

A&T Finansal Kiralama A. Ş.

Financial Statements
As at and For the Year Ended
31 December 2021
With Independent Auditors' Report
*(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish)*

15 February 2022

This report contains the "Independent Auditors' Report on Financial Statements" comprising 4 pages and; the "Financial Statements and their explanatory notes" comprising 50 pages.

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English

Independent Auditor's Report

To the Shareholders of A&T Finansal Kiralama A.Ş.

A) Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of A&T Finansal Kiralama A.Ş. as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting Financial Reporting Legislation" which includes the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing and Savings Financing Companies ("Regulation") published in the Official Gazette dated 24 December 2013 and numbered 28861, other regulations, communiqués and circulars published by and the pronouncements made by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of lease receivables

Refer to Note 2.3 for the details of accounting policies, significant judgments and estimation for impairment of lease receivables

Key audit Matter	How the matter is addressed in our audit
<p>As at 31 December 2021, leasing receivables comprise 86% of the Company's total assets.</p> <p>The Company recognizes its leasing receivables and losses related to its receivables in accordance with the amendment to the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies ("the Regulation") and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As at 1 January 2019, the Company applies the "expected credit loss model" which contains significant assumptions and estimates in determining the impairment of financial assets in accordance with the Regulation and Standards.</p> <p>The significant assumptions and estimates of the Company's management are as follows:</p> <ul style="list-style-type: none">✓ Significant increase in credit risk✓ Incorporating the forward looking macroeconomic information in calculation of credit risk; and✓ Design and implementation of expected credit loss model. <p>The Company calculates expected credit losses on a collective basis.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations.</p> <p>The determination of the impairment of leasing receivables measured at amortized cost depends on (i) the credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the leasing receivables measured at amortized cost according to the model.</p>	<p>Our procedures for testing the Impairment of lease receivables included below:</p> <ul style="list-style-type: none">• We evaluated the adequacy of the subjective and objective criteria that is defined in the Company's impairment model compared with the Regulation and Standard.• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated.• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation.• We assessed the assumptions which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.• We evaluated assessments which are used in determining the significant increase in credit risk.• We evaluated the adequacy of the financial statement disclosures related to impairment provisions.

<p>Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>Impairment on loans measured at amortized cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above</p>	
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2021 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note II, differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Erdal Tıkmak, SMMM
Partner

15 February 2022
İstanbul, Turkey

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A&T FİNANSAL KİRALAMA A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021
(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	ASSETS	Notes	Audited			Audited		
			31 December 2021			31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS and CENTRAL BANK	3	13,587,042	99,012,927	112,599,969	50,060,206	24,007,192	74,067,398
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)		--	--	--	--	--	--
III.	DERIVATIVE FINANCIAL ASSETS		--	--	--	--	--	--
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)		--	--	--	--	--	--
V.	FINANCIAL ASSETS AT AMORTIZED COST (Net)	4	120,700,888	357,412,516	478,113,404	86,592,554	225,230,272	311,822,826
5.1	Factoring Receivables		--	--	--	--	--	--
5.1.1	Discounted Factoring Receivables (Net)		--	--	--	--	--	--
5.1.2	Other Factoring Receivables		--	--	--	--	--	--
5.2	Savings Finance Receivables		--	--	--	--	--	--
5.2.1	Saving Fund		--	--	--	--	--	--
5.2.2	Equity		--	--	--	--	--	--
5.3	Financing Loans		--	--	--	--	--	--
5.3.1	Consumer Loans		--	--	--	--	--	--
5.3.2	Credit Cards		--	--	--	--	--	--
5.3.3	Installment Commercial Loans		--	--	--	--	--	--
5.4	Leasing (Net)	4	121,305,606	358,636,080	479,941,686	86,984,219	226,039,657	313,023,876
5.4.1	Receivables From Finance Lease		155,898,450	385,206,304	541,104,754	108,457,930	243,373,652	351,831,582
5.4.2	Receivables From Operating Lease		--	--	--	--	--	--
5.4.3	Unearned Income (-)		(34,592,844)	(26,570,224)	(61,163,068)	(21,473,711)	(17,333,995)	(38,807,706)
5.5	Other Financial Assets At Amortized Cost		--	--	--	--	--	--
5.6	Non Performing Receivables	4	87,997	842,689	930,686	427,191	3,101,501	3,528,692
5.7	Allowances for Expected Credit Loss (-)	4	(692,715)	(2,066,253)	(2,758,968)	(818,856)	(3,910,886)	(4,729,742)
VI.	SHAREHOLDING (Partnership) INVESTMENTS		--	--	--	--	--	--
6.1	Investments In Associates (Net)		--	--	--	--	--	--
6.2	Investments In Subsidiaries (Net)		--	--	--	--	--	--
6.3	Investments In Joint Ventures (Net)		--	--	--	--	--	--
VII.	TANGIBLE ASSETS (NET)	5	10,136,717	--	10,136,717	10,362,962	--	10,362,962
VIII.	INTANGIBLE ASSETS (NET)	6	530,742	--	530,742	179,153	--	179,153
IX.	INVESTMENT PROPERTY (NET)		--	--	--	--	--	--
X.	CURRENT PERIOD TAX ASSETS		--	--	--	--	--	--
XI.	DEFERRED TAX ASSETS	15	58,728	--	58,728	339,361	--	339,361
XII.	OTHER ASSETS	7	5,893,518	22,210,557	28,104,075	2,474,674	6,890,468	9,365,142
	SUBTOTAL		150,907,635	478,636,000	629,543,635	150,008,910	256,127,932	406,136,842
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		--	--	--	--	--	--
13.1	Assets Held For Sale		--	--	--	--	--	--
13.2	Assets Held For Discontinued Operations		--	--	--	--	--	--
	TOTAL ASSETS		150,907,635	478,636,000	629,543,635	150,008,910	256,127,932	406,136,842

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2021
(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	LIABILITIES	Notes	Audited 31 December 2021			Audited 31 December 2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	8	--	452,072,217	452,072,217	4,916,286	245,635,603	250,551,889
II.	FACTORING PAYABLES		--	--	--	--	--	--
III.	PAYABLES FROM SAVINGS FUND		--	--	--	--	--	--
IV.	LEASE OBLIGATIONS (NET)		--	--	--	--	--	--
V.	SECURITIES ISSUED (NET)		--	--	--	--	--	--
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		--	--	--	--	--	--
VII.	DERIVATIVE FINANCIAL LIABILITIES	10	--	--	--	--	--	--
VIII.	PROVISIONS	11	6,137,967	--	6,137,967	2,782,663	--	2,782,663
8.1	Restructuring Reserves		--	--	--	--	--	--
8.2	Provisions For Employee Benefits	11	4,297,967	--	4,297,967	2,782,663	--	2,782,663
8.3	General Provisions		--	--	--	--	--	--
8.4	Other Provisions		1,840,000	--	1,840,000	--	--	--
IX.	CURRENT PERIOD TAX LIABILITIES	15	3,393,679	--	3,393,679	2,991,771	--	2,991,771
X.	DEFERRED TAX LIABILITIES	15	--	--	--	--	--	--
XI.	SUBORDINATED LOANS-DEBT		--	--	--	--	--	--
XII.	OTHER LIABILITIES	9	5,505,991	9,515,468	15,021,459	2,353,680	7,060,181	9,413,861
	SUBTOTAL		15,037,637	461,587,685	476,625,322	13,044,400	252,695,784	265,740,184
XIII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		--	--	--	--	--	--
13.1	Held For Sale		--	--	--	--	--	--
13.2	Discontinued Operations		--	--	--	--	--	--
XIV.	SHAREHOLDERS' EQUITY	12	152,918,313	--	152,918,313	140,396,658	--	140,396,658
14.1	Paid-in Capital		126,000,000	--	126,000,000	116,000,000	--	116,000,000
14.2	Capital Reserves		228,147	--	228,147	228,147	--	228,147
14.2.1	Share Premiums		--	--	--	--	--	--
14.2.2	Share Cancellation Profits		--	--	--	--	--	--
14.2.3	Other Capital Reserves		228,147	--	228,147	228,147	--	228,147
14.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		5,067,469	--	5,067,469	5,214,527	--	5,214,527
13.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		--	--	--	--	--	--
14.5	Profit Reserves		6,080,911	--	6,080,911	5,293,640	--	5,293,640
14.5.1	Legal Reserves		6,079,417	--	6,079,417	5,292,146	--	5,292,146
14.5.2	Statutory Reserves		--	--	--	--	--	--
14.5.3	Extraordinary Reserves		1,494	--	1,494	1,494	--	1,494
14.5.4	Other Profit Reserves		--	--	--	--	--	--
14.6	Profit or Loss		15,541,786	--	15,541,786	13,660,344	--	13,660,344
14.6.1	Prior Periods Profit / Loss		2,873,073	--	2,873,073	1,456,024	--	1,456,024
14.6.2	Current Period Profit / Loss		12,668,713	--	12,668,713	12,204,320	--	12,204,320
	TOTAL LIABILITIES AND EQUITY		167,955,950	461,587,685	629,543,635	153,441,058	252,695,784	406,136,842

The accompanying notes form an integral part of these financial statements.

A&T FINANSAL KİRALAMA A.Ş.
STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2021
(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2021			Audited 31 December 2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. IRREVOCABLE FACTORING OPERATIONS		--	--	--	--	--	--
II. REVOCABLE FACTORING OPERATIONS		--	--	--	--	--	--
III. SAVINGS FINANCE CONTRACTS TRANSACTIONS		--	--	--	--	--	--
IV. GUARANTEES TAKEN		1,149,216,944	7,923,091,390	9,072,308,334	918,043,454	5,126,038,518	6,044,081,972
V. GUARANTEES GIVEN	10	295,033	--	295,033	295,033	--	295,033
VI. COMMITMENTS	10	21,139,956	55,789,481	76,929,437	12,394,612	41,675,001	54,069,613
6.1 Irrevocable Commitments		--	2,141,288	2,141,288	--	4,961,551	4,961,551
6.2 Revocable Commitments		21,139,956	53,648,193	74,788,149	12,394,612	36,713,450	49,108,062
6.2.1 Lease Commitments		21,139,956	53,648,193	74,788,149	12,394,612	36,713,450	49,108,062
6.2.1.1 Finance Lease Commitments		21,139,956	53,648,193	74,788,149	12,394,612	36,713,450	49,108,062
6.2.1.2 Operational Lease Commitments		--	--	--	--	--	--
6.2.2 Other Revocable Commitments		--	--	--	--	--	--
VII. DERIVATIVE FINANCIAL INSTRUMENTS		--	--	--	--	--	--
7.1 Derivative Financial Instruments for Hedging Purposes		--	--	--	--	--	--
7.1.1 Fair Value Hedges		--	--	--	--	--	--
7.1.2 Cash Flow Hedges		--	--	--	--	--	--
7.1.3 Net Investment Hedges		--	--	--	--	--	--
7.2 Derivative Financial Instruments Held For Trading		--	--	--	--	--	--
7.2.1 Forward Buy/Sell Transactions		--	--	--	--	--	--
7.2.2 Swap Buy/Sell Transactions		--	--	--	--	--	--
7.2.3 Options Buy/Sell Transactions		--	--	--	--	--	--
7.2.4 Futures Buy/Sell Transactions		--	--	--	--	--	--
7.2.5 Other		--	--	--	--	--	--
VIII. ITEMS HELD IN CUSTODY		--	--	--	--	--	--
TOTAL OFF BALANCE SHEET ITEMS		1,170,651,933	7,978,880,871	9,149,532,804	930,733,099	5,167,713,519	6,098,446,618

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira ("TL") unless otherwise indicated.)

	INCOME STATEMENT	Notes	Audited 1 January – 31 December 2021	Audited 1 January – 31 December 2020
I.	OPERATING INCOME		37,952,977	30,863,513
	FACTORING INCOME		--	--
1.1	Interest Income on Factoring Receivables		--	--
1.1.1	Discounted		--	--
1.1.2	Other		--	--
1.2	Fees and Commissions Income from Factoring Operations		--	--
1.2.1	Discounted		--	--
1.2.2	Other		--	--
	FINANCING LOANS INCOME		--	--
1.3	Interest income From Financing Credits		--	--
1.4	Fees and Commissions From Financing Credits		--	--
	FINANCE LEASE INCOME		37,952,977	30,863,513
1.5	Finance Lease Income		36,095,920	29,357,520
1.6	Operating Lease Income		--	--
1.7	Fees and Commissions Received from the Leasing Transactions		1,857,057	1,505,993
	SAVINGS FINANCE INCOME		--	--
1.8	Dividends from Savings Finance Receivables		--	--
1.9	Fees and Commissions Taken From Savings Finance Operations		--	--
II.	FINANCIAL EXPENSES (-)		8,268,897	8,131,884
2.1	Dividends to Savings Fund		--	--
2.2	Interest Expense From Funds Borrowed		8,026,312	8,073,628
2.3	Interest Expense From Factoring Payables		--	--
2.4	Interest Expense of Finance Lease Expenses		--	--
2.5	Interest Expense From Securities Issued		--	--
2.6	Other Interest Expenses		--	--
2.7	Fees and Commissions Paid		242,585	58,256
III.	GROSS PROFIT / LOSS (I+II)		29,684,080	22,731,629
IV.	OPERATING EXPENSES (-)	13	24,089,956	18,162,213
4.1	Personnel Expenses		11,686,115	11,761,089
4.2	Employee Severance Indemnity Expense		220,832	173,229
4.3	Research and Development Expenses		--	--
4.4	General Administrative Expenses	13	9,223,704	5,723,871
4.5	Other		2,959,305	504,024
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		5,594,124	4,569,416
VI.	OTHER OPERATING INCOME	14	242,687,581	152,100,541
6.1	Interest Income From Bank Deposits		7,547,531	6,719,090
6.2	Interest Income From Securities Portfolio		--	--
6.3	Dividend Income		--	--
6.4	Trading Account Income		--	--
6.5	Income From Derivative Financial Instruments		4,160	8,869
6.6	Foreign Exchange Gains		231,539,375	138,643,035
6.7	Other		3,596,515	6,729,547
VII.	PROVISION EXPENSES		1,370,000	3,094,985
7.1	Specific Provisions		--	--
7.2	Allowances for Expected Credit Loss		1,370,000	3,094,985
7.3	General Provisions		--	--
7.4	Other		--	--
VIII.	OTHER OPERATING EXPENSES (-)	14	229,419,356	137,829,549
8.1	Impairment Losses From Securities Portfolio		--	--
8.2	Impairment Losses From Non-Current Assets		--	--
8.3	Trading Account Loss		--	--
8.4	Loss From Derivative Financial Instruments		49,096	51,078
8.5	Foreign Exchange Loss		229,367,767	137,770,777
8.6	Other		2,493	7,694
IX.	NET OPERATING PROFIT / LOSS		17,492,349	15,745,423
X.	INCOME RESULTED FROM MERGER		--	--
XI.	PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD		--	--
XII.	GAIN/LOSS ON NET MONETARY POSITION		--	--
XIII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		17,492,349	15,745,423
XIV.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	15	4,823,636	3,541,103
14.1	Current Tax Charge	15	4,506,238	3,991,809
14.2	Deferred Tax Charge		317,398	--
14.3	Deferred Tax Benefit		--	450,706
XV.	NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)		12,668,713	12,204,320
XVI.	INCOME FROM DISCONTINUED OPERATIONS		--	--
16.1	Income from Assets Held for Sale		--	--
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		--	--
16.3	Other Income from Discontinued Operations		--	--
XVII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		--	--
17.1	Expense on Assets Held for Sale		--	--
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		--	--
17.3	Other Expenses from Discontinued Operations		--	--
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		--	--
XIX.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		--	--
19.1	Current Tax Charge		--	--
19.2	Deferred Tax Charge (+)		--	--
19.3	Deferred Tax Benefit (-)		--	--
XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)		--	--
XXI.	NET PROFIT FOR THE PERIOD (XII+XVII)		12,668,713	12,204,320
	Profit/Loss Per Share	16	0.101	0.097

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31 DECEMBER 2021
(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	Notes	Audited 1 January – 31 December 2021	Audited 1 January – 31 December 2020
I. PERIOD INCOME/LOSS		12,668,713	12,204,320
II. OTHER COMPREHENSIVE INCOME		(147,058)	(67,164)
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(147,058)	(67,164)
2.1.1 Gains/(losses) on revaluation of tangible assets		--	--
2.1.2 Gains/(losses) on revaluation of intangible assets		--	--
2.1.3 Gains/(losses) on remeasurement of defined benefit pension plans	11	(183,823)	(86,108)
2.1.4 Other items that will not be reclassified to profit or loss		--	--
2.1.5 Taxation on comprehensive income that will not be reclassified to profit or loss	15	36,765	18,944
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		--	--
2.2.1 Translation differences for transactions in foreign currencies		--	--
2.2.2 Translation and classification profit / loss of financial assets at fair value through other comprehensive income		--	--
2.2.3 Gains/(losses) from cash flow hedges		--	--
2.2.4 Gains/(losses) from net investment hedges		--	--
2.2.5 Other items that will be reclassified to profit or loss		--	--
2.2.6 Taxation on comprehensive income that will be reclassified to profit or loss		--	--
III. TOTAL COMPREHENSIVE INCOME (I+II)		12,521,655	12,137,156

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira ("TL") unless otherwise indicated.)

	CHANGES IN SHAREHOLDERS EQUITY	Notes	Paid in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other comprehensive income or expenses that will not be reclassified to profit or loss			Other comprehensive income or expenses that will be reclassified to profit or loss			Profit Reserves	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Total Shareholders' Equity
								1	2	3	4	5	6				
								I.	Prior Period (31 December 2020)								
II.	Balances at Beginning of Period		108,000,000	-	-	-	228,147	5,638,485	(356,794)	-	-	-	-	4,643,786	(474,102)	10,579,980	128,259,502
2.1	Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		108,000,000	-	-	-	228,147	5,638,485	(356,794)	-	-	-	-	4,643,786	(474,102)	10,579,980	128,259,502
IV.	Total Comprehensive Income		-	-	-	-	-	-	(67,164)	-	-	-	-	-	-	12,204,320	12,137,156
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		8,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	(8,000,000)	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	649,854	9,930,126	(10,579,980)	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	649,854	9,930,126	(10,579,980)	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+.....+XI)		116,000,000	-	-	-	228,147	5,638,485	(423,958)	-	-	-	-	5,293,640	1,456,024	12,204,320	140,396,658
I.	Current Period (31 December 2021)																
II.	Balances at Beginning of Period		116,000,000	-	-	-	228,147	5,638,485	(423,958)	-	-	-	-	5,293,640	1,456,024	12,204,320	140,396,658
2.1	Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		116,000,000	-	-	-	228,147	5,638,485	(423,958)	-	-	-	-	5,293,640	1,456,024	12,204,320	140,396,658
IV.	Total Comprehensive Income		-	-	-	-	-	-	(147,058)	-	-	-	-	-	-	12,668,713	12,521,655
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		10,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	(10,000,000)	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	787,271	11,417,049	(12,204,320)	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	787,271	11,417,049	(12,204,320)	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+.....+XI)		126,000,000	-	-	-	228,147	5,638,485	(571,016)	-	-	-	-	6,080,911	2,873,073	12,668,713	152,918,313

1. Revaluation Increase/Decrease of property and equipment,
2. Accumulated revaluation profit/loss from defined benefit plans,
3. Other (Other comprehensive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss)
4. Foreign exchange conversion differences,
5. Revaluation and/or reclassification differences of available-for-sale financial assets,
6. Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on profit/loss).

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	Notes	Audited 1 January – 31 December 2021	Audited 1 January – 31 December 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1		(88,918,837)	33,159,256
1.1.1		44,134,345	35,611,023
1.1.2		(4,845,300)	(10,016,762)
1.1.3		--	--
1.1.4		--	--
1.1.5		1,857,057	1,505,993
1.1.6		5,716,532	7,551,902
1.1.7	4	3,335,633	3,043,088
1.1.8		(10,580,204)	(11,525,614)
1.1.9	15	(3,781,452)	(3,828,814)
1.1.10		(124,755,448)	10,818,440
1.2		80,331,481	(49,319,207)
1.2.1		--	--
1.2.2		--	--
1.2.3		(18,821,708)	44,406,893
1.2.4		--	--
1.2.5		(14,676,848)	2,422,187
1.2.6		--	--
1.2.7		--	--
1.2.8		--	--
1.2.9		110,032,500	(94,280,671)
1.2.10		--	--
1.2.11		3,797,537	(1,867,616)
I.		(8,587,356)	(16,159,951)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1		--	-
2.2		--	-
2.3		(47,654)	(128,117)
2.4	5,6	1,720	5,775
2.5		--	-
2.6		--	-
2.7		--	-
2.8		--	-
2.9		(407,248)	(63,456)
II.		(453,182)	(185,798)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1		--	-
3.2		--	-
3.3		--	-
3.4		--	-
3.5		--	-
3.6		--	-
III.		--	--
IV.		48,069,144	(5,310,027)
V.		39,028,606	(21,655,776)
VI.	3	73,558,066	95,213,842
VII.	3	112,586,672	73,558,066

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.
STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	Notes	Audited (*) 1 January – 31 December 2021	Audited (**) 1 January – 31 December 2020
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)			
1.1 CURRENT PERIOD PROFIT		17,492,349	15,745,423
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	15	(4,823,636)	(3,541,103)
1.2.1 Corporate tax (income tax)		(4,506,238)	(3,991,809)
1.2.2 Withholding tax		--	--
1.2.3 Other taxes and duties		(317,398)	450,706
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		12,668,713	12,204,320
1.3 ACCUMULATED LOSSES (-)		--	--
1.4 FIRST LEGAL RESERVES (-)		--	(787,271)
1.5 OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]		--	11,417,049
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1 To owners of ordinary shares		--	--
1.6.2 To owners of privileged shares		--	--
1.6.3 To owners of redeemed shares		--	--
1.6.4 To profit sharing bonds		--	--
1.6.5 To holders of profit and loss sharing certificates		--	--
1.7 DIVIDENDS TO PERSONNEL (-)		--	--
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1 To owners of ordinary shares		--	--
1.9.2 To owners of privileged shares		--	--
1.9.3 To owners of redeemed shares		--	--
1.9.4 To profit sharing bonds		--	--
1.9.5 To holders of profit and loss sharing certificates		--	--
1.10 SECOND LEGAL RESERVES (-)		--	--
1.11 STATUS RESERVES (-)		--	--
1.12 EXTRAORDINARY RESERVES		--	--
1.13 OTHER RESERVES		--	--
1.14 SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1 APPROPRIATED RESERVES		--	--
2.2 SECOND LEGAL RESERVES (-)		--	--
2.3 DIVIDENDS TO SHAREHOLDERS (-)		--	--
2.3.1 To owners of ordinary shares		--	--
2.3.2 To owners of privileged shares		--	--
2.3.3 To owners of redeemed shares		--	--
2.3.4 To profit sharing bonds		--	--
2.3.5 To holders of profit and loss sharing certificates		--	--
2.4 DIVIDENDS TO PERSONNEL (-)		--	--
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. EARNINGS PER SHARE (per TL'000 face value each)			
3.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		0.1005	0.9669
3.2 TO OWNERS OF ORDINARY SHARES (%)		10.05	9.69
3.3 TO OWNERS OF PRIVILEGED SHARES		--	--
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		--	--
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)		--	--
4.2 TO OWNERS OF ORDINARY SHARES (%)		--	--
4.3 TO OWNERS OF PRIVILEGED SHARES		--	--
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		--	--

(*) The General Assembly Meeting has not been made for Operation results of 2021.

(**) Reorganize after the General Assembly Meeting on 23 March 2021.

The accompanying notes form an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A. Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

A&T Finansal Kiralama Anonim Şirketi (“the Company”) was established on 4 July 1997, pursuant to the license obtained from the Under secretariat of Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226.

The Company’s leasing operations principally focused on construction, office equipment and other equipment with vehicles, equipment for real estate and agricultural activities equipment. Head Office address of the company is as follows: Örnek Mahallesi Finans Çıkmaz Sokağı No:4 Ataşehir – İstanbul

The main shareholder of the Company is Arap Türk Bankası A.Ş with 99.98% of the shares.

The financial statements were approved for issue by the Board of Directors based on the Board of Directors decision dated 15 February 2022. The General Assembly has the authority to change the financial statements.

A significant part of the Company’s Operates in one geographical region (Turkey) and one commercial area (leasing) are carried out. The number of personnel working for the Company as at 31 December 2021 is 20 (31 December 2020: 21).

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 BASIS OF PRESENTATION

2.1.1 Statement of Compliance and Declaration of Conformity TAS

The Company prepares its financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the communique on “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 the “Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies” and other regulations, communiqués and circulars published by the BRSA and Turkish Accounting Standards (“TAS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not legislated by the aforementioned regulations (together “the BRSA Accounting and Financial Reporting Legislation”).

Changes regarding classification and measurement of financials assets

Within the scope of "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, companies are entitled to apply for the expected credit loss model under TFRS 9 as long as informing BRSA and the effective date of the regulation is 30 September 2018. The Company has started to calculate its expected credit loss in accordance with TFRS 9 starting with the Board of Directors decision dated 9 October 2019.

2.1.2 Preparation of Financial Statements in Hyperinflationary Periods

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with Turkish Accounting Standards on “Preparation of Financial Statements in Hyperinflationary Periods” (“TAS 29”) for the financial statements prepared until 31 December 2004. BRSA issued a circular on 28 April 2005 stating that the indicators requiring the application of inflation accounting ceased to exist; consequently inflation accounting was not applied in the financial statements after 1 January 2005

Pursuant to the announcement made by the POA on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (“CPI”) is 74.41%, It has been stated that businesses applying TFRS will not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting Standard in High Inflation Economies. Therefore, no inflation adjustment was made according to TAS 29 while preparing the financial statements as of 31 December 2021.

A&T FİNANSAL KİRALAMA A. Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 - BASIS OF PRESENTATION (CONTINUED)

2.1.3 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 set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.4 Going Concern

The Company prepared the financial statements according to going concern principles.

2.1.5 Functional Currency

Financial statements of the Company are presented in the currency (functional currency unit) valid in the basic economic environment in which it operates. The financial position and operating result of the company are expressed in Turkish Lira (“TL”), which is the Company's valid currency and the presentation currency for the financial statement.

2.1.6 Significant Accounting Evaluation Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty that have the most significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

Leasing Receivables Impairment

Assumptions and methods used to estimate the timing and amount of future cash flows from financial leasing receivables are frequently reviewed to resolve the difference between impairment estimates and financial losses.

A&T FİNANSAL KİRALAMA A. Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2. – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.1 Comparative information and Restatement of Previous Period Financial Statements

The financial statements of the Company are prepared comparatively with the previous period for determining of financial status and performance trends. The comparative information are restated or classified when necessary in terms of ensuring compliance with the presentation of current period statement of comprehensive income.

2.2.2 Accounting Policies Changes

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated in accordance with accounting policies. The Company has applied the accounting policies in line with the prior financial year.

2.2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to only one period, changes are applied in the current period but if changes in estimates relate to future periods, changes are applied both in the current and following periods prospectively. There has not been a significant change in the accounting estimates of the Company in the current year. Material prior period errors are corrected retrospectively and prior period financial statements are restated

The management is required to apply accounting policies and make decisions, estimations, and assumptions that affect the reported assets, liabilities, income, and expenses, in order to prepare the financial statements in accordance with the BRSA Accounting and Reporting Legislation. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed constantly. The effect of a change in accounting estimates is recognized prospectively in the current and future periods. The main notes for the items including estimates are as follows:

Note 4 – Financial Assets at Amortized Cost (net)

Note 5 – Tangible Assets

Note 11 – Provision

2.2.4 Change in Standards and Comments

The new standards, amendments, and interpretations which are effective as at 31 December 2021 but not yet adopted

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

International Standard Board (IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

A&T FİNANSAL KİRALAMA A. Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2. – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.4 Change in Standards and Comments (continued)

The new standards, amendments, and interpretations which are effective as at 31 December 2021 but not yet adopted (continued)

Standards issued but not yet effective and not early adopted (continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment) (continued)

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements.. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

A&T FİNANSAL KİRALAMA A. Ş.
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2. – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.4 Change in Standards and Comments (continued)

The new standards, amendments, and interpretations which are effective as at 31 December 2021 but not yet adopted (continued)

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Company does not expect that application of these amendments to IAS 1 will have significant impact on its financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2. – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.4 Change in Standards and Comments (continued)

The new standards, amendments, and interpretations which are effective as at 31 December 2021 but not yet adopted (continued)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes (continued)

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Company does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its financial statements.

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Company does not expect that application of these amendments to Amendments to TAS 8) will have significant impact on its financial statements.

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2.2. – CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2.4 Change in Standards and Comments (continued)

The new standards, amendments, and interpretations which are effective as at 31 December 2021 but not yet adopted (continued)

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Company does not expect that application of these amendments to Amendments to TAS 1) will have significant impact on its financial statements.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

TAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash, Cash Equivalents and Central Bank

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. (Note 3).

Related Parties

For the purpose of this report, the shareholders of the Company and the companies controlled by/associated with them are referred to as related parties. Related parties also include individual that are principal owners, management, and members of the Board of Directors and their families. (Note 17).

TFRS 16 Leases

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

A. Definition of Leasing

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply it as it used to be defined as a lease by using the practical expedient to the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

The Company used the following facilitating practices when applying TFRS 16 for leases previously classified as operating leases under TAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term. The Company does not have a lease agreement to be accounted for under TFRS 16.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Classification and Measurement

Classification and measurement of financial assets in accordance with TFRS 9 Financial Instruments standard is determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance.

TFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company accounts for its financial assets in three classes. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Company classifies its financial assets at the time of purchase.

“Financial assets measured at amortized cost” are financial assets held as part of a business model aimed at collecting contractual cash flows and that have cash flows that include interest payments solely on principal and principal balance at specific dates in contractual terms, are not traded in an active market. Financial assets at amortized cost of the Company also include “cash and cash equivalents”, “leasing receivables”.

Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Classification and Measurement (continued)

“*Financial assets at fair value through other comprehensive income*” are financial assets held as part of a business model for the collection and settlement of contract cash flows and for which there are cash flows from interest payments arising principally only at principal and principal amounts under contractual terms. Interest income, foreign currency gains and losses and impairment losses calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income. When financial assets are excluded from the statement of financial position, the total gains or losses that previously recognized in other comprehensive income are reclassified to profit or loss.

For investments in equity-based financial assets, the Company may inadvertently choose the method of reflecting subsequent changes in fair value to other comprehensive income during the first financial statement purchase. In the case of such a preference, the dividends from the related investments are recognized in the income statement.

“*Financial assets at fair value through profit or loss*” are financial assets measured other than those at amortized cost and fair value through other comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the income statement.

Disclosures on impairment of financial assets

As at 1 January 2019, loss allowance for expected credit losses is set aside for leasing receivables measured at amortized cost based on TFRS 9 and the regulation published in the Official Gazette no. 30409 dated 2 May 2018 and effective from 30 September 2018. In connection with “Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies” TFRS 9 impairment requirements.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occurring for the financial instrument.

As at the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, it shall be measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, it is measured loss allowance regarding such instrument at an amount equal to lifetime expected credit losses. The expected credit loss is calculated on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis. The impairment model having 3 stages based on the change in credit quality since initial recognition based on TFRS 9 is explained below.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Calculation of expected credit losses

Expected credit losses are calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics:

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as at the reporting date. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate, and discounted with the original effective interest rate.

Stage 2: When there is a significant increase in credit risk since origination, lifetime expected credit losses is calculated. Including multiple scenario usage, probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

Stage 3: Lifetime expected credit losses are recognized for the impaired lease receivables. The method is similar to Stage 2 Assets.

In the following two conditions, it is considered to be a default on the related lease receivables;

1. Objective Default Definition: It means that the debt is delayed more than 150 days. The definition of default in practice for financial institutions is based on the criterion that the debt is overdue more than 150 days. If the debt is delayed for 150 days, it is not considered as default, and the default starts on the 151th day.

2. Subjective Default Definition: It means that the debt will not be paid. If the borrower is judged unable to fulfill its debts on the loan, the borrower should be considered in default, regardless of whether there is a balance in delay or the number of days of delay.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Forward looking macroeconomic information

Forward-looking macroeconomic information is included in credit risk parameters in the evaluation of the significant increase in credit risk and calculation of expected credit loss.

Significant Increase in Credit Risk

In the criteria applied for the debts classified at the first stage; future payment issues are not expected, and the credit worthiness of the borrower has not weakened. According to TFRS 9, the debts are include twelve-month credit impairment debts implementation is classified at first stage.

In the criteria applied for the debts classified at the second stage; adverse event in debt payment or cash flows of borrowers are observed or estimated, problems arise in principal and / or interest payments in accordance with the terms of the debts agreement, and the credit risk of the borrower is significantly increased. According to TFRS 9, debts classified as Stage 2 are subject to the implementation of the expected lifetime loan loss allowance.

- Loans overdue more than 30 days
- Restructuring status
- Loans classified as watch list,
- Negative intelligence and official blacklist records

Low Credit Risk

TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

If it is determined that a financial instrument has a low credit risk as at the reporting date, it is assumed that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

Financial Instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off.

Tangible Assets

Tangible assets that except for buildings are shown over the amount after accumulated depreciation and accumulated impairments are deducted from their cost values. Buildings are reflected to the financial statements with their fair values according to the revaluation method. Benefited from independent valuation experts to calculate fair value.

Tangible assets are depreciated principally on a straight-line basis considering the expected useful lives. The estimated useful lives, residual values, and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenses for the maintenance of tangible assets are normally recorded in profit and loss statement. Gain or loss arising on the disposal or retirement of an item of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Buildings	50 years
Fixtures	5 years
Leasehold improvements	the shortest of the lease period or useful life

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. (Note 5).

Intangible Assets

Intangible assets consist of computer software and are defined with inflation adjusted costs until 31 December 2004. Intangible assets mainly comprise of expenditures to acquire software licenses and amortized by using the straight-line method over their useful lives of 5 years. (Note 6)

Impairment of Assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets suffered impairment is reviewed for possible reversal of the impairment at each reporting date.

Capital Increase

Capital increases by the existing shareholders are decided in the General Assembly Meetings and accounted for over the registered nominal values.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions for Severance Pay

Severance pay is paid in case of retirement or dismissal in accordance with the provisions of the current laws and collective bargaining agreements in Turkey. In accordance with the updated TAS 19 Employee Benefits Standard ("TAS 19"), such payments are considered as defined retirement benefit plans. Liability of severance pay recognized in the balance sheet has been calculated according to the net present value of the expected future liability amounts due to retirement of all employees and reflected in the financial statements. All calculated actuarial losses and gains are accounted for as other comprehensive income.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

The company, severance pay and the obligation to allow rights "Turkey on the Benefits Employee Accounting Standards" ("TAS 19") is recognized under the provisions of the balance sheet and the "Employee Benefits Provision" is classified under account.

Company is required to make a payment to the employee who is paid off due to retirement or resignation and except the reasons of the behaviors that are specified in Labor Law, in accordance with the existing labor law in Turkey. The provision for employment termination benefits, the probable liability incurred under this act, is calculated on the basis of today's value using certain actuarial estimates and reflected to the financial statements (Note 11).

Interest Income and Expenses

Interest Income and Expenses are accounted basis using effective rate of interest method.

Borrowing Costs

All of borrowing costs when incurred are recorded on income statement.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in profit or loss as realized during the course of the year.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange rates used by the Company as at 31 December 2021 and 2020 are as follows:

	31 December	31 December
	2021	2020
USD	12.9775	7.3405
EUR	14.6823	9.0079

Taxes calculated on corporate income

Corporate Tax

Corporate tax is calculated according to the provisions of the Tax Procedure Law and tax expenses other than those taxes are accounted in general administrative expenses.

If there is a legal right to offset current tax assets and current tax liabilities or if the related assets and liabilities are associated with income tax collected by the same tax authority.

Deferred Tax

The Company calculates deferred tax for taxable temporary differences that arise between the book value of an asset or liability and its tax basis determined in accordance with the tax legislation, in accordance with the provisions of the “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the BRSA explanations regarding this standard, and accounts. In the calculation of deferred tax, enacted tax rates valid as of the balance sheet date are used in accordance with the current tax legislation.

The principal temporary differences arise from the provision for reserve for annual leave provision, property, plant and equipment depreciation differences, unused investment allowances and provision for employment termination benefits (Note 15).

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management’s judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Capital and Dividend

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded at the time they are declared.

Recognition of Income and Expense

Income and Expenses are recorded based on accrual.

Financial Leasing Income

In financial leasing, the asset subject of leasing is recorded in the financial statements as a receivable equal to net lease investment. Financial income related to financial lease is determined to bring a fixed periodic return to the net investment under the financial lease. Lease payments received are deducted from the gross lease investment to reduce principal and unearned finance income. Unearned finance income is the difference between the gross lease investment and the present value of the gross investment calculated on the implicit interest rate on the lease. As at the beginning of the lease, the implicit interest rate is the discount rate that equals the sum of the minimum lease payments and the unsecured value remaining to the sum of the fair value of the leased asset and the initial costs.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Borrowed

Loans received are first recorded at fair value, including transaction costs. Borrowed loans are measured at discounted cost values using the effective interest method. (Note 8)

Earnings per Share

Earnings per share that mentioned on income statement was calculated dividing the net profit of the period by the weighted average number of shares issued during the period.

In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “Bonus Share” distributions are treated as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation (Note 16).

Events after the Reporting Period

Events after the balance sheet date providing additional information about the Company's status on the balance sheet date (events requiring correction) are reflected in the financial statements. Events that do not require correction are explained in report notes if they have a certain importance (Note 21).

3- CASH, CASH EQUIVALENTS AND CENTRAL BANK

Details of cash and cash equivalents as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Cash	460	1,835
Banks	112,614,712	74,075,625
- Time deposit	102,513,398	69,226,364
- Demand deposit	10,101,314	4,849,261
Expected credit loss provisions	(15,203)	(10,062)
Total	112,599,969	74,067,398

The amount of cash and cash equivalents used in the preparation of the cash flow as at 31 December 2021 112,586,672 TL (31 December 2020: 73,558,066 TL) and does not include income accruals for these accounts.

As at 31 December 2021, time deposits are shorter than three months, and the effective interest rate in EUR, USD and TL respectively is 0.25%, 0.93% and 22.71 (As at 31 December 2020, time deposits are shorter than three months, effective interest in Euros and TL rate is 2.50% and 17.49%, respectively).

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4- FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2021	31 December 2020
Finance lease receivable	534,722,592	344,360,972
Invoiced lease receivable	6,382,162	7,470,610
Gross leasing receivable	541,104,754	351,831,582
Unearned interest income	(61,163,068)	(38,807,706)
Leasing receivable	479,941,686	313,023,876
Non-performing receivables	930,686	3,528,692
Expected credit loss/specific provisions (-)	(2,758,968)	(4,729,742)
Total receivables from lease transactions	478,113,404	311,822,826

As at 31 December 2021 and 31 December 2020, financial lease receivables have fixed interest.

The maturity profile of the minimum finance lease receivables is as follows:

	Finance Lease Receivables	
	Gross	Net
	31 December 2021	31 December 2021
31 December 2022	267,051,947	232,865,829
31 December 2023	157,045,348	139,309,823
31 December 2024	80,542,429	73,328,504
31 December 2025	29,468,018	27,608,383
31 December 2026 and beyond	6,997,012	6,829,147
Total	541,104,754	479,941,686

	Finance Lease Receivables	
	Gross	Net
	31 December 2020	31 December 2020
31 December 2021	167,154,496	145,629,571
31 December 2022	115,977,506	104,567,378
31 December 2023	48,450,862	44,181,672
31 December 2024	16,752,180	15,343,486
31 December 2025 and beyond	3,496,538	3,301,769
Total	351,831,582	313,023,876

Net lease receivables are analyzed as follows:

	31 December 2021	31 December 2020
Not overdue and not impaired	473,559,524	305,553,266
Overdue but not impaired	6,382,162	7,470,610
Non-performing receivables	930,686	3,528,692
Total	480,872,372	316,552,568
Impairment provision	(2,758,968)	(4,729,742)
Net finance lease receivables	478,113,404	311,822,826

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4-FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

As at 31 December 2021 and 31 December 2020, details of the Company’s net leasing receivables is as follows:

31 December 2021	Finance lease receivables	Provision for impairment	Finance lease receivables, net
Stage 1	377,745,681	(1,135,928)	376,609,753
Stage 2	102,196,005	(858,215)	101,337,790
Stage 3	930,686	(764,825)	165,861
Total	480,872,372	(2,758,968)	478,113,404

31 December 2020	Finance lease receivables	Provision for impairment	Finance lease receivables, net
Stage 1	195,598,711	(1,005,707)	194,593,004
Stage 2	117,425,165	(1,830,499)	115,594,666
Stage 3	3,528,692	(1,893,536)	1,635,156
Total	316,552,568	(4,729,742)	311,822,826

As at 31 December 2021 and 31 December 2020, details of the Company’s aging table including the invoiced amount and principals of the overdue but not impaired finance lease receivables are follows:

	31 December 2021		31 December 2020	
	Invoiced Amount	Remaining principal	Invoiced Amount	Remaining principal
0 - 30 days	2,421,263	20,196,988	4,759,780	51,313,619
31 - 60 days	1,321,079	1,539,267	826,405	695,734
61 - 90 days	919,707	1,736,008	451,494	211,938
91 - 150 days	1,720,113	5,517,851	1,432,931	3,873,628
Total	6,382,162	28,990,113	7,470,610	56,094,919

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4- FINANCIAL ASSETS AT AMORTIZED COST (continued)

Movement of the Company’s allowances for expected credit loss/specific provisions as at 31 December are as follows:

	31 December 2021	31 December 2020
Opening balance 1 January	4,739,804	7,451,230
Provision expenses	1,370,000	3,094,985
Collections (*)	(3,335,633)	(5,806,411)
Closing balance 31 December	2,774,171	4,739,804

(*) The cash collection amount realized in 2021 is 3,335,633 TL.

Within the scope of TFRS 9, the Company have written off TL 3,250,409 loans and its effect on NPL ratio is 0.68% (31 December 2020:None)

As at 31 December 2021, the amount of collaterals received from customers, excluding tangible assets subject to financial leasing, is 9,072,308,334 TL (31 December 2020: TL 6,044,081,972). The Company does not take into account collaterals that exceed the risk amount in risk reporting. The details of the guarantees are as follows:

	31 December 2021	31 December 2020
Warranties received	6,677,226,921	4,440,660,044
Promissory notes received	1,786,537,156	1,185,930,093
Mortgage documents received	554,944,683	361,066,148
Vehicle pledge	42,459,633	50,357,274
Guarantees received	8,560,937	5,190,168
Guarantees checks received	1,039,351	25,750
Customer notes	925,810	656,329
Cash blockage	613,843	196,166
Total	9,072,308,334	6,044,081,972

The sectorial breakdown of gross lease receivables as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	%	31 December 2020	%
Manufacturing Industry	366,116,114	68	226,488,704	64
Real Estate and Rental Services	73,379,131	14	56,165,281	16
Wholesale and Retail Trade	49,264,749	9	25,607,126	7
Farming and Livestock	21,795,097	4	21,341,326	6
Construction	21,951,570	4	11,659,563	3
Financial Mediation	5,475,131	1	6,623,262	2
Education Services	657,368	--	1,554,199	1
Health and Social Services	493,858	--	1,077,118	1
Transportation and Communication	1,763,076	--	559,521	-
Tourism	176,368	--	240,348	-
Extraction of Energy Producing Mines	32,292	--	41,415	-
Other	--	--	473,719	-
Total	541,104,754	100	351,831,582	100

The lease receivable consists of the rents to be collected during the lease period. In accordance with the lease agreements with tenants, the ownership of the leased items is delivered to the tenants at the end of the lease period.

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5- TANGIBLE ASSETS

Acquisition Cost	Building	Furniture and Equipment	Motor vehicles	Total
1 January 2021	10,000,000	522,654	958,517	11,481,171
Additions	11,000	36,654	--	47,654
Disposals	--	(1,720)	--	(1,720)
31 December 2021	10,011,000	557,588	958,517	11,527,105
Accumulated amortization				
1 January 2021	(51,900)	(364,930)	(701,379)	(1,118,209)
Amortization for the year	(52,065)	(54,347)	(167,487)	(273,899)
Disposals	--	1,720	--	1,720
31 December 2021	(103,965)	(417,557)	(868,866)	(1,390,388)
Net book value	9,907,035	140,031	89,651	10,136,717

Acquisition Cost	Building	Furniture and Equipment	Motor vehicles	Total
1 January 2020	10,000,000	395,283	1,042,316	11,437,599
Additions	-	128,117	-	128,117
Disposals	-	(746)	(83,799)	(84,545)
31 December 2020	10,000,000	522,654	958,517	11,481,171
Accumulated amortization				
1 January 2020	-	(326,701)	(587,699)	(914,400)
Amortization for the year	(51,900)	(38,975)	(191,704)	(282,579)
Disposals	-	746	78,024	78,770
31 December 2020	(51,900)	(364,930)	(701,379)	(1,118,209)
Net book value	9,948,100	157,724	257,138	10,362,962

(*)The building for use are measured over their fair values and are subject to valuation in this context. The expertise report related with the real estates was prepared by the CMB licensed real estate appraisal company on January 14, 2020

As at 31 December 2021, the total insurance value on tangible assets is TL 7,981,422 (31 December 2020: TL 5,770,991), insurance premium amount is TL 59,789 (31 December 2020: TL 53,890).

As at 31 December 2021, there are no pledges or mortgages on other tangible assets (31 December 2020: None).

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6- INTANGIBLE ASSETS

Cost (Software)	31 December 2021	31 December 2020
1 January	871,180	807,724
Additions	407,247	63,456
Disposals	--	--
31 December	1,278,427	871,180
Accumulated amortization		
1 January	(692,027)	(610,878)
Amortization for the year	(55,658)	(81,149)
Disposals	--	-
31 December	(747,685)	(692,027)
Net book value	530,742	179,153

7- OTHER ASSET

	31 December 2021	31 December 2020
Advances Given for Leasing Operations	16,376,304	3,616,357
Expenses related to next periods	5,547,860	3,463,322
Leased construction in progress	4,402,767	951,468
Other receivables related to financial lease	1,330,548	962,327
Salary advance	225,250	193,781
Other	210,904	169,333
Deposits and guarantees given	10,442	8,554
Total	28,104,075	9,365,142

8- FUNDS BORROWED

31 December 2021	Book Value					Balance in TL
	Balance in original	Interest rates range	Up to 3 months	Between 3 months and 1 years	Over 1 year	
Overseas Banks:						
Fixed rate borrowings:						
- TL	1,207,650	4.50%	--	--	15,672,278	15,672,278
- EUR	3,010,625	2.50%	--	--	44,202,899	44,202,899
Total overseas banks borrowings			--	--	59,875,177	59,875,177
International Banks:						
Floating rate borrowings:						
- USD	311,773	%3.12 - %3.21	661,160	3,384,879	--	4,046,039
- EUR	26,436,662	%2.00 - %3.45	3,912,725	23,919,144	360,319,132	388,151,001
Total			4,573,885	27,304,023	360,319,132	392,197,040
Total overseas banks borrowings			4,573,885	27,304,023	420,194,309	452,072,217
Total Borrowings			4,573,885	27,304,023	420,194,309	452,072,217

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8- FUNDS BORROWED (continued)

31 December 2020	Book value					Balance in TL
	Balance in original	Interest rates range	Up to 3 months	Between 3 months and 1 years	Over 1 year	
Domestic Banks:						
Fixed rate borrowings:						
TL	4,916,286	%9.10-%16.38	--	4,916,286	--	4,916,286
EUR	5,518,201	%3.55	49,707,406	--	--	49,707,406
Total Domestic Banks borrowings			49,707,406	4,916,286	--	54,623,692
Overseas Banks:						
Floating rate borrowings:						
USD	1,510,597	%2.97-%3.3	--	8,799,932	2,288,604	11,088,536
EUR	20,519,728	%1- %3.45	22,824,585	25,108,506	136,906,570	184,839,661
Total			22,824,585	33,908,438	139,195,174	195,928,197
Total International banks borrowings			22,824,585	33,908,438	139,195,174	195,928,197
Total borrowings			72,531,991	38,824,724	139,195,174	250,551,889

As at 31 December 2021, no guarantees were given to lending institutions as collateral against loans obtained (31 December 2020: no guarantees were given to lending institutions as collateral against loans obtained).

9- OTHER LIABILITIES

Based on financial lease agreements, other liabilities are mainly consists of commercial debts that emerged from fixed asset purchases made from foreign and domestic vendors.

	31 December 2021	31 December 2020
Payables to suppliers	6,704,171	6,067,173
Advances received	8,284,766	3,325,238
Other payables	32,522	21,450
Total	15,021,459	9,413,861

As at 31 December 2021 and 31 December 2020, other liabilities maturity period is less than 1 year.

10-COMMITMENTS AND POSSIBLE OBLIGATIONS

As at 31 December 2021 there are no derivative product contracts in the Company's portfolio. (31 December 2020: None).

Letters of guarantee given and letters of credit issued:

The company delivered letters of guarantee amounting to TL 295,033 to the courts (31 December 2020: 295,033).

As at 31 December 2021, a total of TL 74,788,149 revocable commitments consist of financial leasing commitments approved by the notary public but not activated yet (31 December 2020: TL 49,108,062). As at 31 December 2021, there are irrevocable commitments amounting to TL 2,141,288 (31 December 2020: 4,961,551).

As at 31 December 2021, there is no mortgage on the goods subject to financial leasing registered on the company (31 December 2020: None).

As at 31 December 2021, there is no filed against the Company (31 December 2020: None).

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11- PROVISIONS

	31 December 2021	31 December 2020
Reserve for employee severance indemnity	1,807,872	1,410,220
Vacation pay liability	1,669,777	1,116,562
Total	3,477,649	2,526,782

As at 31 December 2021, the Company has provided a reserve for foreign employee severance indemnity amount of TL 820,318 (31 December 2020 255,881 TL).

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive reserve for employee severance indemnity.

The liability has no legal funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees.

Regulation requires actuarial valuation methods to be developed to estimate the enterprise’s obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2021	31 December 2020
Discount Rate (%)	%3.42	3.70%
Circulation rate regarding the probability of retirement (%)	%0.87	1.67%

The basic assumption is that the ceiling provision determined 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 expected effects of inflation. Severance pay provision calculation is based on the severance pay ceiling determined by the government. As of 31 December 2021 and 31 December 2020, the applicable severance pay ceiling is 8,284.51 TL and 7,117.86 TL, respectively.

Movements in the reserve for employee severance indemnity are as follows:

	31 December 2021	31 December 2020
Opening balance	1,410,220	1,167,612
Service cost	71,086	128,373
Interest cost	142,743	82,936
Paid during the year	--	(54,809)
Actuarial losses	183,823	86,108
Ending balance	1,807,872	1,410,220

As of 31 December 2021, the foreign exchange difference amount for the financial leasing contracts with exchange rate fixation is TL 1,840,000. (31 December 2020: None)

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12- SHAREHOLDERS’ EQUITY

The shareholders of the Company and their ownership percentages at 31 December 2021 and 2020 are as follows:

	31 December 2021		31 December 2020	
	Nominal Amount	Shares (%)	Nominal Amount	Shares (%)
Arap Türk Bankası A.Ş.	125,974,800	99.98%	115,976,800	99.98%
Salih Hatipoğlu	6,300	0.01%	5,800	0.01%
Feyzullah Küpeli	6,300	0.01%	5,800	0.01%
Aziz Aydoğduoğlu	6,300	0.01%	5,800	0.01%
Erdem Özenci	6,300	0.01%	5,800	0.01%
Total paid-in share capital	126,000,000	100%	116,000,000	100%

At 31 December 2021, the Company’s statutory nominal value of authorized and paid-in share capital is TL 126,000,000 comprising of 116,000,000 registered shares having par value of TL 1 nominal each.

At the meeting of the General Assembly of the Company held on 23 March 2021, a capital increase decision was taken and this time, amount TL 10,000,000.00 was covered from the profit of 2020.

Capital adjustment differences define the difference between the total amounts of equity items adjusted based on inflation and the amounts before inflation adjustment.

Accumulated profits in the statutory books can be distributed except for the provision related to the legal reserves mentioned as follows.

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital.

13- MAIN OPERATING EXPENSES

The main operating expenses for the accounting periods ending on 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Personnel expenses	11,686,115	11,761,089
General operating expenses	9,223,704	5,723,871
Severance pay expense	220,832	173,229
Other	2,959,305	504,024
Total	24,089,956	18,162,213

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13- MAIN OPERATING EXPENSES (CONTINUED)

General operating expenses for the accounting periods ending on 31 December 2021 and 31 December 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Expenses related to the financial leasing	5,935,014	2,353,759
Audit and consultancy expenses	777,387	969,887
Office-related expenses	459,704	415,750
Tax, duties and fees	276,584	396,393
Insurance expenses	342,642	364,798
Depreciation and amortization expenses (Note 5, 6)	329,556	363,728
Communication and transportation expenses	87,413	81,475
Transport vehicle expenses	58,885	50,135
Rent expenses	34,000	30,000
Other general expenses (*)	922,518	697,946
Total	9,223,704	5,723,871

(*) Other expenses include, notary and translation expenses, representation, and staff training expenses, and expenses that are not legally accepted.

14- OTHER OPERATING INCOME AND EXPENSE

	1 January- 31 December 2021	1 January- 31 December 2020
Other operating income		
Foreign Exchange transactions profit	231,539,375	138,643,035
Interest received from banks	7,547,531	6,719,090
Income from derivative financial transactions	4,160	8,869
Others (*)	3,596,515	6,729,547
Total	242,687,581	152,100,541
Other operating expense		
Loss from foreign exchange transactions	229,367,767	137,770,777
Loss from derivative financial transactions	49,096	51,078
Others	2,493	7,694
Total	229,419,356	137,829,549

(*) Others in other operating income include special provision revenues, revenues from severance pay cancellations and revenues from sales of assets. Special provision incomes consist of the revenues obtained from the provisions included in the provision and impairment income at the end of the last year but canceled this year.

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15 – TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
VAT to be paid	694,053	1,476,541
Corporation tax	1,426,476	701,690
Income tax payable	1,076,135	657,265
Social insurance premiums to be paid	174,187	141,851
Stamp tax to be paid	22,828	14,424
Total	3,393,679	2,991,771

Corporate Tax

While corporate earnings are subject to corporate tax at the rate of 20% in Turkey; in accordance with the regulation introduced by the Law No. 7316 on the “Procedure for Collection of Public Receivables and the Law Amending Some Laws”, this rate has been determined to be applied as 25% for the corporate earnings for the taxation periods of 2021 and as 23% for the corporate earnings for the taxation periods of 2022.

This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions No. 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette No. 27130 dated 3 February 2009, certain duty rates included in the Articles No.15 and 30 of the new Corporate Tax Law No.5520 are revised. . Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions has been changed to 10% from 15% by the Presidential decision published in the Official Gazette No. 31697 dated 22 December 2021.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

75% of earnings generated through sale of equity shares, founders’ shares, redeemed shares and preemption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders’ shares, redeemed shares and preemption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

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15 – TAX ASSETS AND LIABILITIES (CONTINUED)

Corporate Tax (continued)

As of 31 December 2021, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. These conditions are both the exceed in the increase of Producer Price Index in the last 3 accounting period including current period by 100% and the exceed in the increase in the current period by 10%. However, temporary article 33 has been added on the Tax Procedure Law No. 213 with the regulation made with the Tax Procedure Law and the Law on Change in Corporate Tax Law No. 7352 published in the Official Gazette No.31734 dated 29 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this, the financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, will not be subject to inflation adjustment, and for the 2023 accounting period; will not be subject to inflation adjustment as of the provisional tax periods, and the financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in the financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base.

Current period net profit and tax liabilities for the accounting periods ending on 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Corporation tax expense	4,506,238	3,991,809
Minus: Prepaid taxes	(3,079,762)	(3,290,119)
Current income tax liability (net)	1,426,476	701,690

Tax expense	31 December 2021	31 December 2020
Current period corporate tax expense	(4,506,238)	(3,991,809)
Deferred tax income / (expense) effect	(317,398)	450,706
Total	(4,823,636)	(3,541,103)

The reconciliation of the current year tax expense and the tax expense calculated using the Company's legal tax rate is as follows:

	31 December 2021	31 December 2020
Pre-tax profit	17,492,349	15,745,423
Tax expense with a 25% tax rate for 2021 and 22% for 2020	(4,373,087)	(3,463,993)
Disallowable expenses	(225,011)	(151,743)
Other (additions) / discounts	(225,538)	74,633
Current year tax expense	(4,823,636)	(3,541,103)

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15 – TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred Taxes

The company, an asset or liability's book value and for taxable temporary differences arising between the tax basis is determined in accordance with tax legislation "Income Related to Tax Turkey Accounting Standards" ("TAS 12") to calculate deferred taxes in accordance with the provisions and accounts. In the deferred tax calculation, the enacted tax rates that are valid as at the balance sheet date are used in accordance with the tax legislation in force.

Calculated deferred tax assets and deferred tax liabilities are shown as offset in the financial statements.

The accumulated temporary differences subject to deferred tax and the effects of deferred tax assets and liabilities are summarized below using the applicable tax rates:

	Total temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Expected credit loss (stage 1- stage 2)	1,994,143	4,046,229	458,653	890,170
Provision for unused vacation	1,669,777	1,116,562	333,956	245,644
Provision for severance pay	2,628,192	1,666,101	525,638	366,542
Other	2,101,983	1,569,277	483,456	345,241
Deferred tax assets	8,394,095	8,398,168	1,801,703	1,847,597
Base difference of tangible and intangible assets	(9,005,171)	4,527,286	(996,633)	(996,003)
Leasing interest income accrual	(3,244,965)	2,328,332	(746,342)	(512,233)
Deferred tax liabilities	(12,250,136)	6,855,618	(1,742,975)	(1,508,236)
Deferred tax assets, (net)	3,856,041	1,542,550	58,728	339,361

The deferred tax asset movement table is as follows:

	31 December 2021	31 December 2020
1 January	339,361	(130,289)
Accounted from profit or loss statement deferred tax income effect	(317,398)	450,706
Deferred tax effect recognized under equity	36,765	18,944
31 December	58,728	339,361

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16- EARNINGS PER SHARE

	31 December 2021	31 December 2020
Number of shares at the beginning of the period	116,000,000	108,000,000
Number of shares added during the period (*)	10,000,000	8,000,000
Number of shares at the end of the period	126,000,000	116,000,000
Current period net profit (TL)	12,668,713	12,204,320
Profit per share	0.1005	0.0969

(*) In the current period, shares issued with an increase in capital from internal sources were also taken into consideration in the previous period.

17- RELATED PARTY TRANSACTIONS

Balance Sheet Items:

	31 December 2021	31 December 2020
Banks:		
Türkiye İş Bankası AŞ	2,702,266	1,556,793
TC Ziraat Bankası AŞ	1,623,570	273,678
Arap Türk Bankası AŞ	311,060	197,561
Total	4,636,896	2,028,032
Finance Lease:		
Arap Türk Bankası AŞ	5,475,131	6,623,262
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği AŞ	493,534	1,076,793
Total	5,968,665	7,700,055
Borrowings:		
Libyan Foreign Bank	220,234,500	90,079,000
Banque BIA-Paris	93,001,726	22,873,085
Aresbank	77,249,350	82,245,881
Alubaf Bahreyn	59,619,900	--
TC Ziraat Bankası AŞ	--	723,000
Türkiye İş Bankası A.Ş.	--	4,000,000
Total	450,105,476	199,920,966

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17- RELATED PARTY TRANSACTIONS (continued)

Profit/Loss

	31 December 2021	31 December 2020
Interest expense:		
Aresbank	1,968,093	2,159,257
Libyan Foreign Bank	1,796,024	898,758
Banque BIA-Paris	1,320,736	701,548
Alubaf Bahreyn	953,675	1,174,890
Türkiye İş Bankası AŞ	581,106	686,021
TC Ziraat Bankası AŞ	70,042	--
Alubaf Tunus	--	374,903
Total	6,689,676	5,995,377
Interest income from finance lease		
Arap Türk Bankası AŞ	743,897	246,377
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği AŞ	126,881	201,426
Total	870,778	447,803
Interest income from banks		
Türkiye İş Bankası AŞ	210	146,942
Total	210	146,942

For the year ended 31 December 2021, the Company paid to executive members and key management personnel amounting to TL 6,314,117 (31 December 2020: TL 4,294,699) as fringe benefit.

18- NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

a. Credit risk

The risk of a financial loss to the Company due to the failure of one of the parties to fulfill its contractual obligation is defined as credit risk. The company is exposed to credit risk due to leasing transactions. Credit risk is kept under control by allocating certain limits to the parties generating credit risk and following the collections expected from customers. Credit risk is concentrated mainly in the activities that take place in Turkey. Credit risk is distributed by serving many customers from different sectors.

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18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Financial instruments and financial risk management (continued)

a. Credit risk (continued)

Maximum exposure to credit risk table:

	31 December 2021			31 December 2020		
	Financial Leasing Receivables	Other Assets	Deposits at Banks	Financial Leasing Receivables	Other Assets	Deposits at Banks
Maximum credit risk exposed as at balance sheet date (A+B+C+D+E)	509,097,661	28,104,075	112,614,712	370,753,951	9,365,142	74,075,625
- The part of the maximum risk secured by collateral	508,931,800	28,104,075	-	369,118,795	8,993,474	-
Carrying value of financial assets that are not past due nor						
A. impaired	473,559,524	28,104,075	112,614,712	305,553,266	9,365,142	74,075,625
- The part under guarantee with collateral	473,559,524	28,104,075	--	305,553,266	8,993,474	-
Net book value of financial assets whose terms are						
B. reassessed, if not accepted as past due nor impaired	--	--	--	-	-	-
C. Financial assets that are past due but not impaired	35,372,276	--	--	63,565,529	-	-
- The part under guarantee with collateral	35,372,276	--	--	63,565,529	-	-
D. Net book value of impaired assets	165,861	--	--	1,635,156	-	-
- Past due (gross carrying value)	930,686	--	--	3,528,692	-	-
- Impairment (-)	(764,825)	--	--	(1,893,536)	-	-
- The part of net value under guarantee with collateral	--	--	--	-	-	-
- Not past due (gross carrying value)	--	--	--	-	-	-
- Impairment (-)	--	--	--	-	-	-
- The part of net value under guarantee with collateral	--	--	--	-	-	-
E. Off balance sheet items that include credit risk	--	--	--	-	-	-

Expected loss provisions for Stage 1 and Stage 2 leasing receivables are not included in the table.

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18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

Financial instruments and financial risk management (continued)

b. Market Risk

Market risk is the risk that the Company's capital and earnings and the ability of the Company to achieve its goals will be negatively affected by fluctuations in interest rates, inflation rates in foreign currency rates, and prices in the market. The Company follows market risk under the titles of liquidity risk, currency risk and interest rate risk.

b1. Liquidity Risk

Liquidity risk is the possibility of the Company is not meeting its net financing needs. Liquidity risk arises from problems in the sector or decreases in credit ratings leading to the decline of some fund resources in a short time. As a precaution against liquidity risk, management diversifies its financing resources and manages its assets with liquidity priority.

The following table provides an analysis for the Company’s financial assets and liabilities according to the relevant maturity grouping based on the period remaining on the balance sheet date and the maturity dates included in the contracts. Interests to be collected and paid on the Company’s assets and liabilities are included in the table below.

31 December 2021	Non-maturity	In 3 months	3 – 12 month	Over 1 year	Total
Funds borrowed	--	4,573,885	27,304,023	420,194,309	452,072,217
Other liabilities	--	--	15,021,459	--	15,021,459
Provisions	6,137,967	--	--	--	6,137,967
Current tax debt	--	3,393,679	--	--	3,393,679
Total liabilities	6,137,967	7,967,564	42,325,482	420,194,309	476,625,322
Cash and cash equivalents and the Central Bank	10,101,774	102,498,195	--	--	112,599,969
Financial leasing receivables	--	63,165,417	167,872,043	247,075,944	478,113,404
Investments in scope of leasing	--	4,395,541	7,226	--	4,402,767
Other receivables	--	--	1,330,548	--	1,330,548
Advances given for leasing transactions	--	9,486,349	6,889,956	--	16,376,305
Other assets	16,720,642	--	--	--	16,720,642
Assets used to manage liquidity risk	26,822,416	179,545,502	176,099,773	247,075,944	629,543,635
Net liquidity surplus/(deficit)	20,684,449	171,577,938	133,774,291	(173,118,365)	152,918,313

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18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(CONTINUED)

b1. Liquidity Risk (continued)

31 December 2020	Non- maturity	In 3 months	3 – 12 month	Over 1 year	Total
Funds borrowed	-	72,531,991	38,824,724	139,195,174	250,551,889
Other payables	-	-	9,413,861	-	9,413,861
Provisions	2,782,663	-	-	-	2,782,663
Current tax debt	-	2,991,771	-	-	2,991,771
Total liabilities	2,782,663	75,523,762	48,238,585	139,195,174	265,740,184
Cash and cash equivalents and the Central Bank	4,851,096	69,216,302	-	-	74,067,398
Financial leasing receivables	-	43,251,118	101,177,403	167,394,305	311,822,826
Investments under leasing	-	951,468	-	-	951,468
Other receivables	-	-	962,327	-	962,327
Advances given for leasing transactions	-	3,616,357	-	-	3,616,357
Other assets	3,834,990	-	-	-	3,834,990
Assets used to manage liquidity risk	8,686,086	117,035,245	102,139,730	167,394,305	395,255,366
Net liquidity surplus/(deficit)	5,903,423	41,511,483	53,901,145	28,199,131	129,515,182

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18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(CONTINUED)

b1. Liquidity Risk (continued)

As at 31 December 2021 and 31 December 2020, the undiscounted representation of the contractual maturity values of financial liabilities is as follows:

31 December 2021	In 3 months	3 - 12 month	Over 1 year	Non-maturity	Total
Credits borrowed	4,591,440	27,905,862	450,583,114	--	483,080,416
Other payables	--	15,021,459	--	--	15,021,459
Provisions	--	--	--	6,137,967	6,137,967
Current tax debt	3,393,679	--	--	--	3,393,679
Total liabilities	7,967,564	42,325,482	420,194,309	6,137,967	507,633,521

31 December 2020	In 3 months	3 - 12 month	Over 1 year	Non-maturity	Total
Credits borrowed	72,539,418	46,060,015	142,822,039	--	261,421,472
Other payables	--	9,413,861	--	--	9,413,861
Provisions	--	--	--	2,782,663	2,782,663
Current tax debt	2,991,771	--	--	--	2,991,771
Total liabilities	75,531,189	55,473,876	142,822,039	2,782,663	276,609,767

b2. Currency Risk

Foreign currency assets and liabilities create foreign currency risk. The company carries a certain amount of foreign exchange position arising from the transactions carried out by its operations. The foreign exchange position is monitored daily by Planning Control and reported monthly on the basis of maturity and currency types. The Company conducts forward foreign exchange transactions in order to balance its foreign exchange assets and liabilities.

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18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

b2. Currency Risk (continued)

As at 31 December 2021 and 31 December 2020, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

31 December 2021	USD	Euro	Others	Total
Cash and cash equivalents and the Central Bank	8,229,034	90,783,893	--	99,012,927
Financial leasing receivables	20,073,917	365,132,387	--	385,206,304
Unearned income (-)	(1,733,332)	(24,836,892)	--	(26,570,224)
Non-performing loans	--	842,689	--	842,689
Expected Loss Provisions (-)	(45,988)	(2,020,265)	--	(2,066,253)
Investments in scope of leasing	112	694,004	--	694,116
Advances given for leasing transactions	8,529,462	7,811,982	--	16,341,444
Other assets	1,194,905	3,980,092	--	5,174,997
Total assets	36,248,110	442,387,890	--	478,636,000
Credit borrowings	19,718,317	432,353,900	-	452,072,217
Other liabilities	1,308,034	8,207,434	-	9,515,468
Total liabilities	21,026,351	440,561,334	--	461,587,685
Net foreign currency position	15,221,759	1,826,556	--	17,048,315
31 December 2020	USD	Euro	Others	Total
Cash and cash equivalents and the Central Bank	687,374	23,319,818	-	24,007,192
Financial leasing receivables	11,683,935	231,689,717	-	243,373,652
Unearned income (-)	(707,806)	(16,626,189)	-	(17,333,995)
Non-performing loans	-	3,101,501	-	3,101,501
Expected Loss Provisions (-)	(136,048)	(3,774,838)	-	(3,910,886)
Investments under leasing	171,289	1,480	-	172,769
Advances given for leasing transactions	1,009,319	2,509,781	-	3,519,100
Other assets	672,671	2,525,928	-	3,198,599
Total assets	13,380,734	242,747,198	-	256,127,932
Credit borrowings	11,088,536	234,547,067	-	245,635,603
Other liabilities	728,860	6,331,321	-	7,060,181
Total liabilities	11,817,396	240,878,388	-	252,695,784
Net foreign currency position	1,563,338	1,868,810	-	3,432,148

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18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

b2. Currency Risk (continued)

Currency risk sensitivity analysis

The table below shows the Company's sensitivity to 10% change in US Dollars and Euros. During this analysis, it is assumed that all variables, especially interest rates, will remain constant.

	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021				
In case the US Dollar changes 10% against TL				
1 – Net asset / liability of USD	1,522,176	(1,522,176)	1,522,176	(1,522,176)
2- The amount hedged for USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	1,522,176	(1,522,176)	1,522,176	(1,522,176)
In case the Euro changes 10% against TL				
4 – Net asset / liability of Euro	182,656	(182,656)	182,656	(182,656)
5- The amount hedged for Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	182,656	(182,656)	182,656	(182,656)
TOTAL (3+6)	1,704,832	(1,704,832)	1,704,832	(1,704,832)

(*) Equity effect includes the effect of income statement.

	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2020				
In case the US Dollar changes 10% against TL				
1 – Net asset / liability of USD	156,334	(156,334)	156,334	(156,334)
2- The amount hedged for USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	156,334	(156,334)	156,334	(156,334)
In case the Euro changes 10% against TL				
4 – Net asset / liability of Euro	186,881	(186,881)	186,881	(186,881)
5- The amount hedged for Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	186,881	(186,881)	186,881	(186,881)
TOTAL (3+6)	343,215	(343,215)	343,215	(343,215)

(*)Equity effect includes the effect of income statement.

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(CONTINUED)

b3. Interest Rate Risk

The Company’s operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Company is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company’s business strategies.

According to the analysis calculated by the Company as at 31 December 2021, an increase / (decrease) of 0.5% in foreign currency interest rates, an increase / (decrease) of TL 1,960,985 in the net present value of variable interest financial liabilities, assuming that all other variables remain constant (31 December 2020: TL 979,641).

	31 December 2021	31 December 2020
Financial assets and liabilities with fixed interest		
Time deposit	102,513,398	69,226,364
Financial leasing receivables, net	479,941,686	313,023,876
Borrowings	59,875,177	54,623,692
Financial assets and liabilities with variable interest		
Borrowings	392,197,040	195,928,197

The tables below analyze the Company's non-derivative financial assets and liabilities according to the appropriate maturity grouping, based on the contract's repricing date as of the balance sheet date.

31 December 2021	In 3 months	3-12 months	1-5 years	Interest free	Total
Cash, cash equivalents and the Central Bank	102,513,398	--	--	10,086,571	112,599,969
Receivables from leasing transactions(net)	63,165,417	167,872,042	247,075,945	--	478,113,404
Investments under leasing	--	--	--	4,402,767	4,402,767
Advances given for leasing transactions	--	--	--	1,330,548	1,330,548
Other receivables related to leasing transactions	--	--	--	16,376,304	16,376,304
Property, plant and equipment, net	--	--	--	10,136,717	10,136,717
Intangible assets, net	--	--	--	530,742	530,742
Deferred tax assets	--	--	--	58,728	58,728
Other assets	--	--	--	5,994,456	5,994,456
Total assets	165,678,815	167,872,042	247,075,945	48,916,833	629,543,635
Loans borrowed	118,017,933	274,179,107	59,875,177	--	452,072,217
Other obligations	--	--	--	15,021,459	15,021,459
Provisions	--	--	--	6,137,967	6,137,967
Current tax debt	--	--	--	3,393,679	3,393,679
Deferred tax liability	--	--	--	--	--
Total liabilities	118,017,933	274,179,107	59,875,177	24,553,105	476,625,322
Net repricing position	47,660,882	(106,307,065)	187,200,768	24,363,728	152,918,313

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(Continued)

b3. Interest rate risk (continued)

31 December 2020	0-3 months	3-12 months	1-5 years	Interest free	Total
Cash, cash equivalents and the Central Bank	69,226,364	--	--	4,841,034	74,067,398
Receivables from leasing transactions(net)	43,251,118	101,177,403	167,394,305	-	311,822,826
Investments under leasing	--	--	--	951,468	951,468
Other receivables related to leasing transactions	--	--	--	962,327	962,327
Advances given for leasing transactions	--	--	--	3,616,357	3,616,357
Property, plant and equipment, net	--	--	--	10,362,962	10,362,962
Intangible assets, net	--	--	--	179,153	179,153
Deferred tax assets	--	--	--	339,360	339,360
Other assets	--	--	--	3,834,991	3,834,991
Total assets	112,467,420	101,177,403	167,394,305	25,097,714	406,136,842
Loans received	225,705,831	24,846,058	--	-	250,551,889
Other obligations	--	--	--	9,413,861	9,413,861
Provisions	--	--	--	2,782,663	2,782,663
Current tax debt	--	--	--	2,991,771	2,991,771
Deferred tax liabilities	--	--	--	--	--
Total liabilities	225,705,831	24,846,058	--	15,188,295	265,740,184
Net reprising position	(113,238,411)	76,331,345	167,394,305	9,909,419	140,396,658

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid except compulsory sales and Non-performing loans to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The fair values of certain financial assets and liabilities excluding finance lease receivables and borrowings are considered to approximate their respective carrying values due to their short-term nature.

Fair value of financial assets is measured according to the assumptions based on quoted bid prices of similar assets, or amounts derived from cash flow models.

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

Fair value of financial instruments (continued)

The table below indicates the fair value of the financial assets which are stated at amortized cost in the statement of financial position:

	<u>Carrying Amount</u>		<u>Fair Value</u>		Level
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	
Finance lease receivables	478,113,404	311,822,826	472,844,004	305,911,572	3
Borrowings	452,072,217	250,551,889	430,990,537	240,610,121	3

Fair values of financial assets and liabilities that are carried with their fair values on the balance sheet are determined as follows:

- First Level: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical assets and liabilities.
- Second Level: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the quoted market price of the relevant asset or liability mentioned in Level 1.
- Third Level: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

As at 31 December 2021 and 2020, the Company does not have any financial assets and liabilities that are reflected in the financial statements at fair value.

c. Capital Management

In Accordance with Article 12 of the “Regulation on Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated April 24, 2013, the Company is required to keep min 3% standards ratio calculated by dividing equity to total assets. The rate of Company is thirty five percent according to calculation made as at 31 December 2020.

19- OTHER MATTERS

None (31 December 2020: None).

20- FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/ AUDITOR'S FIRM

In accordance with the decision of the Public Oversight Accounting and Auditing Standards Authority (POA) dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is disclosed in the table below, excluding VAT.

	<u>Current Period</u>	<u>Prior period</u>
Independent audit fees in the reporting period	105,000	90,000
Fees for tax advisory	--	--
Fees for other assurance services	--	45,000
Fees for other services except independent audit	--	--
Total	105,000	135,000

21- SUBSEQUENT EVENTS

None.