

*(Convenience Translation of Consolidated Financial Statements and
Related Disclosures and Footnotes Originally Issued in Turkish,
See Note 2.1)*

**İş Finansal Kiralama
Anonim Şirketi and Its Subsidiary**

**Consolidated Financial Statements as at and for the
year ended 30 September 2022**

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2022

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

	ASSETS	Notes	Reviewed Current Period 30 September 2022			Audited Prior Period 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS and CENTRAL BANK	4	142.993	227.360	370.353	41.649	429.853	471.502
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL ASSETS	6	-	30.246	30.246	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	462.873	-	462.873	404.862	-	404.862
V.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)	8	9.628.019	13.467.641	23.095.660	8.267.951	9.777.376	18.045.327
5.1	Factoring Receivables	8	5.540.059	2.391.446	7.931.505	4.874.483	1.797.516	6.671.999
5.1.1	Discounted Factoring Receivables (Net)		3.182.889	220.924	3.403.813	1.657.216	657.468	2.314.684
5.1.2	Other Factoring Receivables		2.357.170	2.170.522	4.527.692	3.217.267	1.140.048	4.357.315
5.2	Savings Financing Receivables		-	-	-	-	-	-
5.2.1	From the Savings Fund Pool		-	-	-	-	-	-
5.2.2	From equity		-	-	-	-	-	-
5.3	Financing loans		-	-	-	-	-	-
5.3.1	Consumer Loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
5.4	Lease Receivables (Net)	9	4.132.949	11.158.197	15.291.146	3.309.893	8.063.052	11.372.945
5.4.1	Finance Lease Receivables		5.635.116	12.195.590	17.830.706	4.308.928	8.799.222	13.108.150
5.4.2	Operational Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		(1.502.167)	(1.037.393)	(2.539.560)	(999.035)	(736.170)	(1.735.205)
5.5	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6	Non-Performing Loans	8,9	513.768	365.391	879.159	522.228	283.277	805.505
5.7	Expected Credit Loss (-) / Specific Provisions (-)		(558.757)	(447.393)	(1.006.150)	(438.653)	(366.469)	(805.122)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	11	49.321	-	49.321	23.277	-	23.277
VIII.	INTANGIBLE ASSETS (Net)	12	10.285	-	10.285	7.032	-	7.032
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSET	21	278	-	278	686	-	686
XI.	DEFERRED TAX ASSET	13	129.823	-	129.823	89.070	-	89.070
XII.	OTHER ASSETS	15	225.411	2.480.990	2.706.401	271.095	1.063.226	1.334.321
	SUB TOTAL		10.649.003	16.206.237	26.855.240	9.105.622	11.270.455	20.376.077
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	760	-	760	838	-	838
13.1	Held for Sale		760	-	760	838	-	838
13.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		10.649.763	16.206.237	26.856.000	9.106.460	11.270.455	20.376.915

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS AS AT 30 SEPTEMBER 2022

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

	LIABILITIES	Notes	Reviewed Current Period 30 September 2022			Audited Prior Period 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	16	5.647.531	13.546.003	19.193.534	5.578.976	9.790.324	15.369.300
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASE PAYABLES	18	5.547	-	5.547	2.907	-	2.907
V.	SECURITIES ISSUED (Net)	19	3.360.229	-	3.360.229	1.658.151	-	1.658.151
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITY	6	-	20.082	20.082	-	84.615	84.615
VIII.	PROVISIONS	20	32.661	12.527	45.188	18.518	10.461	28.979
8.1	Restructuring Provisions		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		28.667	-	28.667	17.567	-	17.567
8.3	General Provisions		-	-	-	-	-	-
8.4	Other Provisions		3.994	12.527	16.521	951	10.461	11.412
IX.	CURRENT PERIOD TAX LIABILITY	21	109.099	-	109.099	84.352	-	84.352
X.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI.	SUBORDINATED LOANS		-	-	-	-	-	-
	OTHER LIABILITY	17	195.335	1.026.632	1.221.967	136.602	872.566	1.009.168
SUB TOTAL			9.350.402	14.605.244	23.955.646	7.479.506	10.757.966	18.237.472
XII.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
			2.900.354	-	2.900.354	2.139.443	-	2.139.443
XIII.	SHAREHOLDER'S EQUITY							
13.1	Paid-in Capital	23	695.303	-	695.303	695.303	-	695.303
13.2	Capital Reserves	23	1.763	-	1.763	1.763	-	1.763
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		1.763	-	1.763	1.763	-	1.763
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	23	(187)	-	(187)	(187)	-	(187)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	391.643	-	391.643	339.948	-	339.948
13.5	Profit Reserves	24	954.367	-	954.367	652.128	-	652.128
13.5.1	Legal Reserves		80.210	-	80.210	65.098	-	65.098
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		874.157	-	874.157	587.030	-	587.030
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		650.153	-	650.153	310.063	-	310.063
13.6.1	Prior Periods Profit/Loss	25	7.824	-	7.824	-	-	-
13.6.2	Current Period Profit/Loss		642.329	-	642.329	310.063	-	310.063
	Non-Controlling Interests	22	207.312	-	207.312	140.425	-	140.425
TOTAL LIABILITIES			12.250.756	14.605.244	26.856.000	9.618.949	10.757.966	20.376.915

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS AS AT 30 SEPTEMBER 2022

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

	OFF-BALANCE SHEET ITEMS	Notes	Reviewed Current Period 30 September 2022			Audited Prior Period 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		55.076	1.202.181	1.257.257	24.850	758.099	782.949
II.	REVOCABLE FACTORING TRANSACTIONS		1.105.670	258.273	1.363.943	549.788	146.412	696.200
III.	SAVING FINANCE AGREEMENTS TRANSACTIONS		-	-	-	-	-	-
IV.	COLLATERALS RECEIVED	38	83.493.831	190.173.367	273.667.198	64.004.709	136.089.099	200.093.808
V.	COLLATERALS GIVEN	26	2.850.582	7.315	2.857.897	1.398.072	1.853	1.399.925
VI.	COMMITMENTS		493.697	4.119.500	4.613.197	596.435	3.052.604	3.649.039
6.1	Irrevocable Commitments		-	627.715	627.715	-	860.394	860.394
6.2	Revocable Commitments		493.697	3.491.785	3.985.482	596.435	2.192.210	2.788.645
6.2.1	Lease Commitments		493.697	3.491.785	3.985.482	596.435	2.192.210	2.788.645
6.2.1.1	Finance Lease Commitments		493.697	3.491.785	3.985.482	596.435	2.192.210	2.788.645
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS	26	1.008.969	1.382.852	2.391.821	227.459	284.923	512.382
7.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
7.1.1	Fair Value Hedges		-	-	-	-	-	-
7.1.2	Cash Flow Hedges		-	-	-	-	-	-
7.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
7.2	Derivative Financial Instruments Held For Trading		1.008.969	1.382.852	2.391.821	227.459	284.923	512.382
7.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
7.2.2	Swap Purchases/Sales		1.008.969	1.382.852	2.391.821	227.459	284.923	512.382
7.2.3	Put/call options		-	-	-	-	-	-
7.2.4	Futures purchases/sales		-	-	-	-	-	-
7.2.5	Others		-	-	-	-	-	-
VIII.	ITEMS HELD IN CUSTODY		2.405.136	352.067	2.757.203	1.606.281	316.735	1.923.016
	TOTAL OFF-BALANCE SHEET ITEMS		91.412.961	197.495.555	288.908.516	68.407.594	140.649.725	209.057.319

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 SEPTEMBER 2022
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Dipnot	Unaudited Current Period 01.01-30.09.2022	Unaudited Current Period 01.07-30.09.2022	Unaudited Prior Period 01.01-30.09.2021	Unaudited Prior Period 01.07-30.09.2021
PROFIT OR LOSS STATEMENT					
I.	OPERATING INCOME	29	2.258.586	937.923	1.048.142
	FAKTORING INCOME		1.123.658	494.816	459.431
1.1	Factoring Interest Income		1.067.810	468.916	446.167
1.1.1	Discounted		547.331	266.622	210.666
1.1.2	Other		520.479	202.294	235.501
1.2	Factoring Commission Income		55.848	25.900	13.264
1.2.1	Discounted		26.058	14.339	5.529
1.2.2	Other		29.790	11.561	7.735
	INCOME FROM FINANCING LOANS		-	-	-
1.3	Interest income from Financing Loans		-	-	-
1.4	Fees and Commission Income from Financing Loans		-	-	-
	LEASE INCOME		1.134.928	443.107	588.711
1.5	Finance Lease Income		1.133.064	442.353	587.652
1.6	Operational Lease Income		1.864	754	1.059
1.7	Fees and Commission Income from Lease Operations		-	-	-
	SAVING FINANCE INCOME		-	-	-
1.8	Dividends Received from Savings Financing Receivables		-	-	-
1.9	Fees and Commissions Received from Savings Financing Activities		-	-	-
II.	FINANCING EXPENSES (-)	32	(1.492.830)	(626.625)	(692.976)
2.1	Interest Expense on Funds Borrowed		(1.037.712)	(431.134)	(490.554)
2.2	Interest Expense on Factoring Payables		-	-	-
2.3	Interest Expense of Finance Leasing Expenses		(758)	(261)	(558)
2.4	Interest Expense on Securities Issued		(391.100)	(167.264)	(176.812)
2.5	Other Interest Expenses		-	-	-
2.6	Fees and Commissions Paid		(63.260)	(27.966)	(25.052)
III.	GROSS PROFIT / LOSS (I-II)		765.756	311.298	355.166
IV.	OPERATING EXPENSES (-)	30	(146.268)	(59.825)	(78.892)
4.1	Personal Expenses		(95.516)	(37.427)	(50.787)
4.2	Employee Severance Indemnity Expense		(8.575)	(5.173)	(1.967)
4.3	Research and Development Expenses		-	-	-
4.4	General Administration Expenses		(37.965)	(13.017)	(25.428)
4.5	Other		(4.212)	(4.208)	(710)
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		619.488	251.473	276.274
VI.	OTHER OPERATING INCOME	31	742.399	156.783	204.875
6.1	Interest Income on Bank Deposits		1.820	283	3.061
6.2	Interest Income on Marketable Securities Portfolio		-	-	-
6.3	Dividend Income		19.463	-	17.274
6.4	Gains on Securities Trading		77	27	108
6.5	Income From Derivative Financial Instruments		153.502	55.161	15.361
6.6	Foreign Exchange Gains		450.868	59.714	57.276
6.7	Other		116.669	41.598	111.795
VII.	PROVISION EXPENSES (-)	33	(251.809)	(102.506)	(105.840)
7.1	Specific Provisions		-	-	-
7.2	Expected Credit Losses		(251.809)	(102.506)	(105.840)
7.3	General Provisions		-	-	-
7.4	Other		-	-	-
VIII.	OTHER OPERATING EXPENSES (-)	34	(189.038)	(2.376)	(27.745)
8.1	Impairment Losses on Securities Portfolio		-	-	-
8.2	Impairment Losses on Tangible and Intangible Assets		-	-	-
8.3	Losses on Securities Trading		-	-	-
8.4	Losses From Derivative Financial Instruments		(179.837)	831	(21.767)
8.5	Foreign Exchange Losses		-	10	(5)
8.6	Other		(9.201)	(3.217)	(5.973)
IX.	NET OPERATING PROFIT (V+...+VIII)		921.040	303.374	347.564
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-
	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-	-
XI.	NET MONETARY POSITION GAIN/LOSS		-	-	-
XII.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		921.040	303.374	347.564
XIII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	35	(218.138)	(81.253)	(75.825)
14.1	Current Tax Provision		(258.891)	(108.852)	(103.985)
14.2	Deferred Tax Income Effect (+)		-	-	-
14.3	Deferred Tax Expense Effect (-)		40.753	27.599	28.160
XIV.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		702.902	222.121	271.739
XV.	INCOME ON DISCONTINUED OPERATIONS		-	-	-
16.1	Income on Assets Held for Sale		-	-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-	-
16.3	Other Income on Discontinued Operations		-	-	-
XVI.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-	-
17.1	Expense on Assets Held for Sale		-	-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-	-
17.3	Other Expense on Discontinued Operations		-	-	-
XVII.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-	-
XVIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-
19.1	Current Tax Provision		-	-	-
19.2	Deferred Tax Expense Effect (+)		-	-	-
19.3	Deferred Tax Income Effect (-)		-	-	-
XIX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-	-
	NON-CONTROLLING INTEREST		(60.573)	(26.846)	(20.829)
XX.	NET PROFIT FOR THE PERIOD (XV+XX)		642.329	195.275	250.910
	EARNINGS PER SHARE (**)	36	0,0092	0,0028	0,0036
	Earnings Per Share from Continued Operations		0,0092	0,0028	0,0036
	Earnings Per Share from Discontinued Operations		-	-	-
	DILUTED EARNINGS PER SHARE	36	0,0092	0,0028	0,0036
	Earnings Per Share from Continued Operations		0,0092	0,0028	0,0036
	Earnings Per Share from Discontinued Operations		-	-	-

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	Reviewed Current Period	Unaudited Current Period	Reviewed Prior Period	Unaudited Prior Period
	01.01-30.09.2022	01.07-30.09.2022	01.01-30.09.2021	01.07-30.09.2021
I. CURRENT PERIOD PROFIT/LOSS	702.902	222.121	271.739	100.100
II. OTHER COMPREHENSIVE INCOME	58.009	129.181	(83.949)	(16.494)
2.1 Items that will not be Reclassified to Profit or Loss	-	-	-	-
2.1.1 Tangible Assets Revaluation Increases/Decreases	-	-	-	-
2.1.2 Intangible Assets Revaluation Increases/Decreases	-	-	-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	-	-	-	-
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-	-	-
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	-	-	-	-
2.2 Items that may be Reclassified subsequently to Profit or Loss	58.009	129.181	(83.949)	(16.494)
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	58.009	129.181	(83.949)	(16.494)
2.2.3 Cash Flow Hedge Income/Losses	-	-	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-	-	-
2.2.5 Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-	-	-
2.2.6 Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-	-	-
III. Current Tax Income/Expense	760.911	351.302	187.790	83.606

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

		Reviewed Current Period	Reviewed Prior Period
	Notes	01.01-30.09.2022	01.01-30.09.2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		571.746	640.804
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		2.084.474	1.039.011
1.1.1 Interests Received/Lease Income		(1.348.981)	(623.222)
1.1.2 Interest Paid / Lease Expenses		19.463	16.716
1.1.3 Dividends Received		55.848	13.264
1.1.4 Fees and Commissions Received		60.237	79.776
1.1.5 Other Income	31	56.432	32.019
1.1.6 Collections from Non-performing Receivables		(84.877)	(43.628)
1.1.7 Payments to Personnel and Service Suppliers	21	(236.634)	(97.317)
1.1.8 Taxes Paid		(34.216)	224.185
1.1.9 Others		(2.302.359)	(991.712)
1.2 Changes in Operating Assets and Liabilities		(744.398)	(312.839)
1.2.1 Net (Increase) Decrease in Factoring Receivables		-	-
1.2.2 Net (Increase) Decrease in Financing Loans		(1.576.853)	(676.907)
1.2.3 Net (Increase) Decrease in Lease Receivables		-	-
1.2.4 Net (Increase) Decrease in Savings Financing Receivables		(1.401.840)	(539.508)
1.2.5 Net (Increase) Decrease in Other Assets		-	-
1.2.6 Net Increase (Decrease) in Factoring Payables		2.640	-
1.2.7 Net (Increase) Decrease in Savings Financing Payables		1.168.312	264.251
1.2.8 Net Increase (Decrease) in Lease Payables		-	-
1.2.9 Net Increase (Decrease) in Funds Borrowed		249.780	273.291
1.2.10 Net Increase (Decrease) in Due Payables		-	-
1.2.11 Net Increase (Decrease) in Other Liabilities		(1.730.613)	(350.908)
I. Net Cash Provided from / (Used in) Operating Activities			
B. CASH FLOWS FROM INVESTING ACTIVITIES		-	(3.429)
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	10.472
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		(41.199)	(10.672)
2.3 Purchases of Tangible and Intangible Assets	11,12	1.038	214
2.4 Proceeds From Sale of Tangible and Intangible Assets	11,12	-	-
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		(2)	871
2.9 Other		(40.163)	(2.544)
II. Net cash used in investing activities			
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		8.895.026	3.993.725
3.2 Cash used for repayment of funds borrowed and securities issued		(7.226.779)	(3.436.829)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		1.668.247	556.896
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		1.380	(131)
V. Net Increase / (Decrease) in Cash and Cash Equivalents		(101.149)	203.313
VI. Cash and Cash Equivalents at the Beginning of the Period	4	471.500	382.325
VII. Operating Profit Before Changes In Operating Assets And Liabilities	4	370.351	585.638

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Finansal Kiralama A.Ş. (“the Company”) was incorporated on 9 March 1988 to operate in Turkey in accordance with Finance Lease, Factoring and Financing Companies Law No: 6361. The core business of the Company is leasing operations, both domestic and abroad, and it started its leasing operations in July 1988. The head office of the Company is located at İş Kuleleri Kule:1 Kat:6 34330 Levent-İstanbul/Turkey.

The Company has purchased nominal shares of İş Faktoring A.Ş. (“İş Faktoring”) amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of the İş Faktoring A.Ş. and it has been consolidated in the accompanying financial statements. The Company and its subsidiary run their operations in accordance with “Finance Lease, Factoring and Financing Companies Law” published on the Official Gazette no. 28496 dated 13 December 2012 and “Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies” of Banking Regulation and Supervision Agency (“BRSA”).

The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) with 29,46% participation. The Company’s 41,82% of shares are publicly traded and listed on the Borsa İstanbul.

As at 30 September 2022, the Company and its subsidiary (“the Group”) have 257 employees (31 December 2021: 255 employees).

Dividend Payable

As at 30 September 2022, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements and consolidated profit and loss table of the Group as at 30 September 2022 have been approved by the Board of Directors of the Group and authorized for issue as at 29 July 2022. The General Assembly and / or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

The Group prepared accompanying consolidated financial statements accordingly to the “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies” and “Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing and Savings Financing Companies” the published in the Official Gazette dated 29 June 2021 and numbered 31526 published by “Banking Regulation and Supervision Agency” (BRSA) and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and their additions and comments issued by Public Oversight Accounting and Auditing Standards’ Authority (“POA”) and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency (all together refer to as “BRSA Accounting and Reporting Legislation”) in respect of accounting and financial reporting.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2022

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

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

The COVID-19 pandemic, which spread globally in the first half of 2020 in China, had effects on both economic and social lives. Since the beginning of 2022, it has started to disappear from our lives by reducing the measures in many countries, following a decreasing course. The Company, together with the company included in the consolidation, continues the segments to this period, with the deferment of the customer's debts that are due for sale, a grace period and the allocation of existing / additional limits. During the calculation of estimated loan provisions in the financial statements dated 31.12.2021, it was evaluated for the impact of the COVID-19 outbreak, third Section note “G. Financial Instruments” is given instead.

The Russia - Ukraine crisis which broke out in March 2022, started to push the world towards a new economic and regional crisis. The continuation of the war brings with it new economic contractions, food shortages and concerns that the inflationary environment will gradually increase.

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. In particular, information about significant accounting estimates used are described in the following notes:

Note 5 – Financial assets and liabilities at fair value through profit or loss

Note 8 – Factoring receivables

Note 9 – Lease receivables

Note 20 – Provisions

Note 26 – Provisions, contingent assets and liabilities

Basis of Consolidation

The details of the Group’s subsidiary as at 30 September 2022 and 31 December 2021 are as follows:

<u>Subsidiary</u>	<u>Establishment and operation location</u>	<u>Shareholding rate %</u>	<u>Voting right rate %</u>	<u>Core business</u>
İş Faktoring A.Ş.	Istanbul	78,23	78,23	Factoring operations

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in “Subsidiaries” section below. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

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

In determining control power, existing and convertible voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 30 September 2022 and 31 December 2021, the Company owns 78,23% of İş Faktoring A.Ş.. As the Company has the power to control the operations of the İş Faktoring A.Ş., the financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying consolidated financial statements.

(ii) Transactions eliminated on consolidation

Financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying financial statements and profit or loss table and the investment balance in the Company’s statement of financial position have been eliminated against the paid-in capital of İş Faktoring A.Ş.. Intra-group balances, transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of the subsidiary have been adjusted when necessary to align them with the policies adopted by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(iii) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest in equity since the date of the combination

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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 to realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

Accounting policies taken as the basis in preparing the financial statements of the accounting periods ended on September 30, 2022 are applied consistently with the financial statements prepared as of December 31, 2021.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current period. Material accounting errors are adjusted retrospectively and prior periods’ consolidated financial statements are restated.

Transferred VAT, which was classified under the current tax asset in the financial statements of the Group as of 31 December 2021, was also classified in Other Assets in the financial statements as of 30 September 2022. The relevant arrangement has also been made in the previous period tables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2022

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at September 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2022. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows (Continued)

Annual Improvements – 2018–2020 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.
-

The Group is in the process of assessing the impact of the improvements on financial position or performance of the Group.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2022

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the the Group.

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

Finance lease income: Initial value of leased assets at the beginning of the leasing period under the Finance Lease, factoring and Financing Companies Law No: 6361 is recognized as finance lease receivables in the consolidated statement of financial position. Interest income resulting from the difference between the total finance lease receivables and the investment value of the leased assets are recognized in the period in which the relevant receivable portion for each accounting period is distributed over the related period using the fixed interest rate through the leasing period. The interest income not accrued yet is followed up under the account of unearned interest income.

Factoring revenue: Consists of factoring interest and commission income collected or accrued on advances given to the customers. Factoring commission income is a certain percentage of the total amount of invoices subject to factoring transactions.

Other interest income: The outstanding amount of the principal and cash inflows to be calculated over the expected life of the asset is reduced to the related period at the effective interest rate. Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend. Fee and commissions collected or paid on any transactions are recorded on accrual basis.

b. Tangible Assets

Tangible assets, acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful life, residual values and amortization method of tangible assets are reviewed at each reporting period and corrected if necessary.

Leasehold improvements are depreciated on a straight-line basis at the lower of over their lease periods or over the useful life of the leasehold improvements.

Expenses incurred to replace any part of tangible fixed assets are capitalized. Subsequent expenditures may be capitalized if they increase the future economic benefits of the asset. All other expense items are accounted on an accrual basis in the consolidated statement of income.

The estimated useful lives for the current and comparative periods are as follows:

<u>Definition</u>	<u>Years</u>
Furniture and fixtures	5 years
Other tangible assets	5 years
Leasehold improvements	5 years
Operational Leasing Assets	3 years

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the consolidated statement of income.

The estimated useful life, residual values and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Computer software and licenses acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The useful lives of computer software and licenses are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized in the statement of income as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives, not exceeding five years.

The estimated useful life, residual value and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

d. Impairment of Non-Financial Assets

Assets that have an indefinite useful life, like goodwill, are not subject to amortization, but tested annually for impairment. Assets that are subject to 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. 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). Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

e. Borrowing Costs

All borrowing costs are recorded in the income statement on accrual basis.

f. Financial Assets Held For Sale

Assets that are expected to be disposed by sale rather than usage (or disposal asset group) are classified as held for sale. Immediately before classification as held for sale, the assets (or disposal asset group) are remeasured in accordance with the Group’s accounting policies. Thereafter generally the assets (or disposal asset group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated profit or loss table. Gains are not recognized in excess of any cumulative impairment loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments

Financial Assets

As of 1 January 2018, the Group within the scope of “TFRS 9 Financial Instruments”, classifies and accounts its financial assets as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets at Measured at Amortised Cost” by taking into account their business model and contractual cash flow characteristics. Financial assets are recognized or derecognized according to TFRS 9 “Recognition and Derecognition in the financial statements” requirements. The Company recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason. Financial assets at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. Gains or losses arising from the valuation are related to profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets where the group has the intention and ability to held to the maturity, fixed or determinable payment plan, fixed-term debt instruments. Financial assets measured at amortized cost by using the effective interest rate method, net of any provision for impairment.

Financial Assets at Fair Value Through Other Comprehensive Income

The Group has equity investments and debt securities quoted on an active market and investments in fair values are classified as financial assets carried at fair value through other comprehensive income. The Group has equity instruments that are not traded and not quoted in an active market whose fair value differences are reflected in other comprehensive income and are measured at cost, since their fair value cannot be measured reliably.

Gains and losses arising from changes in the fair value impairment loss recognized in the income statement, interest and monetary assets and interest and monetary assets calculated using the effective interest method are recognized in other comprehensive income and the financial assets are accumulated in the fund of revaluation. In the event that the investment is disposed of or is impaired, the total profit / loss accumulated in the revaluation fund of financial assets is classified in the income statement.

Dividends on equity instruments recognized at fair value through other comprehensive income are recognized in income statement when the Company's right to receive payment is established.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial Lease Receivables, Factoring Receivables and Expected Credit Loss

In accordance with the “IFRS 9-Financial Instruments, the Group recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income or financial assets measured at amortized cost.

Under IFRS 9, the expected credit loss and specific provision is calculated according to the “three-stage” impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Stage 1:

An important determinant for calculating the expected credit loss in accordance with IFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument’s lifetime expected credit loss. In order to classify a financial asset in the second stage, the following criteria is considered:

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is reclassified as stage 2.

Stage 3

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Expected credit loss of these financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic factors are considered for the classification of a financial asset in the third stage:

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a certain opinion on this matter

Specific provision is provided for factoring receivables in Stage 3.

B

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group 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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. The change in fair value is accounted under the statement of profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to net present value of financial liabilities

Derivative financial instruments and hedge accounting

The Group’s activities exposes primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Business Combinations

The acquisitions of subsidiaries are accounted for by using the purchase method. The cost of the acquisition is measured at the aggregate of fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under TFRS 3 “Business Combinations” are recognized at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill is measured at cost less accumulated impairment. When the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, excess amount is recognized immediately as profit.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling party’s proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

i. Effects of Changes in Exchange Rates

The individual financial statements of each entity within the group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

The foreign currency exchange rates used by the Group as at 30 September 2022 and 31 December 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
USD	18,5038	12,9775
EUR	17,9232	14,6823
GBP	19,9995	17,4530
CHF	18,8092	14,1207
100 JPY	12,7565	11,2434
AUD	11,9360	9,3950

In preparation of the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year. In case the number of shares increases through rights issue as a result of capital increases from internal sources, earnings per share calculations are made by restating the weighted average number of shares in comparison periods. The correction refers to the consideration of the number of shares used in the calculation as if the unpaid issue was performed at the beginning of the comparison period.

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

k. Events After the Reporting Period

Subsequent events means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with IAS 10 “Events After Reporting Period Date”; subsequent balance sheet events that provide additional information about the Group’s position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Events that does not require adjustment of financial statements are disclosed in the notes when material.

l. Provisions, Contingent Liabilities and Contingent Assets:

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 27).

n. Taxes on Income

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to Other Comprehensive Income and subsequently recognized in profit or loss together with the deferred gains that are realized.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying consolidated financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with IAS 19 “Employee Benefits”, the Group calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the consolidated financial statements. The main estimates used are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Discount rate	3,50%	3,50%
Expected rate of salary/limit increase	15,07%	15,07%
Probability of retirement	100%	100%

p. Statement of Cash Flows

The Group presents statement of cash flows as an integral part of its financial statements to inform the users of financial statements about its ability to manage changes in its net assets, its financial structure and the amount and timing of its cash flows under changing conditions.

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of the cash flows arising from core operations of the Company. Cash flows related with investment activities compose of cash flows that the Group generates from or uses in investment activities (tangible and financial investments). Cash flows related with financing activities represent resources that the Group uses for financing activities and the reimbursements of such resources.

r. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

s. Related Parties

In accordance with IAS 24 “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge. For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 10).

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4. CASH AND CASH EQUIVALENTS

As at 30 September 2022 and 31 December 2021, the details of the banks are as follows:

	30 September 2022		31 December 2021	
	TL	FC	TL	FC
Demand Deposits	136.990	61.215	40.149	216.970
Time Deposits	6.001	166.145	1.499	212.882
Interest accrual	2	-	1	1
	142.993	227.360	41.649	429.853

The details of the time deposits as at 30 September 2022 are as follows:

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>30 September 2022</u>
TL	12,00%	3.10.2022	6.003
ABD Doları	1,10%	1.07.2022	55.511
Avro	0,05%	18.07.2022	110.634
			172.148

The details of the time deposits as at 31 December 2021 are as follows:

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2021</u>
TL	15,00%	03.01.2022	1.500
USD	0,05%-1,00%	03.01.2022	181.645
Euro	0,05%-0,25%	03.01.2022-17.01.2022	31.238
			214.383

As at 30 September 2022, TL 221.620 portion of total foreign currency deposits (31 December 2021: TL 393.789) and TL 18.693 portion of total TL deposits (31 December 2021: TL 5.564) consist of accounts at the Group’s main shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying consolidated statement of financial position and the statement of cash flow is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Demand deposits	198.205	257.119
Time deposits (1-3 months) (excluding accrual)	172.146	214.381
Cash and cash equivalents	370.351	471.500

As at 30 September 2022 and 31 December 2021, there is no blockage on cash and cash equivalents.

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5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets at fair value through profit or loss / Expected Credit Loss

As at 30 September 2022 and 31 December 2021, details of financial assets at fair value through profit or loss and expected loss provision are as follows:

	30 September 2022	
	TL	FC
Debt securities issued by private sector(*)	400	-
Specific provisions/ Expected Credit Loss(-)	(400)	-
Mutual funds	-	-
	-	-

	31 December 2021	
	TL	FC
Debt securities issued by private sector(*)	400	-
Specific provisions/ Expected Credit Loss(-)	(400)	-
Mutual funds	-	-
	-	-

(*) In its meeting held on 11 February 2016, Borsa İstanbul A.Ş. (Istanbul Stock Exchange) Board of Directors has decided to delist the debt instruments coded TRSAYNS51619, TRSAYNSK1619 and TRSAYNS21711 ISIN of Aynes Gıda Sanayi ve Ticaret A.Ş., the debt instruments of which are listed in BIST Debt Instruments Market Definite Trading Market, due to failure of the named Company in its coupon payment of 2 February 2016 relating to its debt instrument coded TRSAYNS51619 ISIN. The coupon payments and the principal payment of the debt instrument coded TRSAYNSK1619 ISIN included in the assets of the Group have not been made by Aynes Gıda Sanayi ve Ticaret A.Ş., the Group has recognized allowance for impairment losses on the debt instrument amounting to its total carrying amount.

The Group has TL 1.497 investments in Türkiye İş Bankası A.Ş. (31 December 2021: None).

6. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Derivative financial assets are measured at fair value and if the valuation difference is positive they are classified as "Derivative Financial Assets available for sale", if it is negative they are classified as "Derivative Financial Liabilities available for sale".

Derivative Financial Assets

	30 September 2022		31 December 2021	
	TL	FC	TL	FC
Swap Transactions	-	30.246	-	-
	-	30.246	-	-

Derivative Financial Liabilities

	30 September 2022		31 December 2021	
	TL	FC	TL	FC
Swap Transactions	-	20.082	-	84.615
	-	20.082	-	84.615

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 September 2022 and 31 December 2021, details of financial assets at fair value through other comprehensive income are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				30 September 2022	31 December 2021	30 September 2022	31 December 2021
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	455.416	397.404
Unquoted investments:							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	29	29
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	5,72	5,70	5,72	7.428	7.429
TOTAL						462.873	404.862

8. FACTORING RECEIVABLES

As at 30 September 2022 and 31 December 2021 details of factoring receivables are as follows:

	30 September 2022	31 December 2021
Factoring receivables	8.158.381	6.754.249
Factoring interest income accrual (-)	(226.876)	(82.250)
Total factoring receivables	7.931.505	6.671.999
Stage 1 (Expected Credit Loss)	(87.049)	(44.126)
Stage 2 (Expected Credit Loss)	(18.879)	(3.453)
Total factoring receivables	7.825.577	6.624.420
Non-performing factoring receivables	267.891	223.358
Specific provisions- Stage 3	(204.544)	(195.254)
Factoring receivables, net	7.888.924	6.652.524

As at 30 September 2022, the rating of factoring receivables are as follows:

Ratings 30 September 2022	Stage 1	Stage 2	Stage 3	Total
Total portfolio	7.673.788	257.717	267.891	8.199.396
Very good	1.169.183	-	-	1.169.183
Standard	6.504.605	-	-	6.504.605
Substandard	-	257.717	267.891	525.608
Expected credit losses	87.049	18.879	204.544	310.472
Factoring receivables, net	7.586.738	238.838	63.347	7.888.924

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8. FACTORING RECEIVABLES (Continued)

As at 31 December 2021, the rating of factoring receivables are as follows:

Ratings – 31 December 2021	Stage 1	Stage 2	Stage 3	Total
Total portfolio	6.616.539	55.460	223.358	6.895.357
Very good	3.372.409	-	-	3.372.409
Standard	3.244.130	-	-	3.244.130
Substandard	-	55.460	223.358	278.818
Expected credit losses	(44.126)	(3.453)	(195.254)	(242.833)
Factoring receivables, net	6.572.413	52.007	28.104	6.652.524

The movement of expected credit loss and specific provisions are as follows:

	1 January- 30 September 2022	1 January- 30 September 2021
Provision at the beginning of the period	(242.833)	(224.332)
Additions	(97.552)	(25.231)
Collections	35.564	17.535
Exchange difference income/expense	(5.651)	(1.411)
Provision at the end of the period	(310.472)	(233.439)

As at 30 September 2022, the average interest rates applicable for the factoring receivables are 32,38% for TL, for 10,10% USD, 5,94% for EUR and 7,17% for GBP (26,64% for TL, for 4,15% USD, 3,25% for EUR and 4,76% for).

As of 30 September 2022 TL 895.034 thousand, EUR 549.467 thousand, USD 133.335 thousand, GBP 67.009 thousand and AUD 11 thousand factoring receivables have variable interest rates, (31 December 2021: 423.598 thousand, EUR 318.143 thousand, USD 116.316 thousand Bin and GBP 33.599 thousand), TL 4.568.926 thousand, EUR 590.338 thousand, USD 1.084.670 thousand and GBP 134 thousand faktoring receivable have stabil interest rates (31 December 2021: TL 4.447.791 thousand, EUR 410.446 thousand, USD 898.580 thousand and GBP 4.051 thousand).

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8. FACTORING RECEIVABLES (Continued)

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Domestic irrevocable	1.260.080	3.761.394
Foreign irrevocable	610.668	376.023
Domestic revocable	4.922.048	2.243.849
Foreign revocable	1.096.128	271.258
	<u>7.888.924</u>	<u>6.652.524</u>

The Group’s aging of non-performing factoring receivables is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Up to 90 days	70.692	433
Between 90 – 180 days	605	1.543
Between 180 – 360 days	1.565	2.017
Over 360 days	195.029	219.365
	<u>267.891</u>	<u>223.358</u>

The Group has contractual sureties as collateral for the above non-performing factoring receivables.

As at 30 September 2022, standard and close monitoring factoring receivables and the close monitoring factoring receivable amendments made related to the extension of the payment plan as follows:

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
Number of Amendments Related to the Extension of the Payment	-	186.447
Extended for 1 or 2 Times	-	-
Extended for 3,4 or 5 Times	-	186.447
Extended for More than 5 Times	-	-

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
The Time Extended via the Amendment on payment Plan	-	186.447
0-6 Months	-	14
6 Months – 12 Months	-	1.073
1 – 2 Years	-	-
2 –5 Years	-	185.360
5 Years and More	-	-

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8. FACTORING RECEIVABLES (Continued)

As at 31 December 2021, standard and close monitoring factoring receivables and the close monitoring factoring receivable amendments made related to the extension of the payment plan as follows:

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment	-	13.561
Extended for 1 or 2 Times	-	435
Extended for 3,4 or 5 Times	-	13.126
Extended for More than 5 Times	-	-
	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	13.561
0-6 Months	-	435
6 Months – 12 Months	-	-
1 – 2 Years	-	-
2 –5 Years	-	13.126
5 Years and More	-	-

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9. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 30 September 2022, details of finance lease receivables are as follows:

	Short Term	Long Term	Total
Financial Lease Receivables	7.678.722	10.151.984	17.830.706
Unearned interest income (-)	(1.345.754)	(1.193.806)	(2.539.560)
Subtotal	6.332.968	8.958.178	15.291.146
Expected Credit Loss– Stage 1	(13.329)	(89.928)	(103.257)
Expected Credit Loss – Stage 2	(137.417)	(44.300)	(181.717)
Total Financial Lease Receivables	6.182.222	8.823.950	15.006.172
Non- Performing Lease Receivables	535.154	76.114	611.268
Specific provision– Stage 3	(359.564)	(51.140)	(410.704)
Net finance lease receivables	6.357.812	8.848.924	15.206.736

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial Assets	370.353	-	-	16	-	-
Financial Lease	14.740.675	550.471	611.268	(103.257)	(181.717)	(410.704)

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As at 31 December 2021, details of finance lease receivables are as follows:

	Short Term	Long Term	Total
Financial Lease Receivables	5.462.937	7.645.213	13.108.150
Unearned interest income (-)	(860.286)	(874.919)	(1.735.205)
Subtotal	4.602.651	6.770.294	11.372.945
Expected Credit Loss– Stage 1	(6.655)	(78.845)	(85.500)
Expected Credit Loss – Stage 2	(89.324)	(48.321)	(137.645)
Total Financial Lease Receivables	4.506.672	6.643.128	11.149.800
Non- Performing Lease Receivables	504.941	77.206	582.147
Specific provision– Stage 3	(294.166)	(44.978)	(339.144)
Net finance lease receivables	4.717.447	6.675.356	11.392.803

	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 2	Stage 2	Stage 3
Financial Lease Receivables	471.502	-	-	(217)	-	-
Financial Assets	10.986.201	386.744	582.147	(85.500)	(137.645)	(339.144)

As at 30 September 2022, the rating of finance lease receivables are as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	44.351	-	-	44.351
A (Very good))	62.362	9.174	-	71.536
A- (Good)	861.875	42.810	684	905.369
B+ (Enough)	2.317.424	72.995	218.927	2.609.346
B (Reasonable)	3.119.100	39.557	165.827	3.324.484
B- (Close Monitoring)	3.294.215	259.865	62.445	3.616.525
C+ (Insufficient)	2.598.466	44.954	125.388	2.768.808
C (Suspicious)	1.087.401	45.865	15.803	1.149.069
Scoring				
Y (High)	477.588	9.032	2.611	489.231
O (medium)	750.110	11.512	13.330	774.952
D (Low)	127.783	14.707	6.253	148.743
Expected Loss Provisions	(103.256)	(181.717)	(410.705)	(695.678)
Leasing receivables	14.637.419	368.754	200.563	15.206.736

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As at 31 December 2021, the rating of finance lease receivables are as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	159.429	-	-	159.429
A (Very good))	278.405	10.600	1	289.006
A- (Good)	618.095	326	75.813	694.234
B+ (Enough)	1.749.675	4.611	162.453	1.916.739
B (Reasonable)	2.137.989	212.911	139.230	2.490.130
B- (Close Monitoring)	2.039.438	36.749	116.465	2.192.652
C+ (Insufficient)	1.341.098	62.099	10.320	1.413.517
C (Suspicious)	1.636.902	48.902	43.650	1.729.454
Scoring				
Y (High)	282.476	3.417	5.351	291.244
O (medium)	606.368	4.395	19.375	630.138
D (Low)	136.326	2.734	9.489	148.549
Expected Loss Provisions and specific provision	(85.499)	(137.645)	(339.145)	(562.289)
Leasing receivables	10.900.702	249.099	243.002	11.392.803

As at 30 September 2022, standard and close monitoring leasing receivables and the close monitoring leasing receivable amendments made related to the extension of the payment plan as follows:

	Standard Receivables	Receivables Under Close
Number of Amendments Related to the Extension of		
Extended for 1 or 2 Times	-	409.433
Extended for 3,4 or 5 Times	-	-
Extended for More than 5	-	-
The Time Extended via the Amendment on payment Plan		
	Standard Receivables	Receivables Under Close Monitoring
0-6 Months	-	-
6 Months – 12 Months	-	409.433
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As at 31 December 2021, standard and close monitoring leasing receivables and the close monitoring leasing receivable amendments made related to the extension of the payment plan as follows:

	Standard Receivables	Receivables Under Close
Number of Amendments Related to the Extension of	-	305.882
Extended for 1 or 2 Times	-	305.882
Extended for 3,4 or 5 Times	-	-
Extended for More than 5	-	-
	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	305.882
0-6 Months	-	-
6 Months – 12 Months	-	305.882
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

As at 30 September 2022, analysis of finance lease receivables according to their maturities is as follows:

	2022	2023	2024	2025	2026	2027 and after	Total
Finance lease receivables (gross)	2.424.217	6.615.788	4.431.100	2.513.945	1.174.447	586.799	17.746.296
Unearned interest	(413.324)	(1.155.044)	(586.294)	(248.824)	(87.074)	(49.000)	(2.539.560)
Finance lease receivables (net)	2.010.893	5.460.744	3.844.806	2.265.121	1.087.373	537.799	15.206.736

As at 31 December 2021, analysis of finance lease receivables according to their maturities is as follows:

	2022	2023	2024	2025	2026	2027 and after	Total
Finance lease receivables (gross)	5.405.589	3.778.218	2.334.211	1.089.441	378.003	142.546	13.128.008
Unearned interest	(860.285)	(518.944)	(222.311)	(81.499)	(26.600)	(25.566)	(1.735.205)
Finance lease receivables (net)	4.545.304	3.259.274	2.111.900	1.007.942	351.403	116.980	11.392.803

As at 30 September 2022, the average compound interest rates applicable for the finance lease receivables are 26,62% for TL, 6,55% for USD, 4,73% for EUR (31 December 2021: 20,55% for TL, 6,48% for USD, 4,69% for EUR).

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As at 30 September 2022, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (Net) (TL)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest (TL)</u>
USD	109.584.781	2.027.735	12.914.930	238.975
EUR	502.976.079	9.014.941	44.546.618	798.418
TL		4.164.060		1.502.167
Total		15.206.736		2.539.560

As at 31 December 2021, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net) (TL)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest (TL)</u>
USD	109.944.569	1.426.806	13.178.558	171.025
EUR	447.438.994	6.569.433	38.491.583	565.145
TL	-	3.396.564	-	999.035
Total		11.392.803		1.735.205

The collaterals obtained by the Group, except for the leased assets, for its all finance lease receivables, except for non-performing finance lease receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

<u>Collateral type:</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Mortgages	477.212	457.661
Sureties of credit guarantee fund	127.017	138.927
Pledged equity	141.371	67.746
Letters of guarantee	17.528	18.762
Pledged shares	10.000	15.376
Pledged movable	1.530	1.252
Cash blockages	148	958
Account pledge	-	51
	774.806	700.733

In addition to collaterals above, the Group also has sureties amounting to TL 13.774.546 pledged vehicles amounting to TL 170.710, pledged accounts receivable to TL 413.922 (31 December 2021: sureties amounting to TL 10.061.420, pledged vehicles amounting to TL 122.407, pledged accounts receivable to TL 387.007).

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As at 30 September 2022 and 31 December 2021 details of overdue finance lease receivables are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Up to 30 days	122.260	98.583
Between 30 – 60 days	14.903	3.488
Between 60 – 90 days	3.030	2.619
Between 90 – 180 days(*)	9.194	345
Total overdue	<u>149.387</u>	<u>105.035</u>

(*) With the regulation published in the Official Gazette dated 15 August 2018 and numbered 30510, debtors who have a credit relationship with financial leasing companies are allowed to fulfill their obligations. Firms that applied within the scope of Financial Restructuring Framework Agreements were followed in the 90-180 band and classified in the 2nd stage until the end of the process. The Group makes provisions by its risk policies.

Details of the collaterals obtained by Group for overdue lease receivables mentioned above are as follows:

<u>Collateral type</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Mortgages	80.263	89.005
Pledged equity	19.523	20.756
Letters of guarantee	5.158	2.787
Sureties of credit guarantee fund	-	1.731
Pledged movable	-	1.251
	<u>104.944</u>	<u>115.530</u>

In addition to above guarantees, the Group also has sureties amounting to TL 1.169.990, pledged vehicles amounting to TL 5.792, (31 December 2021: sureties amounting to TL 431.069, pledged vehicles amounting to TL 6.743).

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 38.

As at 30 September 2022 and 31 December 2021, the aging of non-performing finance lease receivables is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Between 90 – 240 days	10.978	17.405
Between 240 – 360 days	6.244	2.811
Over 360 days	297.618	216.943
Uninvoiced non-performing finance lease receivables	386.754	375.436
Unearned interest of non-performing finance lease receivables	(90.326)	(30.448)
	<u>611.268</u>	<u>582.147</u>

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

Collaterals obtained for non-performing finance lease receivables as at 30 September 2022 and 31 December 2021 are as follows:

<u>Guarantee type:</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Mortgages	4.839	4.956
Letter of Guarentee	-	2
	<u>4.839</u>	<u>4.958</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 410.561, pledged vehicles amounting to TL 6.276 and leased equipments amounting to TL 189.592 (31 December 2021: sureties amounting to TL 339.145, pledged vehicles amounting to TL 3.261 and leased equipments amounting to TL 234.783).

Movement of expected loss provision for financial lease receivables is as follows:

<u>Movement of expected credit losses:</u>	<u>1 January- 30 September 2022</u>	<u>1 January- 30 September 2021</u>
Provision at the beginning of the period	(562.289)	(333.706)
Provision set during the period	(154.257)	(80.541)
Collections	20.868	14.484
Provision at the end of the period	<u>(695.678)</u>	<u>(399.763)</u>

B. Operating Lease Receivables (Continued)

As at 30 September 2022 and 31 December 2021 analysis of time lease receivables occurred from operating lease receivables according to their maturities is as follows :

	<u>30 September 2022</u>	<u>31 December 2021</u>
2022 Year	798	2.122
2023 Year	2.934	1.945
2024 Year	1.263	731
2025 Year	152	-
	<u>5.147</u>	<u>4.798</u>

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10. RELATED PARTIES

As at 30 September 2022 and 31 December 2021, details of related party receivables and payables are as follows:

	30 September 2022	31 December 2021
<u>Finance lease receivables from related parties</u>		
Radore Veri Merkezi Hizm.A.Ş	18.934	9.942
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	614	1.278
Total	19.548	11.220
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	40.053	-
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	13.704	4.017
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	2.070	4.192
Total	55.827	8.209
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	79.469	51.298
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	85	13
İş Merkezleri Yönetim ve İşletim A.Ş.	169	128
KKB Kredi Kayıt Bürosu A.Ş.	3	5
Türkiye İş Bankası A.Ş.	4	18
Total	79.682	51.462
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. Vadesiz Mevduat	68.166	218.416
Türkiye İş Bankası A.Ş. Vadeli Mevduat	172.147	180.937
Türkiye Sınai Kalkınma Bankası A.Ş.Vadesiz Mevduat	465	374
İşbank AG Vadesiz Mevduat	19	51
Total	240.797	399.778

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10. RELATED PARTIES (Continued)

Finance lease liability to related parties

Türkiye İş Bankası A.Ş.	290	220
İş Gayrimenkul Yatırım Ort.A.Ş	-	6
Total	290	226

As at 30 September 2022 and 31 December 2021, details of borrowings from related parties are as follows:

Borrowings from related parties

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2022</u>
TL	%18,28-%24,88	03.10.2022-29.09.2023	1.550.705
USD	%3,62-%7,80	03.10.2022-12.12.2022	1.555.037
EUR	%3,25-%6,25	03.10.2022-23.03.2023	5.300.741
			8.406.483

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2021</u>
TL	19,19%-25,59%	14.01.2022-15.09.2022	2.705.751
USD	2,53%-4,20%	03.01.2022-15.06.2022	910.981
EUR	1,71%-2,53%	03.01.2022-24.06.2022	1.930.635
			5.547.367

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10. RELATED PARTIES (Continued)

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2022</u>
ABD Doları	%5,43-%6,41	04.08.2023-29.06.2026	427.171
EUR	%2,97-%6,70	04.08.2023-29.06.2026	1.006.345
			1.433.516

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2021</u>
ABD Doları	2,86%-3,26%	29.06.2026-04.08.2023	366.292
EUR	1,96%-3,79%	30.09.2022-01.06.2026	623.970
			990.262

İş Bank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2022</u>
EUR	3,00%	14.11.2022	108.582
			108.582

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2021</u>
EUR	1,30%-2,77%	19.04.2022-26.08.2024	188.901
			188.901

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10. RELATED PARTIES (Continued)

For the periods ended 30 September 2022 and 31 December 2021, finance income and expenses from related parties are as follows:

	01.01.2022	01.07.2022	01.01.2021-	01.07.2021-
	30.09.2022	30.09.2022	30.09.2021	30.09.2021
Finance lease interest income from related parties				
Radore Veri Merkezi Hizm.A.Ş.	3.382	1.387	1.080	435
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	140	38	272	78
Toksöz Spor Malzemeleri Ticaret A.Ş.	-	-	17	2
KKB Kredi Kayıt Bürosu A.Ş.	-	-	1	-
Total	3.522	1.425	1.370	515
Operating Lease Income from related parties				
Türkiye Sınai Kalkınma Bankası A.Ş.	1.772	723	919	328
TSKB Gayrimenkul Değerleme A.Ş.	92	31	141	48
Total	1.864	754	1.059	686
Interest income from related parties				
Türkiye İş Bankası A.Ş.	196	140	110	86
Total	196	140	110	86
Dividend income from related parties				
İş Yatırım Menkul Değerler A.Ş.	19.460	-	17.270	-
Yatırım Finansman Menkul Değerler A.Ş.	3	-	-	-
Total	19.463		17.270	-
Finance expense				
Türkiye İş Bankası A.Ş.	390.339	201.799	124.540	33.360
Türkiye Sınai Kalkınma Bankası A.Ş.	35.978	16.380	16.842	5.875
İş Yatırım Menkul Değerler A.Ş.	11.583	4.699	5.225	2.132
İşbank AG	4.082	1.454	2.329	846
Total	441.982	224.332	148.936	42.213
Rent expense				
Türkiye İş Bankası A.Ş.	3.041	1.010	2.543	845
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	42	14	35	12
Total	3.083	1.024	2.578	857

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10. RELATED PARTIES (Continued)

	<u>01.01.2022-</u> <u>30.09.2022</u>	<u>01.07.2022-</u> <u>30.09.2022</u>	<u>01.01.2021-</u> <u>30.09.2021</u>	<u>01.07.2021-</u> <u>30.09.2021</u>
<u>Factoring commission income from related parties</u>				
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	80	40	53	27
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	31	5	22	9
Bayek Tedavi Sağlık Hizm. ve İşlet. A.Ş.	2	2	-	-
Total	113	47	75	36
<u>Factoring interest income from related parties</u>				
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	867	613	231	114
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	255	62	149	58
Bayek Tedavi Sağlık Hizm. ve İşlet. A.Ş.	53	53	-	-
Total	1.175	728	380	172
<u>Commission income</u>				
Anadolu Anonim Türk Sigorta Şirketi	14.557	5.481	7.546	2.526
Total	14.557	5.481	7.546	2.526
<u>Finance lease expence</u>				
Türkiye İş Bankası A.Ş.	290	63	-	-
Total	290	63	-	-
<u>Mutual funds income</u>				
Türkiye İş Bankası A.Ş.	375	163	329	153
Total	375	163	329	153

As at 30 September 2022 and 31 December 2021, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Swap Transactions	216.861	222.046	-	-
Total	216.861	222.046	-	-

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10. RELATED PARTIES (Continued)

As at 30 September 2022 and 31 December 2021, the amount of the Group’s issued debt securities in related parties’ securities portfolio are as follows:

	30 September 2022	31 December 2021
Millî Reasürans T.A.Ş.	160.147	151.678
Anadolu Anonim Türk Sigorta Şirketi	-	7.805
Anadolu Hayat Emeklilik A.Ş.	-	48.888
	160.147	208.371

Total salaries and similar benefits paid to the (key management) (*)

For the periods ended 30 September 2022 and 31 December 2021, total salary and benefits paid to the key management during year comprised the following:

	01.01.2022- 30.09.2022	01.07.2022- 30.09.2022	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021
Salaries and other short-term benefits (**)	16.237	5.997	9.507	8.093
	16.237	5.997	9.507	8.093

(*) The Group’s key management consists of members of the board of directors, general manager and assistant general managers.

(**) Consists of monetary benefits such as; salaries, bonuses and premiums along with vehicle rentals and other associated expenses.

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11. TANGIBLE ASSETS

For the periods ended 30 September 2022 and 31 December 2021, movements in tangible assets are as follows.

	Furniture and Fixtures	Leasehold Improvements	Assets Subject to Operational Lease	Vehicles	Other Tangible Assets	Right of Use	Real Estate	Total
Cost								
Opening balance at 1 January 2022	15.117	5.422	3.802	183	1.456	11.577	8.750	46.307
Additions	28.846	275	582	-	-	6.283	-	35.986
Transfer	-	-	-	-	-	-	-	-
Disposals	(1.672)	-	-	-	-	-	-	(1.672)
Closing balance at 30 September 2022	42.291	5.697	4.384	183	1.456	17.860	8.750	80.621
Accumulated depreciation								
Opening balance at 1 January 2022	(6.521)	(4.280)	(1.204)	(53)	(1.456)	(8.961)	(555)	(23.030)
Depreciation for the period	(4.287)	(275)	(361)	(27)	-	(3.792)	(131)	(8.873)
Transfer	17	9	-	(57)	-	-	-	(31)
Disposals	634	-	-	-	-	-	-	634
Closing balance at 30 September 2022	(10.157)	(4.546)	(1.565)	(137)	(1.456)	(12.7539)	(686)	(31.300)
Carrying amounts at 30 September 2022	32.134	1.151	2.819	46	-	5.107	8.064	49.321
Carrying amounts at 30 September 2022	8.596	1.142	2.598	130	-	2.616	8.195	23.277
Cost								
Opening balance at 1 January 2021	9.500	4.407	3.180	1.282	1.456	7.521	8.750	36.096
Additions	2.097	1.015	1.702	-	-	2.927	-	7.741
Transfer	-	-	-	(1.099)	-	1.099	-	-
Disposals	(604)	-	(993)	-	-	(302)	-	(1.899)
Closing balance at 30 September 2021	10.993	5.422	3.889	183	1.456	11.245	8.750	41.938
Accumulated depreciation								
Opening balance at 1 January 2021	(5.745)	(4.001)	(1.105)	(415)	(1.456)	(4.868)	(380)	(17.970)
Depreciation for the period	(921)	(188)	(875)	(7)	-	(3.002)	(131)	(5.124)
Transfer	-	-	-	371	-	(371)	-	-
Disposals	390	-	993	-	-	302	-	1.685
Closing balance at 30 September 2021	(6.276)	(4.189)	(987)	(51)	(1.456)	(7.939)	(511)	(21.409)
Carrying amounts at 30 September 2021	4.717	1.233	2.902	132	-	3.306	8.239	20.529
Carrying amounts at 30 September 2021	3.755	406	2.075	867	-	2.653	8.370	18.126

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12. INTANGIBLE ASSETS

For the periods ended 30 September 2022 and 31 December 2021, movements in intangible assets except goodwill are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
<u>Cost</u>		
Opening balance at 1 January	16.747	12.302
Additions	5.213	4.445
Disposals	-	-
Closing balance at the end of the period	<u>21.960</u>	<u>16.747</u>
<u>Amortization</u>		
Opening balance at 1 January	(9.881)	(7.750)
Amortization for the period	(1.948)	(2.131)
Transfer	(12)	-
Disposals	-	-
Closing balance at the end of the period	<u>(11.841)</u>	<u>(9.881)</u>
Carrying amounts(*)	<u>10.119</u>	<u>6.866</u>

(*) The Group’s intangible assets consist of computer software.

Goodwill

The Company has purchased nominal shares of İş Faktoring A.Ş. amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TL 166 on purchased equity of TL 16.603. As at 30 September 2022, net amount of goodwill is TL 166 (31 December 2021: TL 166). Based on TFRS 3, for the annual periods beginning on 1 January 2005, after the reporting period ended on 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

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13. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 September 2022 and 31 December 2021 details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

	30	31 December
	September	2021
	2022	2021
<u>Temporary time differences subject to deferred tax</u>		
Expected Credit Losses for Doubtful Receivables	478.481	346.202
Unearned factoring income	226.876	82.250
Reserve for employee benefits	15.922	8.340
Provision for lawsuit	13.626	10.966
Prepaid expenses	7.528	2.252
Unused vacation provision	5.144	2.799
Employee bonus accrual	4.315	3.028
Expense accruals	2.315	103
Expected credit losses of financial assets	579	343
IFRS-16 Adjustment	(24)	38
Measurement difference of monetary items in the foreign currency according to TAS	(2.374)	(703)
Tax Procedure Law Financial Loss	(2.952)	-
Tax base differences in tangible and intangible assets	(9.564)	(6.488)
Financial assets valuation difference	(10.163)	84.615
Finance lease adjustment	(35.226)	(37.383)
Finance lease income accruals	(175.191)	(109.039)
	519.292	387.323
	30	31 December
	September	2021
	2022	2021
<u>Deferred tax assets / (liabilities)</u>		
Expected Credit Loss for Doubtful Receivables	119.620	79.627
Unearned factoring income	56.719	18.917
Reserve for employee benefits	3.980	1.918
Provision for lawsuit	3.407	2.522
Expense accruals	1.882	518
Unused vacation provision	1.286	644
Employee bonus accrual	1.079	696
Prepaid expenses	579	24
Provision for expected loss	145	79
IFRS-16 Adjustment	(6)	9
Measurement difference of monetary items in the foreign currency according to TAS	(593)	(176)
Tax Procedure Law Financial Loss	(738)	-
Tax base differences in tangible and intangible assets	(2.391)	(1.492)
Valuation differences on financial instruments	(2.541)	19.461
Finance lease adjustment	(8.807)	(8.598)
Finance lease income accruals	(43.798)	(25.079)
	129.823	89.070
Deferred tax asset		

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13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

With the Provisional Article 13 added to the Corporate Tax Law No. 5520 with Article 11 of the Law No. 7316 on the Amendment of the Law on the Collection Procedure of Public Receivables and Certain Laws, which entered into force after being published in the Official Gazette dated April 22, 2021 and numbered 31462, the Corporate Tax rate will be applied as 25% for the corporate earnings for the taxation period of 2021 and 23% for the corporate earnings for the taxation period of 2022.

(Article 25 of Law No. 7394 dated 15.04.2020 and Law No. 5520 "Corporate tax and provisional tax rate" With the amendment made to the first paragraph of Article 32, it is stipulated that the corporate tax rate shall be applied as 25% on the corporate income of banks, financial leasing, factoring, financing and savings finance companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies.

In addition, Article 26 of the same Law stipulates that the said 25% rate can also be applied in the calendar year 2022, starting from the declarations to be submitted as of 1/7/2022 and valid for the corporate earnings of the taxation period starting from 1/1/2022. Accordingly, the corporate tax rate will be applied as 25% for the above-mentioned institutions as of the second provisional tax period of 2022.)

Movements in deferred tax assets are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Opening balance at 1 January	89.070	48.677
Deferred tax income / (expense)	40.753	40.416
Classified in Equity	-	(23)
Closing balance at at 31 December	<u>129.823</u>	<u>89.070</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 30 September 2022 and 31 December 2021, details of assets held for sale and discontinued operations are as follows:

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Assets held for sale (*)	760	-	838	-
	<u>760</u>	<u>-</u>	<u>838</u>	<u>-</u>

(*) Consist of properties which is included in Group asset acquired as a result of the legal proceedings in relation to its non-performing receivables.

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15. OTHER ASSETS

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

	30 September 2022		31 December 2021	
	TL	FC	TL	FC
Leasing Contracts in Progress	94.028	878.197	188.235	366.273
Advances Given for Lease Transactions	28.128	1.586.263	19.795	682.632
Other Finance Lease Receivables	28.388	14.328	20.041	11.418
Refundable VAT (*)	20.502	-	11.704	-
Commissions expense on debt securities issued and funds borrowed	15.608	-	14.682	-
Amounts to be invoiced	9.559	83	3.286	60
Advanced given	227	-	25	-
Deposits given	33	-	30	-
Others	28.938	2.119	13.297	2.843
	225.411	2.480.990	271.095	1.063.226

(*)As at 30.09.2022, other assets are also classified as VAT from the circuit. The 31.12.2021 period has also been updated in the report.

16. FUNDS BORROWED

As at 30 September 2022 and 31 December 2021, details of funds borrowed are as follows:

	30 September 2022		31 December 2021	
	TL	FC	TL	FC
Short-term borrowings	5.647.531	9.840.186	5.572.802	5.895.656
Short-term portion of long-term borrowings	-	757.922	4.116	565.830
Total short-term borrowings	5.647.531	10.598.108	5.576.918	6.461.486
Long-term borrowings	-	2.947.895	2.058	3.328.838
Total long-term borrowings	-	2.947.895	2.058	3.328.838
Total borrowings	5.647.531	13.546.003	5.578.976	9.790.324

As at 30 September 2022 and 31 December 2021, borrowings has no collateral.

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16. FUNDS BORROWED (Continued)

As at 30 September 2022 and 31 December 2021, details of short term borrowings based on types of currency are as follows:

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2022</u>
TL	14,00%-30,50%	5.552.757.856	5.552.758
USD	2,81%-8,00%	122.690.737	2.271.002
Euro	0,70%-6,70%	413.534.476	7.423.852
GBP	3,19%-5,50%	3.362.476	69.205
Interest accruals			170.900
TOTAL			15.487.717

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2021</u>
TL	14,50%-26,00%	5.475.497.000	5.475.497
USD	1,65%-4,20%	120.465.074	1.584.264
Euro	0,70%-3,79%	287.943.537	4.246.512
GBP	1,26%-1,74%	2.117.415	38.043
Interest accruals			124.142
TOTAL			11.468.458

(*) Foreign currency indexed borrowings have been presented in TL column in the accompanying consolidated statement of financial position.

As at 30 September 2022 and 31 December 2021, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2022</u>
USD	3,62% - 6,41%	34.008.804	629.367
Euro	0,90% - 5,89%	171.646.214	3.076.450
TOTAL			3.705.817

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2021</u>
TL	17,11%	6.173.568	6.174
USD	1,65% - 3,26%	66.217.696	864.613
Euro	0,80% - 4,24%	206.374.666	3.030.055
TOTAL			3.900.842

As at 30 September 2022 and 31 December 2021, compounded interest rates have been presented.

As 30 September 2022 and 31 December 2021, details of borrowings based on types of interest rate are as follows:

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Fixed rate	4.546.152	9.595.091	5.411.876	6.814.921
Variable rate	1.101.379	3.950.912	167.100	2.975.403
	5.647.531	13.546.003	5.578.976	9.790.324

Fair values of the funds borrowed are presented in Note 38.

As at 30 September 2022 the Group has available credit limit of TL 27.466.415 which has fulfilled all necessary conditions but has not been used. (31 December 2021: TL 16.746.913).

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17. OTHER LIABILITIES

As at 30 September 2022 and 31 December 2021, details of miscellaneous payables are as follows:

	30 September 2022		31 December 2021	
	TL	FC	TL	FC
Advances received (**)	134.292	432.068	90.075	165.015
Banking and Insurance Transaction Tax	13.779	-	6.188	-
Social Security Premium Liability	2.240	-	1.087	-
Income Tax Liability	2.014	-	954	-
Deferred Income	1.072	-	247	-
Payables to suppliers for lease transactions	904	542.270	16.387	665.294
Other Tax and Liabilities	133	-	123	-
Value Added Tax	109	-	56	-
Other(*)	40.792	52.294	21.485	42.257
	195.335	1.026.632	136.602	872.566

(*) The Group insures the equipments that are subject to the leasing transactions and pays for the relevant costs in instalments. Other payables consist of the Group’s insurance premium payables and payables to suppliers resulting from intercorporate daily operations of the Group.

The Group purchases generally in cash from the suppliers. The Group has a financial risk management policy that enables the Group to pay all its payables at their maturities.

(**) Advances received consist of advances received from lessees in accordance with the leasing agreements for machinery and equipments that are not readily in use of the customers.

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18. LEASE PAYABLES

	<u>30 September 2022</u>	<u>31 December 2021</u>
Lease Payables	5.547	2.907
	<u>5.547</u>	<u>2.907</u>

As of 30 September 2022 and 31 December 2021, the group's forward-looking debt arising from leasing transactions is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
2022	1.561	1.333
2023	1.898	1.272
2024	1.379	302
2025	709	-
	<u>5.547</u>	<u>2.907</u>

19. DEBT SECURITIES ISSUED

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Bills bonds	3.285.169	-	1.616.922	-
Interest accruals	75.060	-	41.229	-
	<u>3.360.229</u>	-	<u>1.658.151</u>	-

As of 30 September 2022, The characteristics of financing bills issued by the group are as follows:

<u>ISIN CODE</u>	<u>Maturity Starting Date</u>	<u>Nominal Value of Capital Market Instrument Sold</u>	<u>Maturity Date</u>	<u>Sale Type</u>	<u>Coupon Period</u>
TRFISFNE2219	20.07.2022	250.000.000	27.10.2022	Qualified Investor	Payment at maturity
TRFISFNE2227	26.07.2022	300.000.000	31.10.2022	Qualified Investor	Payment at maturity
TRFISFNK2211	15.08.2022	400.000.000	14.11.2022	Qualified Investor	Payment at maturity
TRFISFNA2213	19.08.2022	200.000.000	16.12.2022	Qualified Investor	Payment at maturity
TRFISFN12313	29.08.2022	400.000.000	10.01.2023	Qualified Investor	Payment at maturity
TRFISFN12321	1.09.2022	300.000.000	13.01.2023	Qualified Investor	Payment at maturity
TRFISFN12347	20.09.2022	170.000.000	3.01.2023	Qualified Investor	Payment at maturity
TRFISFN12354	22.09.2022	68.000.000	6.01.2023	Qualified Investor	Payment at maturity
TRFISFN12362	27.09.2022	150.000.000	6.01.2023	Qualified Investor	Payment at maturity

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20. PROVISIONS

As at 30 September 2022 and 31 December 2021, reserve for employee benefits are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Reserve for employee severance indemnity	15.922	8.340
Vacation pay provision	5.144	2.799
Provision for employee bonus	7.601	6.428
	<u>28.667</u>	<u>17.567</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002.

IAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. As at 30 September 2022 and 31 December 2021, the following actuarial assumptions are used in the calculation of the total liability:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Discount rate	3,50%	3,50%
Inflation	15,07%	15,07%
Estimated probability of retirement	100%	100%

For the periods ended 30 September 2022 and 31 December 2021, movements in reserve for employee severance indemnity are as follows:

	<u>30 September 2022</u>	<u>30 September 2021</u>
Balance at the beginning of the year	8.340	6.633
Service cost	8.575	1.956
Amounts paid to employee severance indemnity	(993)	(1.056)
Balance at the end of the year	<u>15.922</u>	<u>7.533</u>

The movement of the vacation pay liability for the periods ended 30 September 2022 and 31 December 2021 are as follows:

	<u>30 September 2022</u>	<u>30 September 2021</u>
Balance at the beginning of the year	2.799	2.051
Increase during the period	2.345	1.257
Balance at the end of the year	<u>5.144</u>	<u>3.308</u>

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20. PROVISIONS (Continued)

The movement of the provision for employee bonus for the periods ended 30 September 2022 and 30 September 2021 are as follows:

	30 September 2022	30 September 2021
Balance at the beginning of the year	6.428	5.533
Increase during the period	8.294	5.902
Reversals	-	(2.508)
Payment made during the period	(7.121)	(4.107)
Balance at the end of the year	7.601	4.820

As at 30 September 2022 and 30 September 2021 , other provisions are as follows:

	30 September 2022	30 September 2021
Provision for lawsuits	13.627	7.900
Provision for general administrative expenses	2.315	1.515
Expected Credit Loss for Financial Assets	579	890
	16.521	10.305

Movements in other provisions for the periods ended 30 September 2022 and 30 September 2021 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
30 September 2022				
At the beginning of the year	-	10.966	103	343
Period Expense	-	2.703	2.212	579
Payments	-	-	-	-
Cancellations	-	(42)	-	(343)
At the end of the period	-	13.627	2.315	579
30 September 2021				
At the beginning of the year	-	8.816	344	182
Period Expense	-	1.043	1.515	890
Payments	-	-	(199)	-
Cancellations	-	(1.959)	(145)	(182)
At the end of the period	-	7.900	1.515	890

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21. CURRENT PERIOD TAX ASSET AND PAYABLE

The current years tax asset as at 30 September 2022 and 31 December 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Income taxes withheld (*)	278	686
Total	<u>278</u>	<u>686</u>

(*)As at 30.09.2022, other assets are also classified as VAT from the circuit. The 31.12.2021 period has also been updated in the report.

As at 30 September 2022 and 31 December 2021, details of current year tax liability are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Current period corporate tax provision (Note:35)	258.891	186.473
Taxes paid for the current period	2.490	1.311
Payments During the Term	-	(103.432)
Prior Period Corporate Tax Provision	(152.282)	-
Corporate tax payable	<u>109.099</u>	<u>84.352</u>

For the periods ended 30 September 2022 and 31 December 2021, movements of corporate tax payable are as follows:

	<u>30 September 2022</u>	<u>30 September 2021</u>
Current Period Expense	258.891	103.985
Corporate Tax Payable at the Beginning of the Term	84.352	18.660
Tax Payable	2.490	6.233
Payments During the Term	(236.634)	(97.317)
Corporate tax payable	<u>109.099</u>	<u>31.561</u>

22. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 30 September 2022, the non-controlling interests amounting to TL 207.312 (31 December 2021: TL 140.425) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 60.573 (31 December 2021: TL 28.598) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 30 September 2022 and 31 December 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Balance at the beginning of the year	140.425	103.839
From the Profit/Loss of the year	60.573	28.598
Affiliate Sales Adjustment	-	(410)
Fair value changes of marketable securities	6.314	8.398
Balance at the end of the year	<u>207.312</u>	<u>140.425</u>

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23. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 30 September 2022 nominal capital of the Company is 695.303 TL, the share capital of the Company consists 69.530.264.500 of shares Kurus 1 price.

As at 30 September 2022 and 31 December 2021, shareholders and their ownership percentages are as follows:

Shareholders	(%)	30 September 2022	(%)	31 December 2021
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	204.850	29,46	204.850
Türkiye İş Bankası A.Ş.	27,79	193.253	27,79	193.253
Trakya Yatırım Holding A.Ş.	0,93	6.483	0,93	6.483
Publicly traded	41,82	290.717	41,82	290.717
TOTAL	100,0	695.303	100	695.303

Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

Shareholders	30 September 2022	31 December 2021
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Trakya Yatırım Holding A.Ş.	45.000.000	45.000.000
Total	600.000.000	600.000.000

Any change in the articles of association of the Company is subject to the consent of Group A shareholders.

Capital Reserves

	30 September 2022	31 December 2021
Other Capital Reserves(*)	1.763	1.763
	30 September 2022	31 December 2021
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Accumulated Other Comprehensive</i>		
<i>Income/Expenditure Reclassified in Profit/Loss</i>	(187)	(187)
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss(**)	391.643	339.948
Total	391.456	339.761

(*) Comprised of bonus shares obtained from associates, subsidiaries and jointly controlled entities

(**) Other Comprehensive Income or Expenses to be reclassified in profit or Loss consists of the valuation differences arised from the fair value of the financial assets.

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24. PROFIT RESERVES

As at 30 September 2022 and 31 December 2021, details of profit reserves are as follows:

	30 September	31 December
	2022	2021
Legal reserves	80.210	65.098
Extraordinary reserves	874.157	587.030
Total	954.367	652.128

(*) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TL 78.725 classified in extraordinary tax income reserves which will not be considered in profit distribution and capital increase as at 30 September 2022 (31 December 2021: TL 38.309).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10 % per annum of all cash dividend distributions. The first and second legal reserves cannot be distributed unless they exceed 50% of the total capital; however, in case of exhaustion of discretionary reserves, it can be used to cover damages. TL 15.112 calculated on legal profit has been transferred to legal reserves by a decision of the Company’s Board of Directors.

25. PRIOR YEARS’ PROFIT/LOSS

The group has profit amounting to TL 7.824 as at December 31, 2021 (31 December 2021: None).

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26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2022, TL 2.857.897 of letters of guarantee are given to customs, authorities and banks (31 December 2021: TL 1.399.925).

As at 30 September 2022, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 9.169 (31 December 2021: TL 18.519). The Group has provided a provision amounting to TL 13.626 for litigations (31 December 2021: TL 10.966) in the accompanying consolidated financial statements (Note 20). The Group management does not anticipate any further provision for the remaining litigations.

As at 30 September 2022, the Group has letter of credit commitments of USD 6.825.074, EUR 27.635.956, GBP 250.000, CHF 58.500 (627.715TL) (31 December 2021: USD 23.776.373, 36.714.723 ,EUR 904.999 CHF (509.210 TL)).

As at 30 September 2022 has no factoring commitment. (31 December 2021: None)

As at 30 September 2022, the Group has lease commitments of USD 20.550.889, EUR 173.602.674 and full TL 493.697.003 (TL 3.985.482) (31 December 2021: USD 17.902.095, EUR 133.486.312 and full TL 596.434.956 (TL 2.788.645)

As at the reporting date, the Group does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

As at 30 September 2022 details of derivatives are as follows:

	30 September 2022	
	Amount as	
	Original Currency	TL
Currency Swap Purchases:		
EUR	12.099.458	216.861
TL	1.008.968.750	1.008.969
		1.225.830
Currency Swap Sales:		
USD	17.000.000	314.640
EUR	47.500.000	851.351
		1.165.991

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26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2021 details of derivatives transactions are as follows:

	31 December 2021	
	Amount as Original Currency	TL
Currency Swap Purchases:		
TL	227.458.559	227.459
		227.459
Currency Swap Sales:		
USD	10.343.589	134.234
EUR	10.263.304	150.689
		284.923

Group’s derivative transactions performed with related parties are presented in Note 10.

As of 30 September 2022, there is an unrealized loss amounting to TL 37.559 TL and there is an unrealized gain amounting to TL 8.725 (Note 6) consisting of changes in the fair value of derivative contracts and associated with profit and loss (31 December 2021: TL 84.615 unrealized loss).

As at 30 September 2022 analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	1.149.490	76.340	1.225.830
Currency Swap Sales	1.094.298	71.693	1.165.991

As at 31 December 2021, analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	227.459	-	227.459
Currency Swap Sales	284.923	-	284.923

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27. SEGMENT REPORTING

Information regarding the Group’s operating business segments is based on the Group’s management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

Business segments

The Group comprises the following main business segments:

- Leasing Includes the Group’s finance lease activities
- Factoring operations Includes the Group’s factoring activities

<u>30 September 2022</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	18.518.180	8.391.586	(53.766)	26.856.000
Total liabilities	16.515.807	7.439.839	-	23.955.646
Net profit for the year	424.645	278.257	(60.573)	642.329

<u>31 December 2021</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	13.480.875	6.949.806	(53.766)	20.376.915
Total liabilities	11.932.152	6.305.320	-	18.237.472
Net profit for the year	207.289	131.372	(28.598)	310.063

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27. SEGMENT REPORTING (Continued)

<u>30 September 2022</u>	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	1.134.928	1.123.658	-	2.258.586
Financial Expenses (-)	(775.574)	(717.256)	-	(1.492.830)
Gross Profit / Loss	359.354	406.402	-	765.756
Operating Expense (-)	(87.563)	(58.705)	-	(146.268)
Gross Operating Profit/Loss	271.791	347.697	-	619.488
Other Operating Income	622.074	120.325	-	742.399
Provisions (-)	(154.257)	(97.552)	-	(251.809)
Other operating Expenses (-)	(178.704)	(10.334)	-	(189.038)
Net Operating Profit / Loss	560.904	360.136	-	921.040
Profit or Loss from Continuing Operations before tax	560.904	360.136	-	921.040
Provision for Taxes from Continuing Operations (±)	(136.259)	(81.879)	-	(218.138)
Net Profit or Loss from Continuing Operations	424.645	278.257	(60.573)	702.902
Non-controlling Interests	-	-	-	(60.573)
Net Profit or Loss for the Period	424.645	278.257	(60.573)	642.329

Fixed Asset Additions

Depreciation and Amortisation

<u>30 September 2021</u>	Leasing	Factoring	Consolidatin Adjustmets	Total
Operating Income	588.711	459.431	-	1.048.142
Financial Expenses (-)	(348.295)	(344.681)	-	(692.976)
Gross Profit / Loss	240.416	114.750	-	355.166
Operating Expense (-)	(48.209)	(30.683)	-	(78.892)
Gross Operating Profit/Loss	192.207	84.067	-	276.274
Other Operating Income	141.171	63.704	-	204.875
Provisions (-)	(80.541)	(25.299)	-	(105.840)
Other operating Expenses (-)	(21.810)	(5.935)	-	(27.745)
Net Operating Profit / Loss	231.027	116.537	-	347.564
Profit or Loss from Continuing Operations	231.027	116.537	-	347.564
Provision for Taxes from Continuing Operations (±)	(54.970)	(20.855)	-	(75.825)
Net Profit or Loss from Continuing Operations	176.057	95.682	-	271.739
Non-controlling Interests	-	-	(20.829)	(20.829)
Net Profit or Loss for the Period	176.057	95.682	(20.829)	250.910
Fixed Asset Additions	4.813	5.859	-	10.672
Depreciation and Amortisation	(3.694)	(2.995)	-	(6.689)

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28. EVENTS AFTER THE REPORTING PERIOD

None.

29. OPERATING INCOME

For the periods ended 30 September 2022 and 30 September 2021, details of operating income are as follows:

	01.01.2022 - 30.09.2022	01.07.2022 - 30.09.2022	01.01.2021 - 30.09.2021	01.07.2021- 30.09.2021
Finance Lease income	1.133.064	442.353	587.652	209.065
Operating lease income	1.864	754	1.059	372
Factoring income	1.123.658	494.816	459.431	154.352
	2.258.586	937.923	1.048.142	363.789

30. OPERATING EXPENSES

For the periods ended 30 September 2022 and 30 September 2021, operating expenses are as follows:

	01.01.2022 - 30.09.2022	01.07.2022 - 30.09.2022	01.01.2021 - 30.09.2021	01.07.2021- 30.09.2021
Personel expenses	(95.516)	(37.427)	(50.787)	(16.592)
Depreciation and amortization expenses	(10.821)	(4.215)	(6.689)	(2.339)
Office rent expenses	(5.914)	(2.212)	(3.849)	(1.286)
Information technology expenses	(6.066)	(2.576)	(3.746)	(1.256)
Board of Directors attendance fee	(3.270)	(1.229)	(2.344)	(813)
BRSA participation fee	(2.719)	(906)	(1.700)	(566)
Provision for employee severance	(8.575)	(5.173)	(1.967)	(858)
Taxes, duties and charges	(3.105)	(1.272)	(1.454)	(342)
Consultancy expenses	(1.942)	(959)	(664)	(179)
Travel and car expenses	(1.884)	(723)	(518)	(219)
Communication expense	(331)	(107)	(343)	(116)
Insurance expense	(339)	(47)	(239)	(98)
Advertising expense	(409)	(78)	(446)	(114)
Representation Expense	(234)	(92)	(88)	(46)
Expenses of Keeping on the Rank	(110)	(37)	(710)	-
Write-off expense	(4.212)	(4.208)	-	-
Other general administrative expenses	(821)	1.436	(3.348)	(706)
	(146.268)	(59.825)	(78.892)	(25.530)

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31. OTHER OPERATING INCOME

For the periods ended 30 September 2022 and 30 September 2021, details of other operating income are as follows:

	01.01.2022 - 30.09.2022	01.07.2022 - 30.09.2022	01.01.2021 - 30.09.2021	01.07.2021- 30.09.2021
Foreign exchange gains	450.868	59.714	57.276	10.115
Income from derivative financial transactions	153.502	55.161	15.361	3.720
Collections from prior period non-performing receivables and cancellation income	56.432	20.951	32.019	11.813
Dividend income	19.463		17.274	-
Commission income	14.557	5.481	7.546	2.526
Interest income	1.897	310	3.169	1.304
Other	45.680	15.167	72.230	8.947
	742.399	156.784	204.875	38.425

32. FINANCE EXPENSES

For the periods ended 30 September 2022 and 30 September 2021, details of finance expenses are as follows:

	01.01.2022 - 30.09.2022	01.07.2022 - 30.09.2022	01.01.2021 - 30.09.2021	01.07.2021- 30.09.2021
Interest expense on funds borrowed	(1.037.712)	(431.134)	(490.554)	(166.407)
Interest expense on debt securities issued	(391.100)	(167.264)	(176.812)	(81.394)
Fees and commissions expense	(63.260)	(27.966)	(25.052)	(6.373)
Interest expense related to rents	(758)	(261)	(558)	(162)
	(1.492.830)	(626.625)	(692.976)	(254.336)

33. PROVISIONS

For the periods ended 30 September 2022 and 30 September 2021, details of provision for non-performing receivables are as follows:

	01.01.2022 30.09.2022	01.07.2022 30.09.2022	01.01.2021 30.09.2021	01.07.2021 30.09.2021
Specific Provisions	(251.809)	(102.506)	(105.840)	6.653
	(251.809)	(102.506)	(105.840)	6.653

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34. OTHER OPERATING EXPENSES

For the periods ended 30 September 2022 and 30 September 2021, details of other operating expenses are as follows:

	01.01.2022	01.07.2022	01.01.2021	01.07.2021
	30.09.2022	30.09.2022	30.09.2021	30.09.2021
Losses From Derivative Financial Instruments	(179.837)	831	(21.767)	5.715
Foreign Exchange Losses	-	10	(5)	-
Other	(9.201)	(3.217)	(5.973)	(2.365)
	(189.038)	(2.376)	(27.745)	3.350

Derivative financial instruments with a view to direct the Group’s financial risks (forward and currency swap contracts) consist of combination of more than one sub-transaction as time or spot. Entire such transactions are not trading and are preferred due to economic worth occurred at the maturity. Although, entire such transactions do not cover all conditions for hedge accounting, buy-sell spot transactions at the transaction date are recorded at initial amounts, buy-sell transactions that held to maturity date are recorded in fair values. Measurement differences of such sub-transactions which are integrated and fixed by the initial date economic worth at the maturity date on initial measurement of buy-sell transactions and measurement at the maturity date of buy-sell transactions cause the differences on income/expense components in the inperiods.

The difference as foreign currency expenses difference between loss is at amounting TL 16.074 from measurement difference of such transactions in the Group’s financial statements as at 30 September 2022 (31 December 2021: TL 10.976 foreign exchange loss). The difference is expected to be substantially expired at the maturity of transactions.

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35. TAXATION

For the periods ended 30 September 2022 and 30 September 2021, details of tax expense are as follows:

	01.01.2022 30.09.2022	01.07.2022 30.09.2022	01.01.2021 30.09.2021	01.07.2021 30.09.2021
Current corporate tax charge	(258.891)	(108.852)	(103.985)	(22.751)
Current corporate tax charge	40.753	27.599	28.160	(9.500)
	(218.138)	(81.253)	(75.825)	(32.251)

The reported tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

		30 September 2022		30 September 2021
	%		%	
Net profit for the period		702.902		271.739
Total tax expense		218.138		75.825
Profit before tax		921.040		347.564
Income tax using the Group's tax rate				
	25,00	230.261	25,00	86.891
Non-deductible expenses	0,96	8.815	4,60	15.996
Tax exempt income	(0,53)	(4.866)	(1,24)	(4.318)
other	(1,74)	(16.072)	(6,54)	(22.744)
Total income tax expense	23,69	218.138	21,82	75.825

Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Turkish tax legislation does not allow a parent company to file a tax return on its consolidated financial statements. Therefore, the tax liabilities reflected in this consolidated financial statements are calculated separately for all companies included in the scope of consolidation.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As of September 30, 2022, the corporate tax rate is 25% (December 31, 2021: 25%). With the amendment made in the first paragraph of Article 25 of the Law No. 7394 published in the Official Gazette dated April 15, 2022 and numbered 31810, and the first paragraph of the article 32 titled "Corporate Tax and Provisional Tax Rate" of the Law No. 5520; It has been decreed that the corporate tax rate of 25% is applied over the corporate earnings of banks, financial leasing, factoring, financing and savings financing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies.

In addition, Article 26 of the same Law regulates that the aforementioned 25% rate can be applied in the 2022 calendar year, starting from the declarations that must be submitted as of 1/7/2022 and being valid for the corporate earnings for the taxation period starting from 1/1/2022. Accordingly, as of the second provisional tax period of 2022 for the above-mentioned corporations, the corporate tax rate will be applied as 25%.1

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35. TAXATION (Continued)

Temporary tax in Turkey is calculated and accrued on a quarterly basis. The temporary tax rate, which should be calculated on corporate earnings at the stage of taxation of corporate earnings for 2021 as of the interim tax periods, is 25% for 30.09.2022 (December 31, 2021: 25%). According to the Turkish tax legislation, the financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However, the losses incurred cannot be retrospectively deducted from the profits incurred in previous years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 30 April of the following year (between 1st and 30th of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Purchase, sale, manufacturing and construction operations, leasing and leasing transactions, borrowing and issuing money, bonuses, fees and similar transactions that require payments are considered as purchase or sale of goods or services in every condition. Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

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36. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding 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 assessed 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.

Earnings per share is calculated by dividing net income distributable to shareholders by the weighted average number of shares issued.

The weighted average number of shares of the Group and earnings per share for the periods ended 30 September 2022 and 31 December 2021 are as follows:

	1 January- 30 September 2022	1 January- 30 September 2021
Weighted average number of outstanding shares (*)	69.530.264.500	69.530.264.500
Net profit for the year (TL)	642.329	250.910
Basic earnings per share (full TL)	0,0092	0,0036

(*) As at 30 September 2022, the share capital of the Company consists 69.530.264.500 of shares having Kurus 1 nominal price.

	30 September 2022	31 December 2021
Number of shares at beginning of the year	69.530.264.500	69.530.264.500
Capital increase	-	-
Number of shares at end of the year	69.530.264.500	69.530.264.500

37. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2021, the debt/equity ratio is 15 % (31 December 2021: 16 %). As at 30 September 2022 and 31 December 2021, the leverage ratios are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Funds borrowed	19.193.534	15.369.300
Debt securities issued	3.360.229	1.658.151
Other liabilities	1.221.967	1.009.168
Total liabilities	23.775.730	18.036.619
Cash and Cash Equivalents (-)	(370.353)	(471.502)
Net liabilities	23.405.377	17.565.117
Total shareholders' equity	2.900.354	2.139.443
Shareholders' equity / liabilities	12%	12%

According to the credit rating reports of Fitch issued at 26.07.2022 credit ratings of the Company are as follows:

Foreign Currency

Long term	B-
Short term	B
Outlook	Negative

TL

Long term	B
Short term	B
Outlook	Negative

National

Long term	A+(tur)
Outlook	Negative
Sharehold Support	B-

(b) Significant accounting policies

The Group's accounting policies on financial instruments are disclosed in Note 3 “Significant accounting policies”.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	<u>30 September</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
<u>Financial Assets:</u>		
Cash and Cash Equivalents	370.353	471.502
Derivative Financial Assets	30.246	-
Finance lease receivables and non-performing receivables, net	15.206.736	11.392.803
Leasing Contracts in Progress	972.225	554.508
Advances Given for Lease Transactions	1.614.391	702.427
Other Finance Lease Receivables	42.716	31.459
Factoring receivables and non-performing factoring receivables, Net	7.888.924	6.652.524
Financial Assets at Fair Value Through Other Comprehensive Income	462.873	404.862
Financial Assets at Fair Value Through Profit and Loss	-	-
<u>Financial Liabilities:</u>		
Derivative financial liabilities at fair value	(20.082)	(84.615)
Finance Lease Obligations	(5.547)	(2.907)
Other liabilities	(1.221.967)	(1.009.168)
Funds borrowed	(19.193.534)	(15.369.300)
Debt securities issued	(3.360.229)	(1.658.151)

(*) Included in other receivables.

(d) Financial risk management objectives

The Group’s corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. Such risks include market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Group does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

In order to minimize potential risks, the Group reports monthly to the risk management committee which is in charge of monitoring risks and the policies applied.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group’s income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- “Forward foreign exchange contracts” to hedge the exchange rate risk arising from operations.
- “Currency swaps” to control the exchange rate risk of foreign currency denominated liabilities.

At the Group level, market risk exposures are measured by sensitivity analysis.

There has been no change in the Group’s exposure to market risks or the method it uses to manage and measure such risks.

(f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

As 30 September 2022 and 31 December 2021, details of foreign currency denominated assets and liabilities are as follows:

30 September 2022 (*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	CNY (000)	TL Equivalent
Banks	3.499	8.892	3	152	28	3	5	227.360
Finance lease receivables	109.585	502.976	-	-	-	-	-	11.042.676
Factoring receivables(*)	65.772	62.836	-	3.262	-	1	-	2.424.965
Advances given for lease transactions	36.807	49.166	-	1.180	-	-	-	1.586.263
Leasing contracts in progress	1.251	47.706	-	-	-	-	-	878.197
Other receivables from leasing transactions	270	521	-	-	-	-	-	14.328
Other assets	11	110	-	-	-	-	-	2.202
Total assets (**)	217.195	672.207	3	4.594	28	4	5	16.175.991
Funds borrowed(*)	(158.018)	(588.059)	-	(3.367)	-	-	-	(13.546.003)
Lease Obligations	-	-	-	-	-	-	-	-
Other provisions	(1)	(698)	-	-	-	-	-	(12.527)
Other Liabilities	(14.483)	(42.098)	(70)	(135)	(58)	(2)	-	(1.026.632)
Total liabilities (**)	(172.502)	(630.855)	(70)	(3.502)	(58)	(2)	-	(14.585.162)
Balance sheet position	44.693	41.352	-	-	-	-	-	1.590.829
Off balance sheet position	(17.000)	(35.401)	-	-	-	-	-	(949.130)
Net foreign currency position	27.693	5.951	(67)	1.092	(30)	2	5	641.699

(*) As at 30 September 2022, has no foreign currency indexed borrowings.

(**) As at 30 September 2022, derivative financial assets amounting to TL 20.082 are not included.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

31 December 2021 (*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	15.645	15.014	4	180	27.004	5	429.853
Finance lease receivables	109.945	447.439	-	-	-	-	7.996.240
Factoring receivables(*)	76.142	48.294	-	2.096	-	-	1.781.136
Advances given for lease transactions	12.581	34.202	-	867	18.400	-	682.632
Leasing contracts in progress	10.502	15.664	-	-	-	-	366.273
Other receivables from leasing transactions	174	624	-	-	-	-	11.418
Other assets	34	127	-	30	-	-	2.903
Total assets (**)	225.023	561.364	4	3.173	45.404	5	11.270.455
Funds borrowed(*)	(187.525)	(496.208)	-	(2.119)	-	-	(9.802.337)
Lease Obligations							-
Other provisions	(10)	(704)	-	-	-	-	(10.461)
Other Liabilities	(13.275)	(47.618)	-	(51)	-	-	(872.566)
Total liabilities (**)	(200.810)	(544.530)	-	(2.170)	-	-	(10.685.364)
Balance sheet position	24.213	16.834	4	1.003	45.404	-	585.091
Off balance sheet position	(10.344)	(10.263)	-	-	-	-	(284.923)
Net foreign currency position	13.869	6.571	4	1.003	45.404	5	300.168

(*) As at 31 December 2021, foreign currency indexed borrowings amounting to EUR 818 (Total: TL 12.013) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 30 September 2021, derivative liabilities amounting to TL 84.615 are not included.

Foreign currency sensitivity

The Group is mainly exposed to USD and EUR exchange rate risks.

The table below indicates the sensitivity of the Group to USD and Euro when there is a 15 % of change in such exchange rates. The Group uses 15 % of rate change when it reports its foreign currency risk to the top management and this rate represents the top management’s expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Group’s exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2022				
15% change of the USD against TL				
1- Net USD asset/liability	124.049	(124.049)	124.049	(124.049)
2- Hedged portion of TL against USD risk (-)	(47.185)	47.185	(47.185)	47.185
3- Net effect of USD (1+ 2)	76.864	(76.864)	76.864	(76.864)
15% change of the Euro against TL				
4- Net Euro asset/liability	111.174	(111.174)	111.174	(111.174)
5- Hedged portion of TL against Euro risk (-)	(95.175)	95.175	(95.175)	95.175
6- Net effect of Euro (4+5)	15.999	(15.999)	15.999	(15.999)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	3.086	(3.086)	3.086	(3.086)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	3.086	(3.086)	3.086	(3.086)
TOTAL (3+6+9)	95.949	(95.949)	95.949	(95.949)

(*) Includes profit/loss effect.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021				
15% change of the USD against TL				
1- Net USD asset/liability	47.134	(47.134)	47.134	(47.134)
2- Hedged portion of TL against USD risk (-)	(20.136)	20.136	(20.136)	20.136
3- Net effect of USD (1+ 2)	26.998	(26.998)	26.998	(26.998)
15% change of the Euro against TL				
4- Net Euro asset/liability	37.074	(37.074)	37.074	(37.074)
5- Hedged portion of TL against Euro risk (-)	(22.603)	22.603	(22.603)	22.603
6- Net effect of Euro (4+5)	14.471	(14.471)	14.471	(14.471)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	3.400	(3.400)	3.400	(3.400)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	3.400	(3.400)	3.400	(3.400)
TOTAL (3+6+9)	44.869	(44.869)	44.869	(44.869)

(*) Includes profit/loss effect.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

The Group uses forward foreign exchange contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 30 September 2021 and 31 December 2021, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>30 September</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Cash and Cash Equivalents	172.148	214.383
Finance lease receivables	15.158.291	11.341.481
Factoring receivables	6.244.068	5.760.867
Financial liabilities:		
Funds borrowed	14.141.243	12.226.797
Debt securities issued	3.360.229	1.658.151
Variable rate instruments		
Financial assets:		
Finance lease receivables	48.445	51.322
Factoring receivables	1.644.856	891.657
Financial liabilities:		
Borrowings	5.052.291	3.142.503

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

If interest rates were 100 base points higher at the reporting date and all other variables were fixed: Interest income from finance leases with variable interest rates would be higher at an amount of TL 525 (30 September 2021: TL 280).

Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 12.167 (30 September 2021: TL 4.231).

Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 35.543 (30 September 2021: TL 15.742).

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher / lower and all other variables were fixed:

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 63.351 (31 December 2021: TL 27.908).

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group’s exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Finance lease receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of finance lease receivables is as follows:

	<u>30 September 2022 (%)</u>	<u>31 December 2021 (%)</u>
Construction	18,16	20,69
Textile	20,45	19,61
Metal industry	12,08	10,89
Mining	7,57	7,79
Transportation	7,13	7,41
Energy	3,73	4,15
Real Estate	4,42	3,99
Rubber, Plastic	3,15	3,63
Agriculture and forestry	2,82	3,58
Food and beverage	2,94	3,52
Forestry products and paper	3,04	2,48
Healthcare	2,01	2,00
Machinery and Equipment	2,33	1,86
Wholesale-Per. Tic.	1,46	1,56
Finance	1,10	1,54
Tourism	0,29	0,42
Other	7,32	4,88
	<u>100,00</u>	<u>100,00</u>

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

	<u>Receivables</u>				<u>Cash and Cash</u> <u>Equivalents</u>	<u>Financial</u> <u>Assets at Fair</u> <u>value through</u> <u>profit/loss</u>	<u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> <u>(***)</u>	<u>Derivative</u> <u>Financial Assets</u>
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>					
	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>				
30 September 2022								
Exposure to maximum credit risk as at reporting date (*)	20.979	15.185.757	55.827	7.833.097	-	4.557.938	462.873	7.931.505
- The portion of maximum risk covered by guarantee	-	779.645	-	2.117.580	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	20.979	13.989.442	55.827	7.563.997	-	4.557.938	462.873	7.931.505
- The portion covered by guarantee	-	669.862	-	2.116.812	-	-	-	-
	-	-	-	441	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired								
C. Net carrying value of financial assets which are overdue but not impaired	-	1.280.725	-	768	-	-	-	-
- The portion covered by guarantee	-	104.944	-	768	-	-	-	-
D. Net carrying value of impaired assets	-	(84.410)	-	267.891	-	-	-	-
- Overdue (gross book value)	-	458.355	-	267.891	-	-	-	-
- Impairment (-)	-	(692.652)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	4.839	-	-	-	-	-	-
- Not past due (gross book value)	-	152.913	-	-	-	-	-	-
- Impairment (-)	-	(3.026)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

(*) Guarantees received are not taken into account in the calculation

(**) Includes collaterals for the assets impaired but not overdue.

(***) Equity securities are not included in the table as they don't have market risk.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2021 exposure to credit risk based on categories of financial instruments is as follows:

	<u>Receivables</u>				<u>Cash and Cash</u> <u>Equivalents</u>	<u>Financial</u> <u>Assets at Fair</u> <u>value through</u> <u>profit/loss</u>	<u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> <u>(***)</u>	<u>Derivative</u> <u>Financial Assets</u>
	<u>Finance Lease Receivables</u>	<u>Factoring Receivables</u>						
	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>				
31 December 2021								
Exposure to maximum credit risk as at reporting date (*)	11.220	11.381.583	8.209	6.644.315	-	4.357.315	404.862	6.671.999
- The portion of maximum risk covered by guarantee	-	705.691	-	1.338.117	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	11.220	10.808.384	8.209	6.420.449	-	4.357.315	404.862	6.671.999
- The portion covered by guarantee	-	585.203	-	1.337.950	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	341	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	553.341	-	167	-	-	-	-
- The portion covered by guarantee	-	115.530	-	167	-	-	-	-
D. Net carrying value of impaired assets	-	19.858	-	223.358	-	-	-	-
- Overdue (gross book value)	-	392.738	-	223.358	-	-	-	-
- Impairment (-)	-	(482.274)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	4.958	-	-	-	-	-	-
- Not past due (gross book value)	-	189.409	-	-	-	-	-	-
- Impairment (-)	-	(80.015)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

(*) Guarantees received are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

(***) Equity securities are not included in the table as they don't have market risk.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	30 September 2022		31 December 2021	
	Nominal Value	Authentic Value (*)	Nominal Value	Authentic Value (*)
Sureties	222.558.440	19.956.451	165.842.699	15.714.973
Collaterals of factoring transaction	29.405.158	2.079.039	20.771.589	1.188.433
Mortgage	8.510.592	520.592	7.299.100	541.801
Pledged shares	8.046.510	-	1.615.035	-
Guaranties of factoring transaction	1.817.242	10.000	1.532.042	15.376
Share certificates	1.748.501	413.922	1.651.177	387.007
Pledged commercial	699.774	141.371	526.345	67.746
Pledged vehicles	368.260	176.986	259.620	125.669
Sureties of credit guarantee fund	226.325	127.017	341.753	138.927
Guarantors	129.632	-	88.419	-
Pledged movable	48.740	-	-	-
Collaterals given by vendors	46.260	-	32.444	-
Cash blockages	25.605	17.528	24.278	19.262
Ship mortgage	17.743	-	19.398	-
Funds bonds as collateral	10.288	148	8.728	958
Collaterals of leasing transaction	5.041	-	4.399	-
Letters of guarantee	2.455	1.530	1.900	1.252
Pledged machines	502	-	502	-
Pledged account	130	-	130	51
Commercial receivable insurance	-	-	74.250	70.000
	273.667.198	23.444.584	200.093.808	18.271.455

(*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.

(j) Liquidity risk management

The Group management formed liquidity risk management policy for the Group’s short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group’s assets and liabilities have also been included in the table below.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table

30 September 2022

	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Sözleşme Uyarınca Vadeler						
Non-derivative Financial Assets:						
Banks	370.353	370.357	349.340	21.017	-	-
Financial Assets at Fair value through profit and Loss	-	-	-	-	-	-
Lease Receivables (*)	15.206.736	17.571.106	2.243.568	5.099.440	9.993.296	234.802
Factoring Receivables	7.888.924	8.415.772	5.061.558	3.341.547	12.667	-
Other Lease Receivables	42.716	42.716	42.716	-	-	-
Total Assets	23.508.729	26.399.951	7.697.182	8.462.004	10.005.963	234.802
Non-derivative Financial Liabilities:						
Funds Borrowed	19.193.534	19.758.481	11.409.489	5.313.345	2.984.852	50.795
Debt Securities Issued	3.360.229	3.496.799	2.108.799	1.388.000	-	-
Lease Obligations	5.547	6.805	1.342	2.346	3.117	-
Other Liabilities	1.221.967	1.221.967	1.164.400	57.518	49	-
Total Liabilities	23.781.277	24.484.052	14.684.030	6.761.209	2.988.018	50.795

31 December 2021

<u>Contractual Maturities</u>	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	471.502	471.506	454.289	17.217	-	-
Financial Assets at Fair value through profit and Loss	-	-	-	-	-	-
Lease Receivables (*)	11.392.803	13.018.969	1.268.867	4.027.684	7.579.872	142.546
Factoring Receivables	6.652.524	6.931.989	5.135.858	1.780.638	15.493	-
Other Lease Receivables	31.459	31.459	31.459	-	-	-
Total Assets	18.548.288	20.453.923	6.890.473	5.825.539	7.595.365	142.546
Non-derivative Financial Liabilities:						
Funds Borrowed	15.369.300	15.809.389	8.050.717	4.378.613	3.380.059	-
Debt Securities Issued	1.658.151	1.697.020	1.647.020	50.000	-	-
Lease Obligations	2.907	3.313	674	1.580	1.059	-
Other Liabilities	1.009.168	1.009.168	965.218	43.901	49	-
Total Liabilities	18.039.526	18.518.890	10.663.629	4.474.094	3.381.167	-

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 30 September 2022 and 31 December 2021.

30 September 2022	Carrying	Contractual	Less than	3-12	1-5 Years	More than
<u>Contractual Maturities</u>	<u>Amount</u>	<u>(I+II+III+IV)</u>	<u>3 Months</u>	<u>Months (II)</u>	<u>(III)</u>	<u>5 Years</u>
			<u>(I)</u>			<u>(IV)</u>
Cash inflows from derivatives	59.839	1.225.830	1.053.565	95.925	76.340	-
Cash outflows from derivatives	-	1.165.991	1.004.607	89.691	71.693	-
31 December 2021	Carrying	Contractual	Less than	3-12	1-5 Years	More than
<u>Contractual Maturities</u>	<u>Amount</u>	<u>(I+II+III+IV)</u>	<u>3 Months</u>	<u>Months (II)</u>	<u>(III)</u>	<u>5 Years</u>
			<u>(I)</u>			<u>(IV)</u>
Cash inflows from derivatives	-	227.459	-	227.459	-	-
Cash outflows from derivatives	(57.464)	284.923	-	284.923	-	-

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

Except for the items below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

Fair value of the financial instruments is determined based on the reliable data provided from financial markets in Turkey. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

The table below refers to the comparison of carrying amounts and fair values of financial instruments:

	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
30 September 2022								
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	370.353	-	-	-	370.353	370.353	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	462.873	-	462.873	462.873	7
Derivative financial assets	30.246	-	-	-	-	30.246	30.246	6
Finance lease receivables and non-performing lease receivables	-	-	15.206.736	-	-	15.206.736	13.399.061	9
Factoring receivables and non-performing factoring receivables	-	-	7.888.924	-	-	7.888.924	7.888.924	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	20.082	-	-	-	-	20.082	20.082	6
Other liabilities	-	-	-	-	1.221.967	1.221.967	1.221.967	17
Lease Payables	-	-	-	-	19.193.534	19.193.534	18.657.152	18
Funds borrowed	-	-	-	-	3.360.229	3.360.229	3.330.523	16
Debt securities issued	-	-	-	-	5.547	5.547	5.547	19

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

31 December 2021	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	471.502	-	-	-	471.502	471.502	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	404.862	-	404.862	404.862	7
Derivative financial assets	-	-	-	-	-	-	-	6
Finance lease receivables and non- performing lease receivables	-	-	11.392.803	-	-	11.392.803	11.083.017	9
Factoring receivables and non- performing factoring receivables	-	-	6.652.524	-	-	6.652.524	6.652.524	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	84.615	-	-	-	-	84.615	84.615	6
Other liabilities	-	-	-	-	1.009.168	1.009.168	1.009.168	17
Lease Payables	-	-	-	-	2.907	2.907	2.907	18
Funds borrowed	-	-	-	-	15.369.300	15.369.300	15.390.535	16
Debt securities issued	-	-	-	-	1.658.151	1.658.151	1.662.902	19

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(I) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2022	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Derivative financial assets	-	30.246	-	30.246
	455.416			
Financial Assets at Fair Value Through Other Comprehensive Income		-	-	455.416
	455.416	30.246	-	485.662

Total financial assets carried at fair value

Derivative financial liabilities	-	20.082	-	20.082
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Total financial liabilities carried at fair value	-	20.082	-	20.082
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31 December 2021	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Derivative financial assets	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	397.404	-	-	397.404
Total financial assets carried at fair value	397.404	-	-	397.404
Derivative financial liabilities	-	84.615	-	84.615
Total financial liabilities carried at fair value	-	84.615	-	84.615