¹⁾ 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 2023 and 31 December 2022 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 2023				
10% change of the US Dollar against TRY				
1-Net USD asset/liability	129,566	(129,566)	129,566	(129,566)
2-Hedged portion of TRY against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	129,566	(129,566)	129,566	(129,566)
10% change of the Euro against TRY				
4-Net Euro asset/liability	111,662	(111,662)	111,662	(111,662)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	111,662	(111,662)	111,662	(111,662)
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	9	(9)	9	(9)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	9	(9)	9	(9)
TOTAL (3+6+9+12)	241,237	(241,237)	241,237	(241,237)

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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

(*) 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 2023 and 31 December 2022, the interest bearing financial assets and liabilities of the Company are as follows:

	30 June 2023	31 December 2022
Financial assets and liabilities with fixed interest rate		
Time deposits	2,635,781	2,742,139
Financial assets at fair value through profit or loss	481,722	-
Finance lease receivables, net	12,863,025	8,203,283
Borrowing	2,777,009	2,463,146
Financial assets and liabilities with floating rate		
Borrowing	14,357,199	8,387,457

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

(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 2023 and effect on net interest income(excluding tax implications) of floating rate non-trading financial assets and financial liabilities held.

30 June 2023	Profit or Loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(1,509)	1,509	(1,509)	1,509
Total, net	(1,509)	1,509	(1,509)	1,509

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

(*) 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 2023, the ratio of the equities to the debts is 12% (31 December 2022: 11%). As of 30 June 2023 and 31 December 2022, the debt to equity ratio is as follows:

	30 June 2023	31 December 2022
Borrowing	17,134,208	10,850,603
Other liabilities	1,338,268	892,575
Total Liabilities	18,472,476	11,743,178
Total Equity	2,274,459	1,324,939
Equity/Debt ratio	% 12	% 11

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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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 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Financial assets at fair value through profit or loss	481,722	481,722	-	-
Finance lease receivables, net	12,863,025	9,733,468	8,203,283	7,577,447
Banks	2,649,389	2,649,389	2,742,139	2,742,139
<i>Financial liabilities</i>				
Borrowings	17,134,208	15,555,244	10,850,603	9,549,186
Other liabilities	1,338,268	1,338,268	892,575	892,575

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.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 June 2023

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25 - FINANCIAL INSTRUMENTS (Continued)

Classification of Fair Value Measurement (Continued)

As at 30 June 2023 and 31 December 2022, The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

30 June 2023	1. Level	2. Level	3. Level	Total
Financial assets which fair value difference reflected to other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	46,781	46,781
Financial assets which fair value difference reflected to profit/loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			46,781	46,781

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

31 December 2022	1. Level	2. Level	3. Level	Total
Financial assets which fair value difference reflected to other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	46,781	46,781
Financial assets which fair value difference reflected to profit/loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			46,781	46,781

(*) 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 2023	31 December 2022
Balance at the beginning of the period	46,781	26,434
Capital increase	-	2,280
Total gains for the period recognized in equity	-	18,067
Balance at the end of the period	46,781	46,781

27- OTHER EXPLANATIONS

None.

28 - EVENTS AFTER THE REPORTING PERIOD

Amendments were made to the Corporate Tax Law No. 5520 with a Law submitted to the Grand National Assembly of Turkey on 5 July 2023 and published in the Official Gazette dated 15 July 2023. According to this; 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, starting from the declarations that will be submitted as of 1 October 2023. In addition, starting from 15 July 2023; 50% tax exception stipulated for immovable assets’ sales gains in the Law No. 5520 has been abolished with the amendment. However, the 50% tax exemption ratio will be applied as 25% for the sales of immovable assets of the entities acquired before 15 July 2023. Efforts to determine the effects of these changes on current and deferred tax amounts continue.