

**A&T Finansal Kiralama A. Ő.**

Financial Statements  
As at and For the Year Ended  
31 December 2022  
With Independent Auditors' Report  
*(Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

22 February 2023

*This report contains the "Independent Auditors' Report on Financial Statements" comprising 4 pages and; the "Financial Statements and their explanatory notes" comprising 49 pages.*



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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 2022, 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 2022, 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 2022, leasing receivables comprise 84% of the Company's total assets. 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"). 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. The significant assumptions and estimates of the Company's management are as follows:</p> <ul style="list-style-type: none"> <li>-Significant increase in credit risk</li> <li>-Incorporating the forward-looking macroeconomic information in calculation of credit risk; and</li> <li>-Design and implementation of expected credit loss model.</li> </ul> <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>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>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>	<p>Our procedures for testing the Impairment of lease receivables included below:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• We assessed the assumptions which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>• We evaluated the quantitative assessments, which are used in determining the significant increase in credit risk.</li> <li>• We evaluated the adequacy of the financial statement disclosures related to impairment provisions.</li> </ul>



### *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.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 2022 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

#### **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.

Alper Güven, SMMM  
Partner

■

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22 February 2023  
İstanbul, Turkey

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**A&T FİNANSAL KİRALAMA A.Ş.****STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2022**

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

	ASSETS	Notes	Audited 31 December 2022			Audited 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>CASH, CASH EQUIVALENTS and CENTRAL BANK FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)</b>	<b>3</b>	<b>33,336,666</b>	<b>57,171,944</b>	<b>90,508,610</b>	<b>13,587,042</b>	<b>99,012,927</b>	<b>112,599,969</b>
<b>II.</b>	<b>DERIVATIVE FINANCIAL ASSETS</b>		--	--	--	--	--	--
<b>III.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)</b>		--	--	--	--	--	--
<b>IV.</b>	<b>FINANCIAL ASSETS AT AMORTIZED COST (Net)</b>	<b>4</b>	<b>143,498,239</b>	<b>637,945,546</b>	<b>781,443,785</b>	<b>120,700,888</b>	<b>357,412,516</b>	<b>478,113,404</b>
<b>5.1</b>	<b>Factoring Receivables</b>		--	--	--	--	--	--
5.1.1	Discounted Factoring Receivables (Net)		--	--	--	--	--	--
5.1.2	Other Factoring Receivables		--	--	--	--	--	--
<b>5.2</b>	<b>Savings Finance Receivables</b>		--	--	--	--	--	--
5.2.1	Saving Fund		--	--	--	--	--	--
5.2.2	Equity		--	--	--	--	--	--
<b>5.3</b>	<b>Financing Loans</b>		--	--	--	--	--	--
5.3.1	Consumer Loans		--	--	--	--	--	--
5.3.2	Credit Cards		--	--	--	--	--	--
5.3.3	Installment Commercial Loans		--	--	--	--	--	--
<b>5.4</b>	<b>Leasing (Net)</b>	<b>4</b>	<b>144,035,646</b>	<b>640,220,230</b>	<b>784,255,876</b>	<b>121,305,606</b>	<b>358,636,080</b>	<b>479,941,686</b>
5.4.1	Receivables From Finance Lease		187,459,652	704,038,669	891,498,321	155,898,450	385,206,304	541,104,754
5.4.2	Receivables From Operating Lease		--	--	--	--	--	--
5.4.3	Unearned Income (-)		(43,424,006)	(63,818,439)	(107,242,445)	(34,592,844)	(26,570,224)	(61,163,068)
<b>5.5</b>	<b>Other Financial Assets At Amortized Cost</b>		--	--	--	--	--	--
<b>5.6</b>	<b>Non Performing Receivables</b>	<b>4</b>	<b>31,240</b>	<b>324,018</b>	<b>355,258</b>	<b>87,997</b>	<b>842,689</b>	<b>930,686</b>
<b>5.7</b>	<b>Allowances for Expected Credit Loss (-)</b>	<b>4</b>	<b>(568,647)</b>	<b>(2,598,702)</b>	<b>(3,167,349)</b>	<b>(692,715)</b>	<b>(2,066,253)</b>	<b>(2,758,968)</b>
<b>VI.</b>	<b>SHAREHOLDING (Partnership) INVESTMENTS</b>		--	--	--	--	--	--
6.1	Investments In Associates (Net)		--	--	--	--	--	--
6.2	Investments In Subsidiaries (Net)		--	--	--	--	--	--
6.3	Investments In Joint Ventures (Net)		--	--	--	--	--	--
<b>VII.</b>	<b>TANGIBLE ASSETS (NET)</b>	<b>5</b>	<b>26,451,318</b>	--	<b>26,451,318</b>	<b>10,136,717</b>	--	<b>10,136,717</b>
<b>VIII.</b>	<b>INTANGIBLE ASSETS (NET)</b>	<b>6</b>	<b>1,620,597</b>	--	<b>1,620,597</b>	<b>530,742</b>	--	<b>530,742</b>
<b>IX.</b>	<b>INVESTMENT PROPERTY (NET)</b>		--	--	--	--	--	--
<b>X.</b>	<b>CURRENT PERIOD TAX ASSETS</b>		--	--	--	--	--	--
<b>XI.</b>	<b>DEFERRED TAX ASSETS</b>	<b>16</b>	--	--	--	<b>58,728</b>	--	<b>58,728</b>
<b>XII.</b>	<b>OTHER ASSETS</b>	<b>7</b>	<b>1,713,079</b>	<b>30,737,409</b>	<b>32,450,488</b>	<b>5,893,518</b>	<b>22,210,557</b>	<b>28,104,075</b>
	<b>SUBTOTAL</b>		<b>206,619,899</b>	<b>725,854,899</b>	<b>932,474,798</b>	<b>150,907,635</b>	<b>478,636,000</b>	<b>629,543,635</b>
<b>XIII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		--	--	--	--	--	--
13.1	Assets Held For Sale		--	--	--	--	--	--
13.2	Assets Held For Discontinued Operations		--	--	--	--	--	--
	<b>TOTAL ASSETS</b>		<b>206,619,899</b>	<b>725,854,899</b>	<b>932,474,798</b>	<b>150,907,635</b>	<b>478,636,000</b>	<b>629,543,635</b>

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 2022**

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

	LIABILITIES	Notes	Audited 31 December 2022			Audited 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>FUNDS BORROWED</b>	<b>8</b>	<b>14,101,929</b>	<b>689,911,062</b>	<b>704,012,991</b>	--	<b>452,072,217</b>	<b>452,072,217</b>
<b>II.</b>	<b>FACTORING PAYABLES</b>		--	--	--	--	--	--
<b>III.</b>	<b>PAYABLES FROM SAVINGS FUND</b>		--	--	--	--	--	--
<b>IV.</b>	<b>LEASE OBLIGATIONS (NET)</b>		--	--	--	--	--	--
<b>V.</b>	<b>SECURITIES ISSUED (NET)</b>		--	--	--	--	--	--
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		--	--	--	--	--	--
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>10</b>	--	--	--	--	--	--
<b>VIII.</b>	<b>PROVISIONS</b>	<b>11</b>	<b>10,531,406</b>	--	<b>10,531,406</b>	<b>6,137,967</b>	--	<b>6,137,967</b>
8.1	Restructuring Reserves		--	--	--	--	--	--
8.2	Provisions For Employee Benefits	11	10,531,406	--	10,531,406	4,297,967	--	4,297,967
8.3	General Provisions		--	--	--	--	--	--
8.4	Other Provisions		--	--	--	1,840,000	--	1,840,000
<b>IX.</b>	<b>CURRENT PERIOD TAX LIABILITIES</b>	<b>16</b>	<b>4,104,834</b>	--	<b>4,104,834</b>	<b>3,393,679</b>	--	<b>3,393,679</b>
<b>X.</b>	<b>DEFERRED TAX LIABILITIES</b>	<b>16</b>	<b>1,343,889</b>	--	<b>1,343,889</b>	--	--	--
<b>XI.</b>	<b>SUBORDINATED LOANS-DEBT</b>		--	--	--	--	--	--
<b>XII.</b>	<b>OTHER LIABILITIES</b>	<b>9</b>	<b>1,708,052</b>	<b>31,551,742</b>	<b>33,259,794</b>	<b>5,505,991</b>	<b>9,515,468</b>	<b>15,021,459</b>
	<b>SUBTOTAL</b>		<b>31,790,110</b>	<b>721,462,804</b>	<b>753,252,914</b>	<b>15,037,637</b>	<b>461,587,685</b>	<b>476,625,322</b>
<b>XIII.</b>	<b>PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		--	--	--	--	--	--
13.1	Held For Sale		--	--	--	--	--	--
13.2	Discontinued Operations		--	--	--	--	--	--
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>12</b>	<b>179,221,884</b>	--	<b>179,221,884</b>	<b>152,918,313</b>	--	<b>152,918,313</b>
14.1	Paid-in Capital		140,000,000	--	140,000,000	126,000,000	--	126,000,000
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		15,527,866	--	15,527,866	5,067,469	--	5,067,469
14.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		--	--	--	--	--	--
14.5	Profit Reserves		6,955,528	--	6,955,528	6,080,911	--	6,080,911
14.5.1	Legal Reserves		6,954,034	--	6,954,034	6,079,417	--	6,079,417
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		16,510,343	--	16,510,343	15,541,786	--	15,541,786
14.6.1	Prior Periods Profit / Loss		667,169	--	667,169	2,873,073	--	2,873,073
14.6.2	Current Period Profit / Loss		15,843,174	--	15,843,174	12,668,713	--	12,668,713
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>211,011,994</b>	<b>721,462,804</b>	<b>932,474,798</b>	<b>167,955,950</b>	<b>461,587,685</b>	<b>629,543,635</b>

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

**A&T FİNANSAL KİRALAMA A.Ş.****STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2022**

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2022			Audited 31 December 2021		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. IRREVOCABLE FACTORING OPERATIONS</b>		--	--	--	--	--	--
<b>II. REVOCABLE FACTORING OPERATIONS</b>		--	--	--	--	--	--
<b>III. SAVINGS FINANCE CONTRACTS TRANSACTIONS</b>		--	--	--	--	--	--
<b>IV. GUARANTEES TAKEN</b>		1,314,964,519	7,664,321,610	8,979,286,129	1,149,216,944	7,923,091,390	9,072,308,334
<b>V. GUARANTEES GIVEN</b>	10	483,613	--	483,613	295,033	--	295,033
<b>VI. COMMITMENTS</b>	10	6,344,139	95,200,212	101,544,351	21,139,956	55,789,481	76,929,437
6.1 Irrevocable Commitments		--	11,311,517	11,311,517	--	2,141,288	2,141,288
6.2 Revocable Commitments		6,344,139	83,888,695	90,232,834	21,139,956	53,648,193	74,788,149
6.2.1 Lease Commitments		6,344,139	83,888,695	90,232,834	21,139,956	53,648,193	74,788,149
6.2.1.1 Finance Lease Commitments		6,344,139	83,888,695	90,232,834	21,139,956	53,648,193	74,788,149
6.2.1.2 Operational Lease Commitments		--	--	--	--	--	--
6.2.2 Other Revocable Commitments		--	--	--	--	--	--
<b>VII. DERIVATIVE FINANCIAL INSTRUMENTS</b>		--	--	--	--	--	--
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		--	--	--	--	--	--
<b>VIII. ITEMS HELD IN CUSTODY</b>		--	--	--	--	--	--
<b>TOTAL OFF BALANCE SHEET ITEMS</b>		<b>1,321,792,271</b>	<b>7,759,521,822</b>	<b>9,081,314,093</b>	<b>1,170,651,933</b>	<b>7,978,880,871</b>	<b>9,149,532,804</b>

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 2022**

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

		Notes	Audited 1 January – 31 December 2022	Audited 1 January – 31 December 2021
	<b>INCOME STATEMENT</b>			
<b>I.</b>	<b>OPERATING INCOME</b>		<b>66,823,985</b>	<b>37,952,977</b>
	<b>FACTORING INCOME</b>		--	--
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		--	--
	<b>FINANCING LOANS INCOME</b>		--	--
1.3	Interest income From Financing Credits		--	--
1.4	Fees and Commissions From Financing Credits		--	--
	<b>FINANCE LEASE INCOME</b>	<b>13</b>	<b>66,823,985</b>	<b>37,952,977</b>
1.5	Finance Lease Income		63,403,310	36,095,920
1.6	Operating Lease Income		--	--
1.7	Fees and Commissions Received from the Leasing Transactions		3,420,675	1,857,057
	<b>SAVINGS FINANCE INCOME</b>		--	--
1.8	Dividends from Savings Finance Receivables		--	--
1.9	Fees and Commissions Taken From Savings Finance Operations		--	--
<b>II.</b>	<b>FINANCIAL EXPENSES (-)</b>		<b>18,728,736</b>	<b>8,268,897</b>
2.1	Dividends to Savings Fund		--	--
2.2	Interest Expense From Funds Borrowed		18,293,195	8,026,312
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		435,541	242,585
<b>III.</b>	<b>GROSS PROFIT / LOSS (I+II)</b>		<b>48,095,249</b>	<b>29,684,080</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>14</b>	<b>34,971,059</b>	<b>24,089,956</b>
4.1	Personnel Expenses		22,234,591	11,686,115
4.2	Employee Severance Indemnity Expense		340,261	220,832
4.3	Research and Development Expenses		--	--
4.4	General Administrative Expenses	14	9,235,206	9,223,704
4.5	Other		3,161,001	2,959,305
<b>V.</b>	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		<b>13,124,190</b>	<b>5,594,124</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>15</b>	<b>288,721,406</b>	<b>242,687,581</b>
6.1	Interest Income From Bank Deposits		5,607,027	7,547,531
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
6.6	Foreign Exchange Gains		278,588,020	231,539,375
6.7	Other		4,526,359	3,596,515
<b>VII.</b>	<b>PROVISION EXPENSES</b>		<b>1,927,565</b>	<b>1,370,000</b>
7.1	Specific Provisions		--	--
7.2	Allowances for Expected Credit Loss		1,927,565	1,370,000
7.3	General Provisions		--	--
7.4	Other		--	--
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>15</b>	<b>278,546,224</b>	<b>229,419,356</b>
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		17,405	49,096
8.5	Foreign Exchange Loss		278,523,387	229,367,767
8.6	Other		5,432	2,493
<b>IX.</b>	<b>NET OPERATING PROFIT / LOSS</b>		<b>21,371,807</b>	<b>17,492,349</b>
<b>X.</b>	<b>INCOME RESULTED FROM MERGER</b>		--	--
<b>XI.</b>	<b>PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD</b>		--	--
<b>XII.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		--	--
<b>XIII.</b>	<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)</b>		<b>21,371,807</b>	<b>17,492,349</b>
<b>XIV.</b>	<b>INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>	<b>16</b>	<b>5,528,633</b>	<b>4,823,636</b>
14.1	Current Tax Charge	16	6,026,855	4,506,238
14.2	Deferred Tax Charge		--	317,398
14.3	Deferred Tax Benefit		498,222	--
<b>XV.</b>	<b>NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)</b>		<b>15,843,174</b>	<b>12,668,713</b>
<b>XVI.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		--	--
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		--	--
<b>XVII.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		--	--
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		--	--
<b>XVIII.</b>	<b>PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)</b>		--	--
<b>XIX.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)</b>		--	--
19.1	Current Tax Charge		--	--
19.2	Deferred Tax Charge (+)		--	--
19.3	Deferred Tax Benefit (-)		--	--
<b>XX.</b>	<b>NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)</b>		--	--
<b>XXI.</b>	<b>NET PROFIT FOR THE PERIOD (XII+XVII)</b>		<b>15,843,174</b>	<b>12,668,713</b>

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 2022**

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

		Audited 1 January – 31 December 2022	Audited 1 January – 31 December 2021
	Notes		
<b>I.</b>	<b>PERIOD INCOME/LOSS</b>	<b>15,843,174</b>	<b>12,668,713</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>10,460,397</b>	<b>(147,058)</b>
<b>2.1</b>	<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>10,460,397</b>	<b>(147,058)</b>
2.1.1	Gains/(losses) on revaluation of tangible assets	15,227,964	--
2.1.2	Gains/(losses) on revaluation of intangible assets	--	--
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans	11 (2,866,728)	(183,823)
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 (1,900,839)	36,765
<b>2.2</b>	<b>ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>--</b>	<b>--</b>
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	--	--
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>26,303,571</b>	<b>12,521,655</b>

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 2022**

(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				
	<b>Prior Period (31 December 2021)</b>																
I.	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	
II.	Corrections made as per TAS 8		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.1	Effect of corrections		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
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	--	--	--	--	--	--	--	--	--	--	(10,000,000)	--	--	
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
VIII.	Convertible Bonds		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
IX.	Subordinated Liabilities		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
X.	Other Changes		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
XI.	Profit Distribution		--	--	--	--	--	--	--	--	--	--	787,271	11,417,049	(12,204,320)	--	
11.1	Dividends		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
11.2	Transfers to Reserves		--	--	--	--	--	--	--	--	--	--	787,271	11,417,049	(12,204,320)	--	
11.3	Others		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
	<b>Balances at end of the period (III+IV+.....+XI)</b>		<b>126,000,000</b>	--	--	--	<b>228,147</b>	<b>5,638,485</b>	<b>(571,016)</b>	--	--	--	<b>6,080,911</b>	<b>2,873,073</b>	<b>12,668,713</b>	<b>152,918,313</b>	
	<b>Current Period (31 December 2022)</b>																
I.	Balances at Beginning of Period		126,000,000	--	--	--	228,147	5,638,485	(571,016)	--	--	--	6,080,911	2,873,073	12,668,713	152,918,313	
II.	Corrections made as per TAS 8		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.1	Effect of corrections		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.2	Effect of changes in accounting policies		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
III.	Adjusted Balances at Beginning of Period (I+II)		126,000,000	--	--	--	228,147	5,638,485	(571,016)	--	--	--	6,080,911	2,873,073	12,668,713	152,918,313	
IV.	Total Comprehensive Income		--	--	--	--	--	12,610,443	(2,150,046)	--	--	--	--	--	15,843,174	26,303,571	
V.	Capital Increase in Cash		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
VI.	Capital Increase from Internal Sources		14,000,000	--	--	--	--	--	--	--	--	--	--	(14,000,000)	--	--	
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
VIII.	Convertible Bonds		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
IX.	Subordinated Liabilities		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
X.	Other Changes		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
XI.	Profit Distribution		--	--	--	--	--	--	--	--	--	--	874,617	11,794,096	(12,668,713)	--	
11.1	Dividends		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
11.2	Transfers to Reserves		--	--	--	--	--	--	--	--	--	--	874,617	11,794,096	(12,668,713)	--	
11.3	Others		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
	<b>Balances at end of the period (III+IV+.....+XI)</b>		<b>140,000,000</b>	--	--	--	<b>228,147</b>	<b>18,248,928</b>	<b>(2,721,062)</b>	--	--	--	<b>6,955,528</b>	<b>667,169</b>	<b>15,843,174</b>	<b>179,221,884</b>	

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 financial assets at fair value through other comprehensive income,
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 2022**

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

	Notes	Audited 1 January – 31 December 2022	Audited 1 January – 31 December 2021
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1	Operating profit before changes in operating assets and liabilities	30,731,733	(88,918,837)
1.1.1	Interest/Leasing income received	67,916,776	44,134,345
1.1.2	Interest/Leasing expenses	(15,879,208)	(4,845,300)
1.1.3	Leasing Expense	--	--
1.1.4	Dividends received	--	--
1.1.5	Fees and commissions received	3,247,418	1,857,057
1.1.6	Other income	1,071,437	5,721,518
1.1.7	Collections from previously written off receivables	4	1,516,518
1.1.8	Payments to personnel and service suppliers	(21,272,309)	(10,580,204)
1.1.9	Taxes paid	16	(6,209,737)
1.1.10	Other	340,838	(124,755,448)
1.2	Changes in operating assets and liabilities	(71,838,643)	80,331,481
1.2.1	Net (increase) decrease in factoring receivables	--	--
1.2.2	Net (increase) decrease in financial loans	--	--
1.2.3	Net (increase) decrease in receivables from leasing transactions	(138,928,457)	(18,821,708)
1.2.4	Net (increase) decrease in savings finance receivables	--	--
1.2.5	Net (increase) decrease in other assets	(5,865,423)	(14,676,848)
1.2.6	Net increase (decrease) in factoring payables	--	--
1.2.7	Net increase (decrease) in savings fund	--	--
1.2.8	Net (increase) decrease in payables from leasing transactions	--	--
1.2.9	Net increase (decrease) in funds borrowed	59,988,603	110,032,500
1.2.10	Net increase (decrease) in due payables	--	--
1.2.11	Net increase (decrease) in other liabilities	12,966,634	3,797,537
<b>I.</b>	<b>Net cash provided from operating activities</b>	<b>(41,106,910)</b>	<b>(8,587,356)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	--	-
2.2	Cash obtained from sale of joint ventures, associates and subsidiaries	--	-
2.3	Fixed assets purchases	5,6	(1,257,506)
2.4	Fixed assets sales	141,249	1,720
2.5	Cash paid for purchase of financial assets available for sale	--	--
2.6	Cash obtained from sale of financial assets available for sale	--	--
2.7	Cash paid for purchase of financial assets held to maturity	--	--
2.8	Cash obtained from sale of financial assets held to maturity	--	--
2.9	Other	(956,622)	(407,248)
<b>II.</b>	<b>Net cash provided from investing activities</b>	<b>(2,072,879)</b>	<b>(453,182)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1	Cash obtained from funds borrowed and securities issued	--	--
3.2	Cash used for repayment of funds borrowed and securities issued	--	--
3.3	Capital increase	--	--
3.4	Dividends paid	--	--
3.5	Payments for finance leases	--	--
3.6	Other	--	--
<b>III.</b>	<b>Net cash provided from financing activities</b>	<b>--</b>	<b>--</b>
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>20,771,264</b>	<b>48,069,144</b>
<b>V.</b>	<b>Net increase/decrease in cash and cash equivalents</b>	<b>(22,408,525)</b>	<b>39,028,606</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>3</b>	<b>112,586,672</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>90,178,147</b>
			<b>112,586,672</b>

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 2022**

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

	Notes	Audited (*) 1 January – 31 December 2022	Audited (**) 1 January – 31 December 2021
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)</b>			
1.1 CURRENT PERIOD PROFIT		21,371,807	17,492,349
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	15	(5,528,633)	(4,823,636)
1.2.1 Corporate tax (income tax)		(6,026,855)	(4,506,238)
1.2.2 Withholding tax		--	--
1.2.3 Other taxes and duties		498,222	(317,398)
<b>A. NET PROFIT FOR THE PERIOD (1.1-1.2)</b>		<b>15,843,174</b>	<b>12,668,713</b>
1.3 ACCUMULATED LOSSES (-)		--	--
1.4 FIRST LEGAL RESERVES (-)		--	874,617
1.5 OTHER STATUTORY RESERVES (-)		--	--
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>		<b>--</b>	<b>(11,794,096)</b>
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		--	--
<b>II. DISTRIBUTION OF RESERVES</b>		--	--
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 (-)		--	--
<b>III. EARNINGS PER SHARE (per TL/000 face value each)</b>			
3.1 TO OWNERS OF ORDINARY SHARES		0.1132	0.1005
3.2 TO OWNERS OF ORDINARY SHARES (%)		11.32	10.05
3.3 TO OWNERS OF PRIVILEGED SHARES		--	--
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		--	--
<b>IV. DIVIDEND PER SHARE</b>			
4.1 TO OWNERS OF ORDINARY SHARES		--	--
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 2022.

(\*\*) Restated after the General Assembly Meeting on 23 March 2022.

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 2022**

(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 22 February 2023. 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 2022 is 21 (31 December 2021: 20).

**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 20 January 2022, it has been stated that businesses applying TFRS will not need to make any adjustments in their financial statements for 2022 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 2022.

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**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:

**Impairment of leasing receivables**

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.

The Bank uses a statistical model with credit risk parameters in accordance with the relevant legislation and accounting standards in the calculation of expected credit losses. Expected credit losses are measured using reasonable and supportable information and including macroeconomic variables, taking into account macroeconomic projections for the future as well as historical information. Within the scope of the macroeconomic model, it is used in the final estimation studies obtained by weighting three scenarios as base, positive and negative. The changes in “Gross Domestic Product (GDP), USD/TRY and CPI” are used as the main macroeconomic independent variable used in these estimates. Credit risk parameters used in the calculation of expected credit losses are reviewed and evaluated at least once a year within the framework of model validation processes. The macroeconomic forecasts used in risk parameter models and the historical default data of portfolios are re-evaluated in each quarter in order to reflect the changes in the economic conjuncture and updated as needed.

**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.

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**2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.2. – CHANGES IN ACCOUNTING POLICIES (continued)**

**2.2.2 Changes in accounting policies**

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 6 – Intangible Assets

Note 11 – Provisions

**2.2.4 Change in standards and comments**

**The new standards, amendments, and interpretations which are effective as at 31 December 2022 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.

**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.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as “TFRS 2023” on 3 January 2023.

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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 2022 but not yet adopted (continued)**

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

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

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Company does not expect that application of these amendments to TAS 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.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

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.

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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 2022 but not yet adopted (continued)**

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

**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 TFRS 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.

**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.

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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 2022 but not yet adopted (continued)**

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

**Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases**

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as “TFRS 2023” on 3 January 2023. Amendments to TFRS 16 *Leases* impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Company does not expect that application of these amendments to Amendments to TFRS 16 Leases will have significant impact on its financial statements.

**Amendments are effective on 1 January 2022**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022:

- 1- Annual Improvements to TFRS Standards 2018–2020 -Amendment to TFRS 1 First-time Adoption of International Financial Reporting Standards, TFRS 9 Financial Instruments, TAS 41 Agriculture
- 2- Reference to the Conceptual Framework – Amendments to TFRS 3 Business Combinations
- 3- Property, Plant and Equipment – Proceeds before Intended Use: Amendments to TAS 16 Property, Plant and Equipment
- 4- Onerous Contracts – Cost of Fulfilling a Contract: Amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets

These newly adopted amendments to standards have not been a significant impact on the financial statements of the Company.

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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 TFRS 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; subsequently, they 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. Independent valuation experts are used in the fair value calculation of land and buildings.

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.

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**2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital increase**

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

**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.

The 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.

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**2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

Foreign exchange rates used by the Company as at 31 December 2022 and 2021 are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
USD	18.6983	12.9775
EUR	19.9349	14.6823

**Taxation**

*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.

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**2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recognition of income and expenses**

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.

**Funds borrowed**

Funds borrowed are first recorded at fair value, including transaction costs. Subsequently, funds borrowed 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.

**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**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Cash	--	460
Banks	90,520,830	112,614,712
- Time deposits	67,147,305	102,513,398
- Demand deposits	23,373,525	10,101,314
Expected credit loss provision	(12,220)	(15,203)
<b>Total</b>	<b>90,508,610</b>	<b>112,599,969</b>

The amount of cash and cash equivalents is TL 90,178,148 on the statement of cash flows for the year ended 31 December 2022 (31 December 2021: TL 112,586,672) and does not include income accruals for these accounts.

As at 31 December 2022, time deposits are shorter than three months, and the effective interest rate in EUR, USD and TL respectively is 2.85%, 4.00% and 24.02% (As at 31 December 2021, time deposits are shorter than three months, effective interest in Euros, USD and TL rate is 0.25%, 0.93% and 22.71%, respectively).

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**4- FINANCIAL ASSETS AT AMORTIZED COST**

	31 December 2022	31 December 2021
Finance lease receivables	885,866,256	534,722,592
Invoiced lease receivables	5,632,065	6,382,162
<b>Gross leasing receivables</b>	<b>891,498,321</b>	<b>541,104,754</b>
Unearned interest income	(107,242,445)	(61,163,068)
<b>Leasing receivables</b>	<b>784,255,876</b>	<b>479,941,686</b>
Non-performing receivables	355,258	930,686
Expected credit loss/specific provisions	(3,167,349)	(2,758,968)
<b>Total receivables from lease transactions</b>	<b>781,443,785</b>	<b>478,113,404</b>

As at 31 December 2022 a significant part of the financial lease receivables is fixed interest rate.

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

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

	Finance lease receivables	
	Gross	Net
	31 December 2022	31 December 2022
31 December 2023	403,329,032	345,451,309
31 December 2024	260,246,300	228,322,558
31 December 2025	142,276,921	129,585,503
31 December 2026	63,725,820	59,762,879
31 December 2027 and beyond	21,920,248	21,133,627
<b>Total</b>	<b>891,498,321</b>	<b>784,255,876</b>

	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
<b>Total</b>	<b>541,104,754</b>	<b>479,941,686</b>

Net lease receivables are analyzed as follows:

	31 December 2022	31 December 2021
Not overdue and not impaired	778,623,811	473,559,524
Overdue but not impaired	5,632,065	6,382,162
Non-performing receivables	355,258	930,686
<b>Total</b>	<b>784,611,134</b>	<b>480,872,372</b>
Impairment provision	(3,167,349)	(2,758,968)
<b>Net finance lease receivables</b>	<b>781,443,785</b>	<b>478,113,404</b>

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**4-FINANCIAL ASSETS AT AMORTIZED COST (continued)**

As at 31 December 2022 and 31 December 2021, details of the Company’s net leasing receivables is as follows:

<b>31 December 2022</b>	<b>Finance lease receivables</b>	<b>Provision for impairment</b>	<b>Finance lease receivables, net</b>
Stage 1	708,752,271	(2,284,419)	706,467,852
Stage 2	75,503,605	(531,053)	74,972,552
Stage 3	355,258	(351,877)	3,381
<b>Total</b>	<b>784,611,134</b>	<b>(3,167,349)</b>	<b>781,443,785</b>

  

<b>31 December 2021</b>	<b>Finance lease receivables</b>	<b>Provision for impairment</b>	<b>Finance lease receivables, net</b>
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
<b>Total</b>	<b>480,872,372</b>	<b>(2,758,968)</b>	<b>478,113,404</b>

As at 31 December 2022 and 31 December 2021, details of the Company’s aging table including the invoiced amount and principals of the overdue but not impaired finance lease receivables are follows:

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Invoiced amount</b>	<b>Remaining principal</b>	<b>Invoiced amount</b>	<b>Remaining principal</b>
0 - 30 days	3,697,098	40,524,855	2,421,263	20,196,988
31 - 60 days	822,772	2,569,328	1,321,079	1,539,267
61 - 90 days	948,154	3,231,863	919,707	1,736,008
91 - 150 days	164,041	213,705	1,720,113	5,517,851
<b>Total</b>	<b>5,632,065</b>	<b>46,539,751</b>	<b>6,382,162</b>	<b>28,990,114</b>

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**4- FINANCIAL ASSETS AT AMORTIZED COST (continued)**

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

	1 January- 31 December 2022	1 January- 31 December 2021
<b>Opening balance 1 January</b>	<b>2,758,968</b>	<b>4,729,742</b>
Provision expenses	1,924,899	1,359,873
Collections <sup>(*)</sup>	(1,516,518)	(3,330,647)
<b>Closing balance 31 December</b>	<b>3,167,249</b>	<b>2,758,968</b>

<sup>(\*)</sup> The cash collection amount realized in 2022 is TL 1,516,518.

Within the scope of TFRS 9, there are no receivables written off during the period (31 December 2021: Company have written off TL 3,250,409 loans and its effect on NPL ratio is 0.68%).

As at 31 December 2022, the amount of collaterals received from customers, excluding tangible assets subject to financial leasing, is TL 8,979,286,129 (31 December 2021: TL 9,072,308,334). 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 2022	31 December 2021
Warranties received	6,375,819,548	6,677,226,921
Promissory notes received	1,991,738,486	1,786,537,156
Mortgage documents received	552,914,977	554,944,683
Vehicle pledge	36,219,920	42,459,633
Guarantees received	11,731,426	8,560,937
Assignment of receivables	10,686,582	--
Guarantees checks received	--	1,039,351
Customer notes	175,000	925,810
Cash blockage	190	613,843
<b>Total</b>	<b>8,979,286,129</b>	<b>9,072,308,334</b>

The sectorial breakdown of gross lease receivables as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	%	31 December 2021	%
Manufacturing industry	640,329,527	72	366,116,114	68
Wholesale and retail trade	136,355,998	15	49,264,749	9
Real estate and rental services	69,886,592	8	73,379,131	14
Farming and livestock	16,601,964	2	21,795,097	4
Construction	16,533,714	2	21,951,570	4
Financial mediation	6,903,627	1	5,475,131	1
Extraction of energy producing mines	2,431,170	--	32,292	--
Tourism	1,342,079	--	176,368	--
Transportation and communication	1,058,130	--	1,763,076	--
Other	55,503	--	--	--
Health and social services	17	--	493,858	--
Education services	--	--	657,368	--
<b>Total</b>	<b>891,498,321</b>	<b>100</b>	<b>541,104,754</b>	<b>100</b>

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**

<b>Acquisition cost</b>	<b>Building</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>1 January 2022</b>	<b>10,011,000</b>	<b>557,588</b>	<b>958,517</b>	<b>11,527,105</b>
Additions	--	73,398	1,184,108	1,257,506
Revaluation Surplus	15,124,000	--	--	15,124,000
Disposals	--	--	(141,249)	(141,249)
<b>31 December 2022</b>	<b>25,135,000</b>	<b>630,986</b>	<b>2,001,376</b>	<b>27,767,362</b>

**Accumulated amortization**

<b>1 January 2022</b>	<b>(103,965)</b>	<b>(417,557)</b>	<b>(868,866)</b>	<b>(1,390,388)</b>
Amortization for the year	--	(50,980)	(103,528)	(154,508)
Disposals	103,965	--	124,887	228,852
<b>31 December 2022</b>	<b>--</b>	<b>(468,537)</b>	<b>(847,507)</b>	<b>(1,316,044)</b>

<b>Net book value</b>	<b>25,135,000</b>	<b>162,449</b>	<b>1,153,869</b>	<b>26,451,318</b>
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<b>Acquisition cost</b>	<b>Building</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>1 January 2021</b>	<b>10,000,000</b>	<b>522,654</b>	<b>958,517</b>	<b>11,481,171</b>
Additions	11,000	36,654	--	47,654
Disposals	--	(1,720)	--	(1,720)
<b>31 December 2021</b>	<b>10,011,000</b>	<b>557,588</b>	<b>958,517</b>	<b>11,527,105</b>

**Accumulated amortization**

<b>1 January 2021</b>	<b>(51,900)</b>	<b>(364,930)</b>	<b>(701,379)</b>	<b>(1,118,209)</b>
Amortization for the year	(52,065)	(54,347)	(167,487)	(273,899)
Disposals	--	1,720	--	1,720
<b>31 December 2021</b>	<b>(103,965)</b>	<b>(417,557)</b>	<b>(868,866)</b>	<b>(1,390,388)</b>

<b>Net book value</b>	<b>9,907,035</b>	<b>140,031</b>	<b>89,651</b>	<b>10,136,717</b>
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(\*) The building for use is measured over their fair values and are subject to valuation in this context. The expertise report related to the real estates was prepared by the CMB licensed real estate appraisal company on 13 December 2022.

As at 31 December 2022, the total insurance value on tangible assets is TL 10.941.318 (31 December 2021: TL 7,981,422), insurance premium amount is TL 205,654 (31 December 2021: TL 59,789).

As at 31 December 2022, there are no pledges or mortgages on other tangible assets (31 December 2021: None).

As at 31 December 2022 and 31 December 2021, if the building were measured using the cost model the carrying amounts would be as follows;

	<b>31 December 2022</b>	<b>31 December 2021</b>
Cost	4,217,877	4,217,877
Accumulated depreciation (-)	925,709	841,352
<b>Total</b>	<b>5,143,586</b>	<b>5,059,229</b>

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**6- INTANGIBLE ASSETS**

<b>Cost (software)</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>1 January</b>	<b>1,278,427</b>	<b>871,180</b>
Additions	1,142,652	407,247
Disposals	--	--
<b>31 December</b>	<b>2,421,079</b>	<b>1,278,427</b>
<b>Accumulated amortization</b>		
<b>1 January</b>	<b>(747,685)</b>	<b>(692,027)</b>
Amortization for the year	(52,797)	(55,658)
Disposals	--	--
<b>31 December</b>	<b>(800,482)</b>	<b>(747,685)</b>
<b>Net book value</b>	<b>1,620,597</b>	<b>530,742</b>

**7- OTHER ASSETS**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Advances given for leasing operations	19,021,608	16,376,304
Expenses related to next periods	6,273,804	5,547,860
Other receivables related to financial lease	4,365,017	1,330,548
Leased construction in progress	1,919,967	4,402,767
Other	458,743	210,904
Salary advances	398,991	225,250
Deposits and guarantees given	12,358	10,442
<b>Total</b>	<b>32,450,488</b>	<b>28,104,075</b>

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**8- FUNDS BORROWED**

31 December 2022	Book value					Balance in TL
	Balance in original	Interest rates range	Up to 3 months	Between 3 months and 1 years	Over 1 year	
<b>Domestic banks</b>						
Fixed rate borrowings:						
TL	14,101,929	17.64%- 30.00%	--	8,361,997	5,739,932	14,101,929
<b>Total</b>			--	<b>8,361,997</b>	<b>5,739,932</b>	<b>14,101,929</b>
<b>Total domestic banks borrowings</b>			--	<b>8,361,997</b>	<b>5,739,932</b>	<b>14,101,929</b>
<b>Foreign banks</b>						
Fixed rate borrowings:						
- USD	1,210,200	6.00%	--	--	22,628,683	22,628,683
- EUR	3,023,375	5.50%	--	--	60,270,678	60,270,678
<b>Total</b>			--	--	<b>82,899,361</b>	<b>82,899,361</b>
<b>Foreign banks</b>						
Floating rate borrowings:						
- USD	--	--	--	--	--	--
- EUR	30,449,699	3.17%- 5.89%	6,646,507	49,235,337	551,129,857	607,011,701
<b>Total</b>			<b>6,646,507</b>	<b>49,235,337</b>	<b>551,129,857</b>	<b>607,011,701</b>
<b>Total foreign banks borrowings</b>			<b>6,646,507</b>	<b>49,235,337</b>	<b>634,029,218</b>	<b>689,911,062</b>
<b>Total borrowings</b>			<b>6,646,507</b>	<b>57,597,334</b>	<b>639,769,150</b>	<b>704,012,991</b>

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**8- FUNDS BORROWED (continued)**

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	
<b>Foreign banks</b>						
Fixed rate borrowings						
USD	1,207,650	4.50%	--	--	15,672,278	15,672,278
EUR	3,010,625	2.50%	--	--	44,202,899	44,202,899
<b>Total</b>			--	--	<b>59,875,177</b>	<b>59,875,177</b>
<b>Foreign banks</b>						
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
<b>Total</b>			<b>4,573,885</b>	<b>27,304,023</b>	<b>360,319,132</b>	<b>392,197,040</b>
<b>Total foreign banks borrowings</b>			<b>4,573,885</b>	<b>27,304,023</b>	<b>420,194,309</b>	<b>452,072,217</b>
<b>Total borrowings</b>			<b>4,573,885</b>	<b>27,304,023</b>	<b>420,194,309</b>	<b>452,072,217</b>

As at 31 December 2022, no guarantees were given to lending institutions as collateral against loans obtained (31 December 2021: 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 2022	31 December 2021
Payables to suppliers	6,490,651	6,704,171
Advances received	17,445,037	8,284,766
Other payables	9,324,106	32,522
<b>Total</b>	<b>33,259,794</b>	<b>15,021,459</b>

As at 31 December 2022 and 31 December 2021, other liabilities maturity period is less than 1 year.

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**10-COMMITMENTS AND POSSIBLE OBLIGATIONS**

**Derivatives**

As at 31 December 2022 there are no derivative product contracts in the Company's portfolio. (31 December 2021: None).

**Letters of guarantee given and letters of credit issued:**

The company delivered letters of guarantee amounting to TL 483,613 to the courts (31 December 2021: 295,033).

As at 31 December 2022, a total of TL 90,232,834 revocable commitments consist of financial leasing commitments approved by the notary public but not activated yet (31 December 2021: TL 74,788,149). As at 31 December 2022, there are irrevocable commitments amounting to TL 11,311,517 (31 December 2021: TL 2,141,288).

As at 31 December 2022, there is no mortgage on the goods subject to financial leasing registered on the company (31 December 2021: None).

As at 31 December 2022, there is no filed against the Company (31 December 2021: None).

**11- PROVISIONS**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Reserve for employee severance indemnity	4,888,918	1,807,872
Vacation pay liability	3,561,791	1,669,777
<b>Total</b>	<b>8,450,709</b>	<b>3,477,649</b>

As at 31 December 2022, the Company has provided a reserve for foreign employee severance indemnity amount of TL 2,080,696 (31 December 2021: TL 820,318).

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.

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**11- PROVISIONS (continued)**

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:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Discount rate (%)	0.99%	3.42%
Circulation rate regarding the probability of retirement (%)	0.87%	0.87%

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 2022 and 31 December 2021, the applicable severance pay ceiling is 19,982.83 TL TL and 8,284.51 TL, respectively.

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Opening balance	1,807,872	1,410,220
Service cost	93,167	71,086
Interest cost	294,045	142,743
Paid during the year	(172,894)	--
Actuarial losses	2,866,728	183,823
<b>Ending balance</b>	<b>4,888,918</b>	<b>1,807,872</b>

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**12- SHAREHOLDERS’ EQUITY**

**a) Paid-In capital**

The shareholders of the Company and their ownership percentages at 31 December 2022 and 2021 are as follows:

	31 December 2022		31 December 2021	
	Nominal amount	Shares (%)	Nominal amount	Shares (%)
Arap Türk Bankası A.Ş.	139,972,000	99.98%	125,974,800	99.98%
Salih Hatipoğlu	7,000	0.01%	6,300	0.01%
Feyzullah Küpeli	7,000	0.01%	6,300	0.01%
Aziz Aydoğduoğlu	7,000	0.01%	6,300	0.01%
Erdem Özenci	7,000	0.01%	6,300	0.01%
<b>Total paid-in share capital</b>	<b>140,000,000</b>	<b>100%</b>	<b>126,000,000</b>	<b>100%</b>

At 31 December 2022, the Company’s statutory nominal value of authorized and paid-in share capital is TL 140,000,000 comprising of 140,000,000 registered shares having par value of TL 1 nominal each.

At the meeting of the General Assembly of the Company held on 23 March 2022, a capital increase decision was taken and this time, amount TL 11,126,926.78 was covered from the profit of 2021 and amount TL 2,873,073.22 was decided to use the profits of previous years in capital increase.

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.

**b) Capital reserves**

At 31 December 2022, the Company has TL 228,147 of capital reserves (31 December 2021: TL 228.147).

**c) Other comprehensive Income**

At 31 December 2022, the Company’s other comprehensive income amounting to TL 15,527,866 consist of actuarial gain and revaluation surplus (31 December 2021: TL 5,067,469).

**d) Income reserves**

At 31 December 2022, the Company has TL 6,955,528 of income reserves (31 December 2021: TL 6,080,911).

**e) Prior year income / loss**

At 31 December 2022, the Company’s prior year income is TL 667,169 (31 December 2021: TL 2,873,073).

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**13 – FINANCE LEASE INCOME**

Finance lease income for the years ended 31 December 2022 and 31 December 2021 are as follows:

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Finance lease income	63,403,310	36,095,920
Fees and commissions received from the leasing transactions	3,420,675	1,857,057
<b>Total</b>	<b>66,823,985</b>	<b>37,952,977</b>

**14- MAIN OPERATING EXPENSES**

The main operating expenses for the years ended on 31 December 2022 and 31 December 2021 are as follows:

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Personnel expenses	22,234,591	11,686,115
General operating expenses	9,235,206	9,223,704
Severance pay expense	340,261	220,832
Other	3,161,001	2,959,305
<b>Total</b>	<b>34,971,059</b>	<b>24,089,956</b>

General operating expenses for the years ended on 31 December 2022 and 31 December 2021 are as follows:

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Expenses related to the financial leasing	4,487,617	5,935,014
Audit and consultancy expenses	881,627	777,387
Office-related expenses	744,962	459,704
Tax, duties and fees	418,013	276,584
Insurance expenses	468,882	342,642
Depreciation and amortization expenses (Note 5, 6)	207,305	329,557
Communication and transportation expenses	98,729	87,413
Transport vehicle expenses	144,145	58,885
Rent expenses	57,922	34,000
Other general expenses(*)	1,726,004	922,518
<b>Total</b>	<b>9,235,206</b>	<b>9,223,704</b>

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

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**15- OTHER OPERATING INCOME AND EXPENSE**

	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
<b>Other operating income</b>		
Foreign exchange transactions profit	278,588,020	231,539,375
Interest received from banks	5,607,027	7,547,531
Income from derivative financial transactions	-	4,160
Others <sup>(*)</sup>	4,526,359	3,596,515
<b>Total</b>	<b>288,721,406</b>	<b>242,687,581</b>
<b>Other operating expense</b>		
Loss from foreign exchange transactions	278,523,387	229,367,767
Loss from derivative financial transactions	17,405	49,096
Others	5,432	2,493
<b>Total</b>	<b>278,546,224</b>	<b>229,419,356</b>

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

**16 – TAX ASSETS AND LIABILITIES**

	<b>31 December 2022</b>	<b>31 December 2021</b>
VAT to be paid	625,809	694,053
Corporation tax	1,243,594	1,426,476
Income tax payable	1,877,412	1,076,135
Social insurance premiums to be paid	319,113	174,187
Stamp tax to be paid	38,906	22,828
<b>Total</b>	<b>4,104,834</b>	<b>3,393,679</b>

**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.

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**16 – TAX ASSETS AND LIABILITIES (continued)**

**Corporate tax (continued)**

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.

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 2022 and 31 December 2021 are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Corporation tax expense	6,026,855	4,506,238
Minus: Prepaid taxes	(4,783,261)	(3,079,762)
<b>Current income tax liability (net)</b>	<b>1,243,594</b>	<b>1,426,476</b>
	<b>1 January –</b>	<b>1 January –</b>
<b>Tax expense</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Current period corporate tax expense	(6,026,855)	(4,506,238)
Deferred tax income / (expense) effect	498,222	(317,398)
<b>Total</b>	<b>(5,528,633)</b>	<b>(4,823,636)</b>

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**16 – TAX ASSETS AND LIABILITIES (continued)**

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

	1 January – 31 December 2022	1 January – 31 December 2021
<b>Pre-tax profit</b>	<b>21,371,807</b>	<b>17,492,349</b>
Tax expense with a 25% tax rate	(5,342,952)	(4,373,087)
Disallowable expenses	(620,223)	(225,011)
Other (additions) / discounts	434,542	(225,538)
<b>Current year tax expense</b>	<b>(5,528,633)</b>	<b>(4,823,636)</b>

**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 2022	31 December 2021	31 December 2022	31 December 2021
Expected credit loss (stage 1- stage 2)	2,815,472	1,994,143	703,868	458,653
Provision for unused vacation	3,561,791	1,669,777	890,448	333,956
Provision for severance pay	6,969,615	2,628,192	1,742,404	525,638
Other	351,877	2,101,983	87,969	483,456
<b>Deferred tax assets</b>	<b>13,698,755</b>	<b>8,394,095</b>	<b>3,424,689</b>	<b>1,801,703</b>
Base difference of tangible and intangible assets	(22,630,793)	(9,005,171)	(3,665,513)	(996,633)
Leasing interest income accrual	(4,024,345)	(3,244,965)	(1,006,086)	(746,342)
Other	(387,924)	-	(96,979)	--
<b>Deferred tax liabilities</b>	<b>(27,043,062)</b>	<b>(12,250,136)</b>	<b>(4,768,578)</b>	<b>(1,742,975)</b>
<b>Deferred tax assets, (net)</b>	<b>(13,344,307)</b>	<b>(3,856,041)</b>	<b>(1,343,889)</b>	<b>58,728</b>

The deferred tax asset movement table is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
<b>1 January</b>	<b>58,728</b>	<b>339,361</b>
Deferred tax effect recognized under profit or loss	498,222	(317,398)
Deferred tax effect recognized under equity	(1,900,839)	36,765
<b>31 December</b>	<b>(1,343,889)</b>	<b>58,728</b>

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**17- RELATED PARTY TRANSACTIONS**

**Balance sheet items**

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Banks</b>		
Türkiye İş Bankası AŞ	5,292,150	2,702,266
TC Ziraat Bankası AŞ	7,803,035	1,623,570
Arap Türk Bankası AŞ	330,366	311,060
<b>Total</b>	<b>13,425,551</b>	<b>4,636,896</b>
<b>Finance leases</b>		
Arap Türk Bankası AŞ	5,009,451	5,475,131
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği AŞ	--	493,534
<b>Total</b>	<b>5,009,451</b>	<b>5,968,665</b>
<b>Funds borrowed</b>		
Libyan Foreign Bank	299,023,500	220,234,500
Banque BIA-Paris	115,007,428	93,001,726
Aresbank	188,980,738	77,249,350
Alubaf Bahreyn	82,242,660	59,619,900
<b>Total</b>	<b>685,254,326</b>	<b>450,105,476</b>

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**17- RELATED PARTY TRANSACTIONS (continued)**

**Profit/loss**

	<b>1 January – 31 December 2022</b>	<b>1 January – 31 December 2021</b>
<b>Interest expense</b>		
Aresbank	2,985,634	1,968,093
Libyan Foreign Bank	4,141,147	1,796,024
Banque BIA-Paris	3,689,018	1,320,736
Alubaf Bahreyn	2,551,969	953,675
Türkiye İş Bankası AŞ	1	581,106
TC Ziraat Bankası AŞ	--	70,042
Arap Türk Bankası A.Ş.	384,300	--
<b>Total</b>	<b>13,752,069</b>	<b>6,689,676</b>
<b>Interest income from finance lease</b>		
Arap Türk Bankası AŞ	753,017	743,897
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği AŞ	39,191	126,881
<b>Total</b>	<b>792,208</b>	<b>870,778</b>
<b>Interest income from banks</b>		
Türkiye İş Bankası AŞ	6	210
Arap Türk Bankası A.Ş.	7,576	--
<b>Total</b>	<b>7,582</b>	<b>210</b>

For the year ended 31 December 2022, the Company paid to executive members and key management personnel amounting to TL 10,996,540 (31 December 2021: TL 6,314,117) 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 2022			31 December 2021		
	Financial leasing receivables	Other assets	Deposits at banks	Financial leasing receivables	Other assets	Deposits at banks
<b>Maximum credit risk exposed as at balance sheet date (A+B+C+D+E)</b>	<b>778,623,811</b>	<b>32,450,488</b>	<b>90,520,830</b>	<b>480,107,547</b>	<b>28,104,075</b>	<b>112,614,712</b>
- The part of the maximum risk secured by collateral	778,623,811	32,450,488	--	480,107,547	28,104,075	--
<b>Carrying value of financial assets that are not past due nor</b>						
<b>A. impaired</b>	<b>778,623,811</b>	<b>32,450,488</b>	<b>90,520,830</b>	<b>473,559,524</b>	<b>28,104,075</b>	<b>112,614,712</b>
- The part under guarantee with collateral	778,623,811	32,450,488	--	473,559,524	28,104,075	--
<b>Net book value of financial assets whose terms are</b>						
<b>B. reassessed, if not accepted as past due nor impaired</b>	--	--	--	--	--	--
<b>C. Financial assets that are past due but not impaired</b>	<b>5,632,065</b>	--	--	<b>6,382,162</b>	--	--
- The part under guarantee with collateral	5,632,065	--	--	6,382,162	--	--
<b>D. Net book value of impaired assets</b>	<b>3,381</b>	--	--	<b>165,861</b>	--	--
- Past due (gross carrying value)	355,258	--	--	930,686	--	--
- Impairment (-)	(351,877)	--	--	(764,825)	--	--
- 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	--	--	--	--	--	--
<b>E. Off balance sheet items that include credit risk</b>	--	--	--	--	--	--

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.

<b>31 December 2022</b>	<b>Non-maturity</b>	<b>In 3 months</b>	<b>3 – 12 month</b>	<b>Over 1 year</b>	<b>Total</b>
Cash and cash equivalents and the Central Bank	23,373,525	67,135,085	--	--	90,508,610
Financial lease receivables	--	112,494,910	230,144,298	438,804,577	781,443,785
Investments in scope of leasing	--	1,919,967	--	--	1,919,967
Other receivables	--	--	4,365,017	--	4,365,017
Advances given for leasing transactions	--	19,021,608	--	--	19,021,608
Other assets	35,215,811	--	--	--	35,215,811
<b>Assets used to manage liquidity risk</b>	<b>58,589,336</b>	<b>200,571,570</b>	<b>234,509,315</b>	<b>438,804,577</b>	<b>932,474,798</b>
Funds borrowed	--	16,109,766	57,597,334	630,305,891	704,012,991
Other liabilities	--	--	33,259,794	--	33,259,794
Provisions	10,531,406	--	--	--	10,531,406
Current tax debt	--	2,861,240	1,243,594	--	4,104,834
Deferred tax liability	1,343,889	--	--	--	1,343,889
<b>Total liabilities</b>	<b>11,875,295</b>	<b>18,971,006</b>	<b>92,100,722</b>	<b>630,305,891</b>	<b>753,252,914</b>
<b>Net liquidity surplus/(deficit)</b>	<b>46,714,041</b>	<b>181,600,564</b>	<b>142,408,593</b>	<b>(191,501,314)</b>	<b>179,221,884</b>

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

***b1. Liquidity risk (continued)***

<b>31 December 2021</b>	<b>Non-maturity</b>	<b>In 3 months</b>	<b>3 – 12 month</b>	<b>Over 1 year</b>	<b>Total</b>
Cash and cash equivalents and the Central Bank	10,101,774	102,498,195	--	--	112,599,969
Financial lease 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
<b>Assets used to manage liquidity risk</b>	<b>26,822,416</b>	<b>179,545,502</b>	<b>176,099,773</b>	<b>247,075,944</b>	<b>629,543,635</b>
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
Deferred tax liability	--	--	--	--	--
<b>Total liabilities</b>	<b>6,137,967</b>	<b>7,967,564</b>	<b>42,325,482</b>	<b>420,194,309</b>	<b>476,625,322</b>
<b>Net liquidity surplus/(deficit)</b>	<b>20,684,449</b>	<b>171,577,938</b>	<b>133,774,291</b>	<b>(173,118,365)</b>	<b>152,918,313</b>

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

***b1. Liquidity Risk (continued)***

As at 31 December 2022 and 31 December 2021, the undiscounted representation of the contractual maturity values of financial liabilities is as follows:

<b>31 December 2022</b>	<b>In 3 months</b>	<b>3 - 12 month</b>	<b>Over 1 year</b>	<b>Non-maturity</b>	<b>Total</b>
Funds borrowed	16,157,418	59,791,744	691,729,360	--	767,678,520
Other payables	--	33,259,794	--	--	33,259,794
<b>Total liabilities</b>	<b>16,157,418</b>	<b>93,051,538</b>	<b>691,729,358</b>	<b>--</b>	<b>800,938,314</b>

  

<b>31 December 2021</b>	<b>In 3 months</b>	<b>3 - 12 month</b>	<b>Over 1 year</b>	<b>Non-maturity</b>	<b>Total</b>
Funds borrowed	4,591,440	27,905,862	450,583,114	--	483,080,416
Other payables	--	15,021,459	--	--	15,021,459
<b>Total liabilities</b>	<b>4,591,440</b>	<b>42,927,321</b>	<b>450,583,114</b>	<b>--</b>	<b>498,101,875</b>

***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 2022 and 31 December 2021, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

<b>31 December 2022</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
Cash and cash equivalents and the Central Bank	6,574,117	50,597,827	-	57,171,944
Financial leasing receivables	24,786,406	679,252,263	-	704,038,669
Unearned income (-)	(2,469,788)	(61,348,651)	-	(63,818,439)
Non-performing loans	-	324,018	-	324,018
Expected loss provisions (-)	(57,191)	(2,541,511)	-	(2,598,702)
Investments in scope of leasing	163	1,917,527	-	1,917,690
Advances given for leasing transactions	1,879,179	17,139,429	-	19,018,608
Other assets	1,451,413	8,349,698	-	9,801,111
<b>Total assets</b>	<b>32,164,299</b>	<b>693,690,600</b>	<b>-</b>	<b>725,854,899</b>
Funds borrowed	22,628,683	667,282,379	-	689,911,062
Other liabilities	1,205,651	30,346,091	-	31,551,742
<b>Total liabilities</b>	<b>23,834,334</b>	<b>697,628,470</b>	<b>-</b>	<b>721,462,804</b>
<b>Net foreign currency position</b>	<b>8,329,965</b>	<b>(3,937,870)</b>	<b>-</b>	<b>4,392,095</b>
<b>31 December 2021</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
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 under 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
<b>Total assets</b>	<b>36,248,110</b>	<b>442,387,890</b>	<b>--</b>	<b>478,636,000</b>
Funds borrowed	19,718,317	432,353,900	-	452,072,217
Other liabilities	1,308,034	8,207,434	-	9,515,468
<b>Total liabilities</b>	<b>21,026,351</b>	<b>440,561,334</b>	<b>--</b>	<b>461,587,685</b>
<b>Net foreign currency position</b>	<b>15,221,759</b>	<b>1,826,556</b>	<b>--</b>	<b>17,048,315</b>

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**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.

31 December 2022	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case the US Dollar changes 10% against TL				
1 – Net asset / liability of USD	832,997	(832,997)	832,997	(832,997)
2- The amount hedged for USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1 +2)</b>	<b>832,997</b>	<b>(832,997)</b>	<b>832,997</b>	<b>(832,997)</b>
In case the Euro changes 10% against TL				
4 – Net asset / liability of Euro	(393,787)	393,787	(393,787)	393,787
5- The amount hedged for Euro risk (-)	--	--	--	--
<b>6- Net effect of Euro (4+5)</b>	<b>(393,787)</b>	<b>393,787</b>	<b>(393,787)</b>	<b>393,787</b>
<b>TOTAL (3+6)</b>	<b>439,210</b>	<b>(439,210)</b>	<b>439,210</b>	<b>(439,210)</b>

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

31 December 2021	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
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 (-)	--	--	--	--
<b>3- Net effect of USD (1 +2)</b>	<b>1,522,176</b>	<b>(1,522,176)</b>	<b>1,522,176</b>	<b>(1,522,176)</b>
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 (-)	--	--	--	--
<b>6- Net effect of Euro (4+5)</b>	<b>182,656</b>	<b>(182,656)</b>	<b>182,656</b>	<b>(182,656)</b>
<b>TOTAL (3+6)</b>	<b>1,704,832</b>	<b>(1,704,832)</b>	<b>1,704,832</b>	<b>(1,704,832)</b>

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

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**18- NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (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 reprising 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 2022, an increase / (decrease) of 0.5% in foreign currency interest rates, an increase / (decrease) of TL 1,082,191 in the net present value of variable interest financial liabilities, assuming that all other variables remain constant (31 December 2021: TL 1,960,985).

	31 December 2022	31 December 2021
<b>Financial assets and liabilities with fixed interest</b>		
Time deposits	67,147,305	102,513,398
Financial lease receivables, net	781,830,367	479,941,686
Funds borrowed	82,899,361	59,875,177
<b>Financial assets and liabilities with variable interest</b>		
Financial lease receivables, net	2,425,509	--
Funds borrowed	607,011,701	392,197,040

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 2022	In 3 months	3-12 months	1-5 years	Interest free	Total
Cash, cash equivalents and the Central Bank	67,135,085	--	--	23,373,525	90,508,610
Receivables from leasing transactions(net)	159,159,880	225,426,574	396,857,330	--	781,443,784
Investments under leasing	--	--	--	1,919,967	1,919,967
Advances given for leasing transactions	--	--	--	4,365,017	4,365,017
Other receivables related to leasing transactions	--	--	--	19,021,608	19,021,608
Property, plant and equipment, net	--	--	--	26,451,318	26,451,318
Intangible assets, net	--	--	--	1,620,597	1,620,597
Deferred tax assets	--	--	--	--	0
Other assets	--	--	--	7,143,897	7,143,897
<b>Total assets</b>	<b>226,294,965</b>	<b>225,426,574</b>	<b>396,857,330</b>	<b>83,895,929</b>	<b>932,474,798</b>
Funds borrowed	110,368,843	8,361,997	585,282,151	--	704,012,991
Other obligations	--	--	--	33,259,792	33,259,792
Provisions	--	--	--	10,531,406	10,531,406
Current tax debt	--	--	--	4,104,834	4,104,834
Deferred tax liability	--	--	--	1,343,891	1,343,891
<b>Total liabilities</b>	<b>110,368,843</b>	<b>8,361,997</b>	<b>585,282,151</b>	<b>49,239,923</b>	<b>753,252,914</b>
<b>Net repricing position</b>	<b>115,926,122</b>	<b>217,064,577</b>	<b>(188,424,821)</b>	<b>34,656,005</b>	<b>179,221,884</b>

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***b3. Interest rate risk (continued)***

<b>31 December 2021</b>	<b>In 3 months</b>	<b>3-12months</b>	<b>1-5years</b>	<b>Interest free</b>	<b>Total</b>
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
Other receivables related to leasing transactions	--	--	--	1,330,548	1,330,548
Advances given for 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
<b>Total assets</b>	<b>165,678,815</b>	<b>167,872,042</b>	<b>247,075,945</b>	<b>48,916,833</b>	<b>629,543,635</b>
Funds 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 liabilities	--	--	--	--	--
<b>Total liabilities</b>	<b>118,017,933</b>	<b>274,179,107</b>	<b>59,875,177</b>	<b>24,553,105</b>	<b>476,625,322</b>
<b>Net repricing position</b>	<b>47,660,882</b>	<b>(106,307,065)</b>	<b>187,200,768</b>	<b>24,363,728</b>	<b>152,918,313</b>

***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:

	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Banks	90,520,830	112,614,712	90,520,830	112,614,712
Finance lease receivables	781,443,785	478,113,404	736,685,494	472,844,004
Funds borrowed	704,012,991	452,072,217	661,683,593	430,990,537

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 2022 and 2021, 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 19% according to calculation made as at 31 December 2022.

**19- OTHER MATTERS**

None (31 December 2021: None).

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**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 22 February 2023, 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.

	<b>1 January – 31 December 2022</b>	<b>1 January – 31 December 2021</b>
Independent audit fees in the reporting period	140,000	125,000
Fees for tax advisory	--	--
Fees for other assurance services	--	--
Fees for other services except independent audit	--	--
<b>Total</b>	<b>140,000</b>	<b>125,000</b>

**21- SUBSEQUENT EVENTS**

In accordance with the Official Gazette numbered 32098, dated Wednesday, 8 February 2023, it was decided to declare state of emergency for three months in Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa due to the negativities caused by the earthquakes that took place in Kahramanmaraş on 6 February 2023.

Since the economic effects of the earthquake and the measures taken in the provinces exposed to the earthquake are uncertain as of the reporting date, the effects on the financial statements of the Company due to its operations cannot be reasonably estimated.