AK FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ak Finansal Kiralama A.Ş.

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ak Finansal Kiralama A.Ş. (the "Company") as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC") (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with IESBA Code and Turkish Local Independence Rules.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of finance lease receivables in accordance with IFRS 9 The Company recognised an allowance for expected credit losses of TL 317,272 thousand for gross finance lease receivables of TL 9,432,758 thousand, which represents a significant portion of the Company's total assets in its financial statements as at 31 December 2021. Explanations and notes related to the provision for impairment of finance lease receivables are presented in Notes 2 and 7 in the financial statements. The Company recognizes an allowance for expected credit losses for finance lease receivables in accordance with expected credit loss model required by IFRS 9, "Financial Instruments" ("IFRS 9"). IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on finance lease receivables recorded at amortized cost. Expected credit losses are calculated on a collective basis for portfolios of finance lease receivables of a similar nature and on individual basis for significant finance lease receivables taking into account management's best estimate at the reporting date.	Within our audit procedures, we assessed policies and procedures established by the Company with respect to classification of finance lease receivables and estimation of impairment. We have tested the design and operating effectiveness of controls implemented by the Company in line with its governance, policies and procedures. Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of IFRS 9. We have tested model calculations through re-performance together with our modelling specialists on a sample basis. We have independently assessed together with our related specialists methodologies used in the models with respect to segmentation, life time expected credit losses, losses given default and use of macro-economic expectations. We have carried credit review on a selected sample of finance lease receivables with the objective to identify whether the classification of finance lease receivables is performed, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the IFRS 9 framework.

Key audit matter	How our audit addressed the key audit matter
Impairment of finance lease receivables in accordance with IFRS 9 (Continued) Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the finance lease receivable balances; the classification of finance lease receivables as per their credit risk (staging) and the importance of determination of the associated loss allowance. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provision for finance lease receivables. Therefore, this area is considered as key audit matter.	In addition, we tested individually assessed finance lease receivables on a sampling basis and checked the management's calculations by testing the forecasts of future cash flows, and we assessed the reasonableness of the assumptions and compared estimates to external evidence where available. Based on our discussions with the Company management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable. We have reviewed the appropriateness and sufficiency of disclosures made in the financial statements of the Company with respect to lease receivables and related impairment provision.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 7 March 2022

AK FİNANSAL KİRALAMA A.Ş.

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FOR THE YEAR ENDED 31 DECEMBER 2021

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STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

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

ASSETS	**Notes**	**31 December 2021**	**31 December 2020**
Cash and cash equivalents	6	794,805	550,614
Finance lease receivables	7	9,115,486	5,663,174
Other financial assets measured at amortized cost	8	-	40,088
Other assets and prepaid expenses	10	49,938	45,934
Assets held for sale	12	61,540	77,363
Property and equipment, net	11	727	953
Intangible assets, net	11	5,041	1,770
Derivative financial instruments	9	30,932	-
Deferred tax asset, net	17	72,233	53,660
Total assets		**10,130,702**	**6,433,556**
LIABILITIES			
Borrowings	13	8,079,981	4,965,991
Accounts payable	14	205,075	143,951
Advances from customers	14	180,875	98,950
Derivative financial instruments	9	238,841	85,998
Lease liabilities		351	361
Other liabilities	15	36,442	23,885
Income tax liability	17	56,356	7,474
Provision for employment benefits	16	5,355	3,618
Total liabilities		**8,803,276**	**5,330,228**
EQUITY			
Share capital	18	373,400	373,400
Adjustment to share capital	18	(13,393)	(13,393)
Total paid-in share capital	18	360,007	360,007
Legal reserves	19	61,728	57,737
Hedge reserves		(764)	(854)
Retained earnings		682,447	531,472
Net profit/(loss) for the current period		224,008	154,966
Total equity		**1,327,426**	**1,103,328**
Total liabilities and equity		**10,130,702**	**6,433,556**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	31 December 2021	31 December 2020
Interest and similar income from direct finance leases		592,097	444,915
Interest income on placements and transactions with banks		49,320	20,707
Total interest and similar income		**641,417**	**465,622**
Interest expense on leases (-)		(174)	(186)
Interest expense on borrowings (-)		(353,963)	(224,829)
Net interest income		**287,280**	**240,607**
Foreign exchange (losses)/gains, including net gains or losses from dealing in foreign currency, net	21	209,804	76,254
Net interest income after foreign exchange gains or losses		**497,084**	**316,861**
Net trading, hedging and fair value gain/loss		(135,014)	(35,195)
Impairment loss on finance lease receivables (-)	7	(83,381)	(119,169)
Recoveries from impaired lease receivables	7	57,455	82,470
Other income/(expense), net		5,419	(5,485)
Operating expenses (-)	20	(44,676)	(40,105)
Operating profit/(loss)		**296,887**	**199,377**
Profit/(loss) before income tax		**296,887**	**199,377**
Taxation on income	17	(72,879)	(44,411)
Profit/(loss) for the period		**224,008**	**154,966**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges		1,139	586
Tax on cash flow hedges		(285)	(117)
Net other comprehensive profit/(loss) for the period		**854**	**469**
Total comprehensive income/(loss)		**224,862**	**155,435**
Profit for the period:			
Basic earnings per share (full TL)	25	0.0060	0.0042
Diluted earnings per share (full TL)	25	0.0060	0.0042

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

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

	Paid in share capital						
	Share Capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Hedge reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2021	**373,400**	**(13,393)**	**360,007**	**57,737**	**(854)**	**686,438**	**1,103,328**
-Transfers	-	-	-	3,991	-	(3,991)	-
Total comprehensive income	-	-	-	-	90	224,008	224,098
- Net income for the year	-	-	-	-	-	224,008	224,008
- Other comprehensive profit, net	-	-	-	-	90	-	90
Balance at 31 December 2021	**373,400**	**(13,393)**	**360,007**	**61,728**	**(764)**	**906,455**	**1,327,426**

	Paid in share capital						
	Share Capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Hedge reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2020	**373,400**	**(13,393)**	**360,007**	**57,737**	**(1,323)**	**531,472**	**947,893**
Total comprehensive income	-	-	-	-	469	154,966	155,435
- Net income for the year	-	-	-	-	-	154,966	154,966
- Other comprehensive profit, net	-	-	-	-	469	-	469
Balance at 31 December 2020	**373,400**	**(13,393)**	**360,007**	**57,737**	**(854)**	**686,438**	**1,103,328**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	31 December 2021	31 December 2020
Cash flows from operating activities			
Net profit for the period		224,008	154,966
Adjustments for:			
Depreciation and amortization	20	2,638	2,774
Re-measurement of derivative financial instruments at fair value		121,911	3,746
Provision for employment termination benefits, net	16	1,106	507
Provision for unused vacation	16	631	412
Provision for legal proceedings	15	3,350	(25)
Provision for personnel performance bonus	15	4,326	3,171
Provision for impaired receivables	7	83,381	119,169
Provision for cash and cash equivalents	6	418	52
Deferred tax expense	17	(18,761)	21,899
Current tax expense	17	91,640	22,512
Interest income, net (-)		(287,280)	(240,607)
Net foreign exchange loss related to cash and funds borrowed		2,626,646	1,117,408
Cash flows from operating profit before changes in operating assets and liabilities		**2,854,014**	**1,205,984**
Changes in operating assets and liabilities			
Net (increase)/decrease in finance lease receivables		(3,534,842)	(775,071)
Net (increase)/decrease in other assets and prepaid expenses		51,907	(86,181)
Net (increase)/decrease in accounts payables		61,124	25,990
Net increase/(decrease) in advances from customers		81,925	23,910
Net (increase)/decrease in other liabilities		12,557	7,076
Personnel performance bonus paid (-)		(4,308)	(3,707)
Employment termination benefits paid (-)	16	(12)	(265)
Interest received		635,779	453,128
Interest paid (-)		(259,548)	(223,476)
Taxes paid (-)		(42,758)	(5,067)
Net cash provided by operating activities		**(144,162)**	**622,321**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets (-)	11	(2,218)	(2,042)
Net cash used in investing activities (-)		**(2,218)**	**(2,042)**
Cash flows from financing activities			
Proceeds from borrowings		705,658	2,170,001
Repayments of borrowings (-)		(349,148)	(2,933,994)
Payments of leases (-)		(2,025)	(2,025)
Net cash used in financing activities (-)		**354,485**	**(766,018)**
Net (decrease)/increase in cash and cash equivalents		**208,105**	**(145,739)**
Effect of foreign exchange rate changes on cash and cash equivalents		36,245	10,988
Cash and cash equivalents at the beginning of the period	6	550,615	685,366
Cash and cash equivalents at the end of the period	**6**	**794,965**	**550,615**

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

Ak Finansal Kiralama A.Ş., (the "Company") was established in İstanbul, Turkey on 14 November 1988, with the name BNP-AK-DRESDNER Finansal Kiralama A.Ş. pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. At 26 January 2005, the shares of the Company, held by the BNP Paribas Group and Dresdner Bank A.G. were purchased by Akbank T.A.Ş. ("Akbank") Pursuant to the sales, the Company's name is changed to Ak Finansal Kiralama A.Ş. The registered office address of the Company is Sabancı Center Kule: 2 Kat: 8-9. 4.Levent İstanbul, Turkey.

As of 31 December 2021, the main shareholder of the Company is Akbank T.A.Ş. and as at 31 December 2021, the Company employs 58 employees (31 December 2020: 56 employees).

The main activity of the Company is to carry out domestic financial leasing within the framework of the legislations and to conduct leasing transactions of any kinds.

These financial statements as of and for the year ended 31 December 2021 have been approved on 7 March 2022 by the Company management. The General Assembly and regulatory bodies have the right to change the approved financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). The accounting policies and methods of computation adopted are consistent with those of the previous financial year and the corresponding reporting period, except for the adoption of new and amended standards as set out below.

These financial statements have been prepared under the historical cost convention, except for derivative financial assets and liabilities measured at fair value. The Company prefers to present a liquidity-based statement of financial position, as the Company does not supply services within a clearly identifiable operating cycle of one year.

The Company prepared its financial statements on a going concern basis.

The Company which is incorporated in Turkey maintain its books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. Functional currency of the Company is the Turkish Lira ("TL"), being the currency of economic environment in which the Company operates. The financial statements have been prepared in accordance with IFRS and presented in TL. For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made to the statutory financial statements, which mainly comprise the effects of deferred taxation and reserve for impairment of finance lease receivables.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Presentation (Continued)

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Comparatives and changes in presentation of prior periods' financial statements

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. The Company has prepared its financial statements for the period ended 31 December 2021, consistent with the accounting policies valid on 31 December 2020.

2.2 Critical Accounting Judgements and Estimates

The preparation of the financial statements in accordance with IFRS, requires management to make estimates and assumptions that are reflected in the measurement of income and expenses in the statement of comprehensive income and in the carrying value of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements. Managers do exercise judgement and make use of information available at the date of the preparation of the financial statements in making these estimates. The actual future results of operations in respect of the areas where these judgements and estimates have been made may in reality be different from those estimates. This may have a material effect on the financial statements.

The judgements and estimates that may have a significant effect on amounts recognized in the financial statements are discussed in the relevant sections below.

2.2 Critical Accounting Judgements and Estimates (Continued)

a) Impairment of lease receivables in accordance with IFRS 9

"Expected credit loss model" defined in IFRS 9, "Financial Instruments" superseded the "incurred credit loss model" in IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") which was effective prior to 1 January 2018.

Provisioning rules applicable as at 31 December 2017 under the IAS 39 have changed with the application of expected credit loss model under IFRS 9 together with the rules on classification of lease receivables as per their credit risk (staging). IFRS 9 is a new and complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on lease receivables recorded at amortized cost. In addition, the operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit loss on lease receivables. Impairment allowances are calculated on a collective basis for portfolios of lease receivables of a similar nature and on individual basis for significant lease receivables taking into account management's best estimate at the balance sheet date and historical losses incurred.

b) Deferred taxation

Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New and Revised International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2021:

- **Amendment to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

  i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New and Revised International Financial Reporting Standards (Continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**; effective from Annual periods beginning on or after 1 January 2022.

  - **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .

  - **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

  - **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

  Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

The new standards, amendments and interpretations which will be effective after 1 January 2021 are not expected to have a material impact on the Company's financial statements.

2.4 Summary of Significant Accounting Policies

Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents comprise cash on hand, bank deposits and investments with a definite value, short-term, that are highly liquid, can be easily converted into cash, contains a low risk of change in value and which has maturity of three months or less.

Related parties

For the purpose of these financial statements, the shareholders of the Company, key management personnel and Board members and their close family members, the Sabancı Group, Akbank and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 23).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

The definition of a related party includes the following persons and entities:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Leases

(i) As lessor

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A lease receivable is recognized when there is a contractual right to be the asset's cash flow and derecognized when all contractual rights and obligations expire. Amounts due from leases under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income

Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognized on sale of leased assets is recorded as gain on liquidation of investments.

Gross rental payments due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment as discussed below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(ii) As lessee

Assets acquired under lease agreements are capitalized at the inception of the lease at the fair value of the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

Financial Assets

The Company classifies and recognizes its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in the section below related to the classification and measurement of financial instruments of "IFRS 9 Financial Instruments". At initial recognition, financial assets are measured at fair value. In the case if financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. When the business model determined by the Company's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interest that were previously recorded in the financial statements.

Financial Assets at Fair Value through Profit or Loss

"Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Equity securities classified as financial assets at fair value through profit or loss are carried at fair value.

Financial Assets at Fair Value through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets at fair value through other comprehensive income are initially recognized at their fair value plus transaction costs, if any. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income on debt instruments at fair value through other comprehensive income that is calculated using the effective interest method is reflected in the statement of income. The difference between the fair value of the debt instruments at fair value through other comprehensive income and the amortized cost of the financial assets, net of expected loss impairment allowance, i.e. "Unrealized gains and losses", is not recognized in the statement of income until the realization of the financial asset, i.e. the sale of the asset or its other disposal.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition, the Company can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial Assets Measured at Amortised Cost

A financial asset is classified as a financial asset measured at amortized cost when it is held within a business model to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal or interest.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs, if any, which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Derivative financial instruments and hedge accounting

The major derivative instruments utilized by the Company are foreign currency and interest rate swaps, cross currency swaps and currency forwards.

Derivative financial instruments of the Company are classified under "IFRS 9, Financial Instruments" ("IFRS 9") as "Derivative Financial Assets at Fair Value through Profit or Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income".

The Company classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "International Accounting Standard for Financial Instruments: Recognition and Measurement" ("IAS 39"). Although certain derivative transactions provide effective economic hedges under the Company's risk management position, in accordance with IAS 39 they are treated as derivatives "Held-for-trading".

Although IFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting. The Company continues to apply IAS 39 for hedge accounting according to the permission set out in IFRS 9 standard.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Derivative instruments are re-measured at fair value after initial recognition, if the fair value of a derivative financial instrument is positive, it is accounted for as “derivative financial instruments-assets”; if the fair value difference is negative, it is accounted for as “derivative financial instruments-liabilities”. Differences in the fair value of derivative instruments are accounted as income/loss from derivative financial transactions under “net trading, hedging and fair value income/loss” item in the statement of comprehensive income. The fair values of the derivative financial instruments are calculated by using discounted cash flow models and any significant judgement is not incorporated.

Fair Value Hedge and Cash Flow Hedge Transactions

Fair value hedge

The Company hedges its fixed rate TL borrowings against fair value risk arising from the fluctuations in the market interest rates and certain part of its Euro financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the statement of profit or loss in “net trading, hedging and fair value income /loss”. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in the statement of comprehensive income in “net trading, hedging and fair value income/loss”.

Cash flow hedge

Fair value gains or losses associated with the effective portion of a derivative designated as a cash flow hedge are recognized initially in other comprehensive income and subsequently recycled to the statement of profit or loss when the cash flows relating to hedged item affect the statement of profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in “net trading, hedging and fair value income/loss”.

Hedge effectiveness testing

Prospective tests are performed regularly at the inception of the hedge relationship and both prospective and retrospective tests are performed at each reporting period-end regularly by using “Dollar off-set method”. In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of IAS 39.

When the hedging instrument expires, or is executed, sold, revoked or the hedge relationship has become ineffective as a result of the effectiveness test, then hedge accounting is discontinued prospectively and; adjustments made to the carrying amount of the hedged item in is amortized to profit and loss over the remaining term of the original hedge by using the recalculated effective interest rate.

Hedge relationship is ceased when the hedged item is derecognized and fair value adjustments made to the carrying amount of hedged item is accounted in the statement of profit or loss.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company’s claim to cash flows from specified assets
- Features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

The Company fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss (“FVPL”), amortized cost or fair value through other comprehensive income (“FVOCI”).

The Group recognize a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Company management and the nature of contractual cash flows of the financial asset are taken into consideration.

Recognition and Derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in the statement of financial position only when it becomes a party to the contractual provisions of the instrument.

The Company recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

The Company derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have substantially expired; or while retaining the right to receive cash flows from the asset the Company has also assumed an obligation to pay them in full without material delay to a third party; or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

The Company does not have any assets where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Company's continuing involvement in the asset.

The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

When the business model determined by the Company's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

Impairment of Financial Assets

The Company allocates impairment for expected credit loss on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, all financial assets with are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with IFRS 9 principals.

Expected Credit Loss ("ECL")

The Company allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

Measurement of the expected credit losses reflects:

- Time value of money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

The financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. The key considerations in determining whether a significant increase in the credit risk of financial asset and transferring it to Stage 2 are as follows:

- Number of over due date is 30 or more
- Restructuring of loans
- If the loan classified as under follow-up

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

The Company has also evaluated the calculated ECL amount for its customers of which total exposure is equal or over TL 5,000 and classified as Stage 2 and Stage 3 by individual assessment. With respect to this evaluation process, the Company management has decided whether any additional or less provision is needed or not. In this context, the Company has increased ECL by TL 46,142 as a result of the individual assessment (31 December 2020: the Company has decreased ECL by TL 6,958).

Definition of Default:

The definition of default is based on the criteria that the debt is overdue by more than 90 days. In addition, if the borrower deemed to be unable to fulfil the debt obligations, borrower should be considered as defaulted whether there is an overdue payment or number of days.

Write-off policy:

The Company writes off financial assets when the asset is determined to be insolvent and there are no collection expectations based on the evidence that the insolvency has been issued by the court. In circumstances where there is a mutual agreement with the borrower that will enable the Company to recover a certain amount of a financial asset, the Company writes off the remaining amount of a financial asset once the partial recovery has been completed (Note 7).

Significant increase in credit risk:

If the credit risk of financial assets determined to be significantly increasing, afore-mentioned assets are transferred to the Stage 2. For Stage 1 loans, expected loss (provision) amounts are calculated for one year and for Stage 2 loans, expected loss (provision) is calculated for the remaining life of the loan.

Expected Credit Loss Calculation - Input and Forecasting Methodologies:

Expected Credit Loss is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

- Probability of Default (PD): PD indicates the probability of default due to inability of the borrower to meet its debt obligations. It has been calculated for 12 months or lifetime depends on increase on borrower's credit risk. Lifetime PD calculations are carried out using historical data and carrying the actual PDs to long-term using various functions.

- Loss Given Default (LGD): In case of default of the borrower, Loss Given Default has been calculated as dividing historical realized credit loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure, customer repayment performance Calculated LGD remains constant until its overdue.

- Exposure at Default: Specifies the amount of risk that the borrower should pay in case of default. It is kept in the system by constantly calculated until the maturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable commitment products.

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate or an approximate value of the discount rate. The expected credit loss value is calculated for all customers over the maturity period.

However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Within the scope of IFRS 9, models of Probability of default (PD), Loss given default and Exposure at default have been developed. The models for IFRS 9 have a detailed segment structure. Finance lease receivables that have similar characteristics are segmented in order to reflect the expected credit losses collectively in financial reports. When creating the segmentation structure, the following information of the finance lease receivables is taken into consideration:

1. Customer type
2. Product type
3. Customer credit performance
4. Collateral type
5. Collection period
6. Exposure at default

In addition, in the calculation of Expected Credit Loss in accordance with IFRS 9, certain part of commercial and corporate loans is subject to individual assessment on a customer basis based on the Company's internal policies due to internal policies. This calculation is made by discounting the expected cash flows from the customer or the collateral sales to their present value with the effective interest rate.

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

The risk parameters used in the IFRS 9 calculations include prospective macroeconomic information. While macroeconomic information is included, models and estimates reflecting the relationships between model risk parameters and macroeconomic variables are taken into consideration. The main macroeconomic indicators of these estimation models are the Gross Domestic Product (GDP) and the policy interest rate. Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The ECL calculations are reviewed once a year. After the last review during the reporting period;

- There has been no change in the assumptions in estimation techniques. The macroeconomic model used in the process has been re-developed. The parameter estimates used in the macroeconomic model were updated.
- Model risk parameters and macroeconomic estimation models have been updated with recent data.
- The expected credit loss calculation is made by considering 3 different scenarios which are the best, the worst, and the base.

Within the scope IFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Loss-ECL). Related impact is realized when the default ratio of the Company moves the default rate calculated for each maturity up or down. The main parameters of default ratio model are macroeconomic variables and the provision figures change when prospective estimations are revised. Therefore, the calculated provisions can change when the macroeconomic expectations are taken into consideration.

In prospective expectations, 3 scenarios are being used as the base, the worst and the best. Final provisions are calculated by weighting on the possibilities given to the scenarios.

Property and equipment

Property and equipment are measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Furniture and fixture	4 - 10 years
Vehicles	5 years
Office equipment	3 - 10 years
Leasehold improvements	Shorter of lease period or useful lives

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents fair value less costs to sell.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets

Intangible assets comprise computer software costs and are carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated useful lives as stated below:

Rights	3- 15 years

Considering the estimated useful lives of intangible assets, between 3-15 years it is amortized using the straight-line depreciation method.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their carrying amounts and fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value".

Borrowing costs

All borrowing costs are expensed in the statement of comprehensive income during the period incurred.

Financial liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the financial liability using the effective interest method.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

The principal temporary differences arise from the provision for impaired lease receivables, derivative financial instruments and finance lease accruals (Note 17).

The Client calculated its deferred tax assets or liabilities over 23% and/or 20% as of 31 December 2021 within the scope of TAS 12 (31 December 2021: 20%). In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, starting from the declarations that must be submitted as of July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, the corporate tax rate is 25% for the taxation period of 2021 and this rate will be applied as 23% for the taxation period of 2022. The corporate tax rate was applied as 25% on second provisional tax declaration and deferred tax rate was applied between 20% and 25% regarding anticipated realization dates of incomes or expenses.

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

The Company reflects the deferred tax assets to its financial statements on the financial losses carried forward and through future profits.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the statement of profit or loss. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Employment termination benefits

Defined Benefit Plans:

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "employment benefits" account in the balance sheet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Under the Turkish Labor Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees in accordance with this Law and is calculated using the projected unit credit method (Note 16).

The Company pays social security contribution to the Social Security Institution on a mandatory basis. The Company has no other obligations as long as it pays these contributions. These contributions are reflected in the personnel expenses in the period they accrued.

Short Term Plans:

The Company also provides for short-term employee benefits such as vacation rights and bonuses in accordance with IAS 19.

Income and expense recognition

Interest income and expenses are recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties in the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commission income with respect to finance lease transactions is recognized over the period of the finance lease contracts using effective interest rate. Fee and commission income as of 31 December 2021 is TL 35,973 (31 December 2020: TL 13,861) which is included in the statement of comprehensive income under the interest and similar income.

Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments whose cash inflows and outflows are known or can be estimated on an accrual basis using the effective interest method.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in TL at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

NOTE 3 - SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

None.

NOTE 4 - SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments and whose operation results are regularly reviewed by Board of Directors. The Company does not present segment information from the business and geographic perspective, since the Company operates in one business segment (financial lease) and one geographical area, namely Turkey.

NOTE 5 - FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. For specific treasury transactions, the opinion of Funding Committee, which was established by the approval of Board of Directors, is asked. Depending on the instrument and transaction amount, the approval of Board of Directors is also required.

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

a. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopts a detailed and thorough credit analysis, assessment and approval process. It works with selected and creditworthy counterparties and obtains sufficient and where appropriate additional collateral as a means of mitigating the risk of financial loss from defaults. A diversified portfolio by sector and asset and focus on assets with deep secondary market and higher residual value is achieved. The Company regularly monitors the ability of the counterparties to pay amounts in full when due, analyzes the financial position of the counterparties and monitors the condition of the leased assets. The Company's risk limits are continuously measured and monitored.

The table below summarizes the geographic distribution of the Company's assets and liabilities at 31 December 2021 and 2020.

31 December 2021 (*)	**Assets**	**%**	**Liabilities**	**%**
Turkey	10,019,222	99	3,482,838	40
European countries	81,019	1	5,040,683	57
Other	30,461	0	279,755	3
	10,130,702	**100**	**8,803,276**	**100**

31 December 2020 (*)	**Assets**	**%**	**Liabilities**	**%**
Turkey	6,418,843	100	2,023,517	40
European countries	14,218	-	3,100,942	56
Other	495	-	205,769	4
	6,433,556	**100**	**5,330,228**	**100**

(*) This table does not contain equity items since they are not considered to be under credit risk.

Maximum exposure to credit risk

	31 December 2021	**31 December 2020**
Credit risk exposures relating to balance sheet items:		
Lease receivables, net	9,115,486	5,663,174
Cash and cash equivalents	794,805	550,614
Derivative financial instruments	30,932	-

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

Maximum exposure to credit risk (Continued)

The table below shows the maximum exposure to credit risk for the components of the financial statements:

Gross maximum exposure	31 December 2021	31 December 2020
Cash and cash equivalents (excluding cash on hand)	794,805	550,613
Financial assets at fair value through profit and loss	30,932	-
- Derivative financial instruments	*30,932*	-
Financial assets at amortised cost	9,115,486	5,663,174
- Lease receivables	*9,115,486*	*5,663,174*
Other assets and prepaid expenses	49,938	45,934
Total	**9,991,161**	**6,259,721**
Commitments	1,656,044	763,110
Total	**1,656,044**	**763,110**
Total credit risk exposure	**11,647,205**	**7,022,831**

Credit quality per class of financial assets as of 31 December 2021 and 2020 are as follows;

31 December 2021	Stage 1	Stage 2	Stage 3	Total allowance for impairment (Stage 1+2+3)	Total
Cash and cash equivalents (excluding cash on hand)	795,223	-	-	(418)	794,805
Financial assets at amortised cost	8,623,161	350,327	459,270	(317,272)	9,115,486
- Lease receivables from customers	*8,623,161*	*350,327*	*459,270*	*(317,272)*	*9,115,486*
Other assets and prepaid expenses	49,938	-	-	-	49,938
Total	**9,468,322**	**350,327**	**459,270**	**(317,690)**	**9,960,229**

31 December 2020	Stage 1	Stage 2	Stage 3	Total allowance for impairment (Stage 1+2+3)	Total
Cash and cash equivalents (excluding cash on hand)	550,665	-	-	(52)	550,613
Derivatives used for hedging purposes	5,099,818	430,345	567,711	(394,612)	5,703,262
Financial assets at amortised cost	*5,059,571*	*430,345*	*567,711*	*(394,453)*	*5,663,174*
- Lease receivables from customers	*40,247*	-	-	*(159)*	*40,088*
Other assets and prepaid expenses	45,934	-	-	-	45,934
Total	**5,696,417**	**430,345**	**567,711**	**(394,664)**	**6,299,809**

Further credit risk related disclosures are provided in Note 7.

b. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and currency risk, including interest rate swaps, currency swaps, cross currency swaps and forwards.

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

b. Market risk (Continued)

i) Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed with asset-liability balancing transactions and derivatives. Currency risk is managed and reviewed by using clearly defined, approved and carefully monitored risk limit of foreign exchange position on a monthly basis.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are disclosed below. Portfolio provision for leasing receivables in the balance sheet is considered as Turkish Lira in the calculation of the Net Currency Position.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2021 and 2020.

	Foreign Currency			
31 December 2021	**US Dollar (TL Equivalent)**	**Euro (TL Equivalent)**	**Other (TL Equivalent)**	**Total**
Assets				
Due from banks	369,561	316,284	2,592	688,437
Finance lease receivables (*)	1,535,933	5,553,894	1,078	7,090,905
Other assets	3,643	28,066	-	31,709
Total assets	**1,909,137**	**5,898,244**	**3,670**	**7,811,051**
Liabilities				
Borrowings	2,148,339	4,216,053	-	6,364,392
Accounts payable	21,260	145,862	31	167,153
Advances from customers	58,554	53,502	8	112,064
Total liabilities	**2,228,153**	**4,415,417**	**39**	**6,643,609**
Net balance sheet position	**(319,016)**	**1,482,827**	**3,631**	**1,167,442**
Off-balance sheet derivative instruments - net notional position	332,316	(1,226,437)	-	(894,121)
Off-balance sheet derivatives used for hedging purposes - net notional position	-	-	-	-
Total net balance sheet position (**)	**13,300**	**256,390**	**3,631**	**273,321**

(*) Foreign currency non-performing loans amounting to TL 10,838 which are not subject to valuation, are not considered in the currency risk table. "Derivative Financial Liabilities" amounting to TL 238,841 is not considered when calculating the currency risk.

(**) If the effect of the exchange difference arising from the Company's forward payments to the seller were eliminated, the net total foreign currency position would have been TL (16,249) in USD, 130,716 TL in Euro, 3,631 TL in other currencies, and a total of 118,098 TL.

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

i) Currency risk (Continued)

	Foreign Currency			
31 December 2020	**US Dollar (TL Equivalent)**	**Euro (TL Equivalent)**	**Other (TL Equivalent)**	**Total**
Assets				
Due from banks	293,954	164,170	20,801	478,925
Finance lease receivables (*)	668,791	3,511,066	-	4,179,857
Other assets	1,132	19,764	-	20,896
Total assets	**963,877**	**3,695,000**	**20,801**	**4,679,678**
Liabilities				
Borrowings	1,351,267	2,849,531	-	4,200,798
Debt securities issued	-	-	-	-
Accounts payable	23,273	78,966	4	102,243
Advances from customers	20,982	25,658	3	46,643
Total liabilities	**1,395,522**	**2,954,155**	**7**	**4,349,684**
Net balance sheet position	**(431,645)**	**740,845**	**20,794**	**329,994**
Off-balance sheet derivative instruments - net notional position	367,760	(424,900)	-	(57,140)
Off-balance sheet derivatives used for hedging purposes - net notional position	57,675	(85,688)	-	(28,013)
Total net balance sheet position	**(6,210)**	**230,257**	**20,794**	**244,841**

(*) Foreign currency non-performing loans amounting to TL 141,014, which are not subject to valuation, are not considered in the currency risk table. “Derivative Financial Assets” amounting to TL 874, "Derivative Financial Liabilities" amounting to TL 83,126 and hedge accounting effect in equity TL (114) are not taken into account when calculating the currency risk.

At 31 December 2021, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of (full) TL12.9775: (full) US Dollar 1 and (full) TL 14.6823: (full) Euro 1 (31 December 2020: (full) TL 7.3405: (full) US Dollar 1 and (full) TL 9.0079: (full) Euro 1).

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and Euro.

The following table details the Company’s sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the TL weakens against the relevant currency.

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity (Continued)

	US Dollar Impact (TL Equivalent)		Euro Impact (TL Equivalent)	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Profit or loss	1,330	(621)	25,639	23,026

ii) Interest rate risk

The Company is exposed to interest rate risk due to borrowings and finance lease receivables at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and finance lease receivables, by the use of derivatives such as interest rate swap contracts and cross currency swaps. Hedging activities are regularly evaluated regularly to ensure optimal hedging strategies are applied. Interest rate is managed and reviewed by using clearly defined, approved and carefully monitored risk limits such as re-pricing maturity gap analysis and economic value change analysis (stress tests).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% of increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and related interest rate swaps and all other variables were held constant, the Company's loss for the year ended 31 December 2021 would decrease/increase by TL 7,229 (31 December 2020: profit increase/decrease by TL 20,106). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

31 December 2021	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**Demand**	**Total**
Assets					
Cash and cash equivalents	775,801	-	-	19,422	795,223
Finance lease receivables	2,998,726	1,659,765	4,146,227	310,767	9,115,486
Derivative financial instruments	-	-	-	30,932	30,932
Total assets	**3,774,527**	**1,659,765**	**4,146,227**	**361,122**	**9,941,641**
Liabilities					
Borrowings	810,177	4,273,927	2,995,877	-	8,079,981
Derivative financial instruments	90,124	148,717	-	-	238,841
Total liabilities	**900,301**	**4,422,644**	**2,995,877**	**-**	**8,318,822**
Net re-pricing gap	**2,874,226**	**(2,762,879)**	**1,150,350**	**-**	**1,622,819**

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate sensitivity (Continued)

31 December 2020	Up to 3 months	3 to 12 months	Over 1 year	Demand	Total
Assets					
Cash and cash equivalents	519,216	-	-	31,398	550,614
Finance lease receivables	2,035,891	1,116,512	2,334,731	176,040	5,663,174
Total assets	**2,555,107**	**1,116,512**	**2,334,731**	**207,438**	**6,213,788**
Liabilities					
Borrowings	1,160,380	2,008,695	1,796,916	-	4,965,991
Derivative financial instruments	-	-	-	85,998	85,998
Total liabilities	**1,160,380**	**2,008,695**	**1,796,916**	**85,998**	**5,051,989**
Net re-pricing gap	**1,394,727**	**(892,183)**	**537,815**	**121,440**	**1,161,799**

c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company makes a detailed and complete analysis of the projected cash inflows (mainly lease installments) and cash outflows (mainly bank loan payments and payments to suppliers according to leasing transactions) and determines the exact cash requirements. A diversified funding base is used and stringent risk limits are utilized to manage and review liquidity risk.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2021	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	694,534	3,437,767	4,595,869	8,728,170
Accounts payable	205,075	-	-	205,075
Advances from customers	180,875	-	-	180,875
Other liabilities	36,442	-	-	36,442
Total liabilities	**1,116,926**	**3,437,767**	**4,595,869**	**9,150,562**
Cash inflow from derivative financial instruments	1,030,004	435,539	-	1,465,543
Cash (outflow) from derivative financial instruments	(1,086,947)	(535,578)	-	(1,622,525)
Cash inflow/(outflow), net	**(56,943)**	**(100,039)**	**-**	**(156,982)**

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity risk (Continued)

31 December 2020	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	271,635	2,083,805	2,893,116	5,248,556
Accounts payable	143,951	-	-	143,951
Advances from customers	98,950	-	-	98,950
Other liabilities	23,885	-	-	23,885
Total liabilities	**538,421**	**2,083,805**	**2,893,116**	**5,515,342**
Cash inflow from derivative financial instruments	545,775	170,501	-	716,276
Cash (outflow) from derivative financial instruments	(608,403)	(193,442)	-	(801,845)
Cash inflow/(outflow), net	**(62,628)**	**(22,941)**	**-**	**(85,569)**

d. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The table below indicates the fair values of the financial assets and financial liabilities which are stated at their carrying amounts:

	Carrying amount		Fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash and cash equivalents	794,805	550,614	794,804	550,614
Finance lease receivables	9,115,486	5,663,174	7,487,857	5,432,621
Borrowings	8,079,981	4,965,991	7,624,441	4,622,511

The fair value of finance lease receivables and borrowings and debt securities issued carried at amortized cost are estimated based on discounted cash flows using prevailing market interest rates.

The discount rate used to calculate the fair value of US Dollar, Euro and TL finance lease receivables as at 31 December 2021 are 6.80%, 5.40% and 20.70% respectively (31 December 2020 are 7.33%, 5.90% and 16.80% respectively).

The discount rate used to calculate the fair value of US Dollar, Euro and TL borrowings and debt securities issued as at 31 December 2021 are 3.90%, 2.90% and 16.70 % respectively (31 December 2020 are 3.78%, 2.88 % and 9.66%, respectively).

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

d. Fair value of financial instruments (Continued)

Fair value hierarchy

Fair values of financial assets and liabilities are determined as follows:

Level 1: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical assets and liabilities.
Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the quoted market price of the relevant asset or liability mentioned in Level 1.
Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

According to these classification principles stated, the Company’s classification of financial assets and liabilities carried at their fair value are as follows:

31 December 2021	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss derivative financial assets held for trading	-	30,932	-
Derivatives used for hedging purposes	-	-	-
Total assets	**-**	**30,932**	**-**
Financial liabilities at fair value through profit and loss derivatives held-for-trading	-	238,841	-
Derivatives used for hedging purposes	-	-	-
Total liabilities	**-**	**238,841**	**-**

31 December 2020	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss derivative financial assets held for trading	-	-	-
Derivatives used for hedging purposes	-	-	-
Total assets	**-**	**-**	**-**
Financial liabilities at fair value through profit and loss derivatives held-for-trading	-	70,051	-
Derivatives used for hedging purposes	-	15,947	-
Total liabilities	**-**	**85,998**	**-**

e. Capital risk management

In accordance with Article 12 of the “Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013, the Company is required to keep its equity in accordance with the standard set out in the regulation. The Company complies with this requirement as of 31 December 2021 and 2020.

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	-	1
Due from banks	795,223	550,665
- Demand deposits	*19,422*	*31,449*
- Time deposits	*775,801*	*519,216*
Less: Expected credit loss due from banks	(418)	(52)
Total cash and cash equivalents	**794,805**	**550,614**

At 31 December 2021 and 2020, the Company’s cash and cash equivalents in the statement of cash flows are as follows:

	31 December 2021	31 December 2020
Cash on hand	-	1
Due from banks	795,223	550,665
- Demand deposits	*19,422*	*31,449*
- Time deposits	*775,801*	*519,216*
Less: Interest accruals	(258)	(51)
Cash and cash equivalents in the statements of cash flow	**794,965**	**550,615**

At 31 December 2021, the Company’s time deposit maturities are shorter than three months and the effective interest rates on time deposits denominated US Dollar, Euro and TL are 0.58%, 0.11% and 20.04% respectively (31 December 2020: Time deposit maturities are shorter than three months and the effective interest rates on time deposits denominated US Dollar, Euro and TL are 1.48%, 0.96% and 18.92%, respectively).

As of 31 December 2021 and 2020, there is no restriction on bank deposits.

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET

	31 December 2021	31 December 2020
Gross finance lease receivables	8,370,805	5,518,690
Invoiced lease receivables	168,770	128,049
Unearned finance income (-)	(960,746)	(631,599)
	7,578,829	**5,015,140**
Expected credit loss - Stage 1 (-)	(57,391)	(49,022)
Expected credit loss - Stage 2 (-)	(65,769)	(50,977)
Total finance lease receivables	**7,455,669**	**4,915,141**
Impaired lease receivables	459,270	567,711
Expected credit loss - Stage 3 (-)	(194,112)	(294,454)
	7,720,827	**5,188,398**
Leasing contracts in progress (*)	692,317	249,813
Advances to vendors	702,342	224,963
Net finance lease receivables	**9,115,486**	**5,663,174**

(*) The Company purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contracts terms. As of 31 December 2021 and 2020, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees, yet.

At 31 December 2021 and 2020 the finance lease receivables according to their interest type are as follows:

	31 December 2021	31 December 2020
Fixed rate	7,300,431	4,883,173
Floating rate	1,070,374	635,517
	8,370,805	**5,518,690**

At 31 December 2021 and 2020 the finance lease receivables have the following collection schedules:

	Finance Lease Receivables (*)	
Year Ending	**Gross 31 December 2021**	**Net 31 December 2021**
31 December 2022	3,146,461	2,754,364
31 December 2023	2,092,000	1,808,345
31 December 2024	1,546,719	1,375,067
31 December 2025	948,564	874,459
31 December 2026 and after	805,831	766,594
	8,539,575	**7,578,829**

(*) Leasing contracts in progress and advance to vendors' balances are not included in the maturity analysis as they have not been scheduled to payment plans, yet.

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

	Finance Lease Receivables (*)	
	Gross	**Net**
Year Ending	**31 December 2020**	**31 December 2020**
31 December 2021	2,122,120	1,871,231
31 December 2022	1,463,086	1,278,772
31 December 2023	864,981	763,307
31 December 2024	579,865	525,160
31 December 2025 and after	616,687	576,670
	5,646,739	**5,015,140**

(*) Leasing contracts in progress and advance to vendors' balances are not included in the maturity analysis as they have not been scheduled to payment plans, yet.

As of 31 December 2021, the Company's performing finance lease receivables amount to TL 8,539,575 (31 December 2020: TL 5,646,739) and all these finance lease receivables are secured by the leased equipment. The nominal amount of mortgages received for finance lease receivables is TL 1,822,508 (31 December 2020: TL 1,616,294).

Finance lease receivables can be analyzed as follows:

31 December 2021	**Gross exposure**	**Loss Provision (-)**	**Net exposure**
Stage 1	8,623,161	(57,391)	8,565,770
Stage 2	350,327	(65,769)	284,558
Stage 3	459,270	(194,112)	265,158
Total	**9,432,758**	**(317,272)**	**9,115,486**

31 December 2020	**Gross exposure**	**Loss Provision (-)**	**Net exposure**
Stage 1	5,059,571	(49,022)	5,010,549
Stage 2	430,345	(50,977)	379,368
Stage 3	567,711	(294,454)	273,257
Total	**6,057,627**	**(394,453)**	**5,663,174**

As of 31 December 2021, outstanding lease receivable amount for sell and leaseback transactions is TL 626,325 (31 December 2020: TL 662,658).

The Company obtains transfer of rights of receivables, mortgages, pledged securities, blocked deposits and guarantee letters as collateral from its customers. Collaterals repossessed by the Company are transferred to assets held for sale, to be converted into cash by selling the related assets.

Collaterals amounting to TL 347,145 (31 December 2020: TL 344,518) has been obtained for impaired finance lease receivables amounting to TL 459,270 (31 December 2020: TL 567,711).

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

As of 31 December 2021, and 2020, no lease receivable has been restructured after being impaired in prior periods.

The details of the loans and advances past due but not impaired are as follows:

	31 December 2021	31 December 2020
Past due 30-60 days	2,139	8,153
Past due 60-90 days	130,990	84,448
Past due over 90 days (*)	-	94,032
	133,129	**186,633**

(*) With the BRSA's decisions in 2020, the delay time foreseen for Stage 2 due to the delay day has been moved from the end of the 30th delay day to the end of the 90th delay day and the delay period foreseen for the classification as non-performing loans (Stage 3) has been moved from the 90th delay day to the 180th delay day. The relevant issue was valid until 30 September 2021, according to the BRSA's decision dated 8 December 2020 and numbered 9312.

Movements in provision for finance lease receivables for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
At 1 January	**394,612**	**401,711**
Impairment expense for the period	83,381	119,163
- *Provisions for leasing receivables*	83,381	119,004
- *Provisions for other financial assets measured at amortized cost*	-	*159*
Recoveries of amounts previously provided for	(57,455)	(82,470)
- *Provisions for leasing receivables*	(57,296)	-
- *Provisions for other financial assets measured at amortized cost*	*(159)*	-
Release of provisions from written-off receivables (-)	(103,266)	(43,792)
At 31 December	**317,272**	**394,612**

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

NOTE 7- FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 31 December 2021 and 2020 are as follows:

	31 December 2021	%	31 December 2020	%
Steel and mining	1,405,438	17	1,043,128	19
Construction	1,289,953	15	908,711	16
Energy and natural resources	1,203,683	14	734,165	13
Textile	1,166,455	14	588,395	11
Production	655,029	8	386,388	7
Transportation	431,197	5	408,225	7
Petroleum and related chemistry	359,680	4	164,966	3
Food and beverage	288,189	3	189,873	3
Tourism	267,183	3	191,773	3
Automotive	254,667	3	104,953	2
Printing	239,263	3	55,783	1
Chemistry	222,617	3	91,137	2
Health	157,896	2	129,454	2
Agriculture	89,236	1	53,054	1
Wholesale and retail trade	63,129	1	35,455	1
Technology, telecommunication, media and entertainment	18,740	1	28,315	1
Financial institutions	16,834	-	13,765	-
Education	6,665	-	12,164	-
Other	234,951	3	378,986	7
	8,370,805	**100**	**5,518,690**	**100**

Minimum financial lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company may cancel some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

The Company has no finance lease payables as at 31 December 2021 and 2020.

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

Movements in expected credit loss for the periods ended 31 December 2021 and 2020 are as follows:

Expected Credit Loss	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	49,022	50,977	294,454	394,453
Transfers;				
- Balance change in Stage 1	(18,008)	-	-	(18,008)
- Transfer from Stage 1 to Stage 2	(143)	20	-	(123)
- Transfer from Stage 1 to Stage 3	(3)	-	84	81
- Balance change in Stage 2	-	19,456	-	19,456
- Transfer from Stage 2 to Stage 1	8,127	-	-	8,127
- Transfer from Stage 2 to Stage 3	-	(10,214)	7,946	(2,268)
- Balance change in Stage 3	-	-	38,898	38,898
New financial assets originated or purchased and recoveries	22,960	-	3	22,963
Release of provision from written-off receivables	(4,564)	5,530	(44,007)	(43,041)
Release of provision from impaired lease receivables sold	-	-	(103,266)	(103,266)
Loss allowance as at 31 December 2021	**57,391**	**65,769**	**194,112**	**317,272**

Expected Credit Loss	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2020	46,066	63,171	292,474	401,711
Transfers;				
- Balance change in Stage 1	(5,963)	-	-	(5,963)
- Transfer from Stage 1 to Stage 2	(116)	1,271	-	1,155
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Balance change in Stage 2	-	15,682	-	15,682
- Transfer from Stage 2 to Stage 1	608	(217)	-	391
- Transfer from Stage 2 to Stage 3	-	(26,549)	29,811	3,262
- Balance change in Stage 3	-	-	16,435	16,435
New financial assets originated or purchased and recoveries	10,823	86	1,863	12,772
Release of provision from written-off receivables	(2,396)	(2,467)	(2,337)	(7,200)
Release of provision from impaired lease receivables sold	-	-	(43,792)	(43,792)
Loss allowance as at 31 December 2020	**49,022**	**50,977**	**294,454**	**394,453**

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

NOTE 8 - OTHER FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	31 December 2021	31 December 2020
Private sector treasury bond	-	40,247
Less: Expected credit loss	-	(159)
	-	**40,088**

The amount consists of a bond with a fixed annual interest rate of 9.40%, issued to qualified investors on 9 June 2020, and will be redeemed on 19 January 2021.

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held-for-trading:

		Fair Values	
31 December 2021	**Contract/Notional Amount**	**Assets**	**Liabilities**
Forward contracts	359,339	6,673	-
Currency swap contracts	2,666,682	24,259	(238,761)
Interest rate swap contracts	33,537	-	(80)
Total	**3,059,558**	**30,932**	**(238,841)**

		Fair Values	
31 December 2020	**Contract/Notional Amount**	**Assets**	**Liabilities**
Forward contracts	251,087	-	(2,677)
Currency swap contracts	1,218,434	-	(67,210)
Interest rate swap contracts	41,153	-	(164)
Total	**1,510,674**	**-**	**(70,051)**

Derivatives used for hedging purposes:

As of 31 December 2021, the Company doesn't have any derivatives used for hedging purposes.

		Fair Values	
31 December 2020	**Contract/Notional Amount**	**Assets**	**Liabilities**
Derivatives used for fair value hedging purposes:			
Currency swap contracts	29,570	-	(15,789)
Interest rate swap contracts	40,943	-	(158)
Total	**70,513**	**-**	**(15,947)**

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Currency information of the Company's derivative financial instruments are presented in the table below:

Derivative financial liabilities held for hedging:

	31 December 2021		31 December 2020	
	TRY	Foreign Currency	TRY	Foreign Currency
Fair value hedges	-	-	-	15,947
	-	-	-	**15,947**

Information regarding fair value hedge accounting:

As at 31 December 2021 and 2020 information regarding fair value hedge accounting are summarized below:

The Company has decided to implement fair value hedging strategy in order to provide hedging through fixed interest TL sales part of cross currency swap transaction (Cross Currency IRS) against fair value risk which shall arise due to changes in market interests of long-term principal payment TL fixed interest credit included in its liabilities in scope of interest rate risk management.

The Company has decided to implement fair value hedging strategy in order to provide hedging through fixed interest US Dollar purchase part of cross currency swap transaction against fair value risk which shall arise due to changes in US Dollar/TL exchange rate changes in US Dollar financial leasing receivables included in its assets in scope of exchange rate risk management. There is no change in fair value following the commencement of hedge accounting for borrowed loans, which are hedged items (31 December 2020: TL 1,262).

Fixed rate financial leasing transaction of the Company is entreated to hedge accounting with interest swap transaction against fair value changes related to changes in market interest rates. There is no change in fair value after the beginning of hedge accounting for the fixed rate financial leasing transaction, which is the hedged item (31 December 2020: TL 171).

All fair value hedged transactions have been found to be effective as of 31 December 2021.

Information regarding fair value hedge accounting:

None (31 December 2020: None).

Information regarding the cases when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked are given below:

Information regarding cash flow hedge:

None (31 December 2020: None).

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

NOTE 10 - OTHER ASSETS AND PREPAID EXPENSES

	31 December 2021	31 December 2020
Insurance, notary and other receivables	44,424	31,598
Prepaid expenses	2,095	535
Deferred VAT	-	9,605
Other	3,419	4,196
	49,938	**45,934**

NOTE 11 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment:

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Right of use assets	4,717	1,870	-	6,587
Furniture and fixture	537	-	-	537
Vehicles	1,047	-	-	1,047
Leasehold improvements	827	-	-	827
Office equipment	380	-	-	380
	7,508	**1,870**	**-**	**9,378**
Accumulated depreciation (-)				
Right of use assets	4,449	1,863	-	6,312
Furniture and fixture	530	5	-	535
Vehicles	435	209	-	644
Leasehold improvements	761	19	-	780
Office equipment	380	-	-	380
	6,555	**2,096**	**-**	**8,651**
Net book value	**953**			**727**

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

NOTE 11 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Right of use assets	3,180	1,537	-	4,717
Furniture and fixture	543	4	(10)	537
Vehicles	1,047	-	-	1,047
Leasehold improvements	781	46	-	827
Office equipment	1,233	45	(898)	380
	6,784	**1,632**	**(908)**	**7,508**
Accumulated depreciation (-)				
Right of use assets	2,795	1,654	-	4,449
Furniture and fixture	520	12	(2)	530
Vehicles	226	209	-	435
Leasehold improvements	744	17	-	761
Office equipment	1,050	-	(670)	380
	5,335	**1,892**	**(672)**	**6,555**
Net book value	**1,449**			**953**

Intangible assets

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Rights	8,112	3,813	(1,595)	10,330
	8,112	**3,813**	**(1,595)**	**10,330**
Accumulated amortization (-)				
Rights	6,342	542	(1,595)	5,289
	6,342	**542**	(1,595)	**5,289**
Net book value	**1,770**			**5,041**

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Rights	6,793	1,319	-	8,112
	6,793	**1,319**	**-**	**8,112**
Accumulated amortization (-)				
Rights	5,460	882	-	6,342
	5,460	**882**	**-**	**6,342**
Net book value	**1,333**			**1,770**

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

NOTE 12 - ASSETS HELD FOR SALE

	31 December 2021	31 December 2020
Assets held for resale	61,540	77,363
	61,540	**77,363**

NOTE 13 - BORROWINGS

	31 December 2021			31 December 2020		
	Interest rates per annum (%)	Balance in original currency	TL	Interest rates per annum (%)	Balance in original currency	TL
Domestic borrowings						
Fixed rate borrowings:						
Euro	2.48	51,922	762,339	2.25	28,699	258,520
US Dollar	3.50	5,015	65,078	5.38	12,322	90,448
TL	16.63	1,715,589	1,715,589	9.19	763,922	763,922
Floating rate borrowings:						
Euro	2.13	14,754	216,616	2.02	18,841	169,719
Total domestic borrowings			**2,759,622**			**1,282,609**
Foreign borrowings						
Fixed rate borrowings:						
Euro	2.12	128,986	1,893,814	2.05	155,425	1,400,053
US Dollar	3.71	124,389	1,614,258	4.05	32,519	238,703
TL	-	-	-	-	1,271	1,271
Floating rate borrowings:						
Euro	2.04	91,490	1,343,284	1.94	113,371	1,021,239
US Dollar	3.16	36,140	469,003	3.00	139,243	1,022,116
Total foreign borrowings			**5,320,359**			**3,683,382**
Total borrowings			**8,079,981**			**4,965,991**

	31 December 2021	31 December 2020
Short term borrowings	3,632,919	2,179,465
Long term borrowings	4,447,062	2,786,526
	8,079,981	**4,965,991**

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

NOTE 13 - BORROWINGS (Continued)

The movement of funds borrowed issued for the periods ended 31 December 2021 and 2020 is as follows:

	Funds borrowed
Balance as at 1 January 2021	4,965,991
Cash flows	356,510
Foreign exchange adjustments	2,662,891
Other non-cash movements	94,589
Balance as at 31 December 2021	**8,079,981**

	Funds borrowed
Balance as at 1 January 2020	4,590,391
Cash flows	(763,993)
Foreign exchange adjustments	1,128,396
Other non-cash movements	11,197
Balance as at 31 December 2020	**4,965,991**

NOTE 14 - ACCOUNTS PAYABLE AND ADVANCES RECEIVED

	31 December 2021	**31 December 2020**
Trade payables (*)	205,075	143,951
Advances received (**)	180,875	98,950
	385,950	**242,901**

(*) Trade payables mainly consist of debts to domestic and foreign suppliers that has been occured by the purchase of properties and equipments in the name of lessees according to leasing agreements. As of 31 December 2021, total of trade payables is TL 205,075 (31 December 2020: TL 143,951).

(**) Advances received consists of collections from lessees over the invoiced amount or early payments for lease receivables.

As of 31 December 2021 and 2020, all trade payables have maturity of less than one year.

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

NOTE 15 - OTHER LIABILITIES

	31 December 2021	31 December 2020
Provisions for fines regarding title deed fees	10,155	9,479
Withholding taxes and duties payable	7,150	1,463
Provision for personnel performance bonus	4,326	3,171
Provision for lawsuit	4,301	951
Provisions for costs regarding assets held for sale	4,100	4,802
Other	6,410	4,019
	36,442	**23,885**

NOTE 16 - EMPLOYMENT BENEFITS

	31 December 2021	31 December 2020
Provision for employment termination benefits	3,016	1,910
Provision for unused vacation	2,339	1,708
	5,355	**3,618**

Provision for employment termination benefits is reserved within the framework explained below:

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The compensation to be paid is up to one month's salary for each year of service, and this amount is limited to the retirement pay ceiling. Liability of employee termination benefit is not subject to any legal funding as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2021 and 2020:

	31 December 2021	31 December 2020
Discount rate (%)	3.54	3.64
Turnover rate to estimate the probability of retirement (%)	96.77	96.80

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The amount of (full) TL 10,596.74 effective from 1 January 2022 has been taken into consideration in calculating the reserve for employee termination benefits (31 December 2020: (full) TL 7,638.96 effective from 1 January 2021).

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

NOTE 16 - EMPLOYMENT BENEFITS (Continued)

Movements of the provision for employment termination benefits during the year is as follows:

	2021	2020
At 1 January	**1,910**	**1,403**
Paid during the year (-)	(12)	(265)
Increase during the year	837	772
Actuarial gain/loss	281	-
At 31 December	**3,016**	**1,910**

NOTE 17 - TAXATION

	31 December 2021	31 December 2020
Current tax charge (-)	(91,640)	(22,512)
Deferred tax (loss)/income	18,761	(21,899)
	(72,879)	**(44,411)**

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021,23% for enterprises' corporate income belonging to the taxation periods of 2022 and 20% for enterprises' corporate income belonging to the taxation periods of 2023 and beyond. These rates have entered into force on the date of publication, starting from the declarations that must be submitted as of July 1, 2021 and being valid for the corporate earnings for the taxation period starting from January 1, 2021. In the 31 December 2021 financial statements the corporate tax has been used as 25%.

Corporation tax is payable at a rate of 25% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

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

NOTE 17 - TAXATION (Continued)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate has been applied as 25% for the year 2021.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Income tax

	31 December 2021	31 December 2020
Income tax liability	91,640	22,512
Prepaid taxes (-)	(35,284)	(15,038)
Income tax liability/(asset), net	**56,356**	**7,474**

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company:

	31 December 2021	31 December 2020
Income before tax	296,887	199,377
Effective tax rate	25%	22%
Theoretical tax income	(74,222)	(43,863)
Effects of disallowable income and expenses	1,343	(548)
Current year tax (expense)/income	**(72,879)**	**(44,411)**

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

NOTE 17 - TAXATION (Continued)

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted off in these financial statements.

The breakdown of deductible and taxable temporary differences is as follows:

	Cumulative timing differences		Deferred assets / (liabilities)	
	2021	**2020**	**2021**	**2020**
Provisions for expected credit loss	181,880	221,318	36,376	44,264
Valuation of derivative financial instruments	238,841	85,998	54,933	17,200
Other	34,719	28,092	7,822	5,618
Deferred tax assets			**99,131**	**67,082**
Finance lease interest accruals	(78,815)	(65,569)	(18,127)	(13,114)
Valuation of derivative financial instruments	(30,932)	-	(7,114)	-
Other	(8,285)	(1,537)	(1,657)	(308)
Deferred tax liabilities			**(26,898)**	**(13,422)**
Deferred tax assets, net			**72,233**	**53,660**

Although the corporate tax rate for 2021 is 25%, the Company management calculated the deferred tax using 20% as of 31 December 2021, since deferred tax assets and liabilities will be subject to corporate tax after 2021. As of 31 December 2021, deferred tax assets and liabilities were calculated over 23% or 20% considering the periods when they will be subject to corporate tax.

Movement of the deferred tax assets for the years 2021 and 2020 are as follows:

	2021	**2020**
Deferred tax assets at 1 January	**53,660**	**75,676**
Recognized under profit or loss	18,761	(21,899)
Recognized under other comprehensive income	(285)	(117)
Other	97	-
Deferred tax assets at 31 December	**72,233**	**53,660**

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

NOTE 18 - SHARE CAPITAL

At 31 December 2021 the Company's authorized share capital consists of 37,340,000,000 shares with a par value of Kr 1 each (2020: 37,340,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares. At 31 December 2021 and 2020, the share capital is as follows:

	31 December 2021		31 December 2020	
	Shares (%)	**TL**	**Shares (%)**	**TL**
Akbank T.A.Ş.	100	373,400	99.985	373,344
Hacı Ömer Sabancı Holding A.Ş.	-	-	0.005	19
Tursa Sabancı Turizm ve Yatırım Hizm. A.Ş.	-	-	0.005	19
Exsa Export Sanayi Mamul. Şatış ve Araş. A.Ş.	-	-	0.003	13
Ak Yatırım Menkul Değerler A.Ş.	-	-	0.002	5
	100	**373,400**	**100**	**373,400**
Adjustment to share capital		(13,393)		(13,393)
		360,007		**360,007**

NOTE 19 - LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. At 31 December 2021 and 2020 reserves held by the Company in the statutory financial statements which were adjusted for the effects of inflation in accordance with tax law is as follows:

	31 December 2021	**31 December 2020**
Legal reserves	61,728	57,737
	61,728	**57,737**

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

NOTE 20 - OPERATING EXPENSES

	31 December 2021	31 December 2020
Staff costs	28,164	25,333
Legal proceedings and lawyer expense	4,363	4,901
Depreciation and amortization expense (Note 11)	2,638	2,774
Office management expenses	2,372	1,669
Audit and consultancy expenses	1,843	1,703
Advertisement expenses	781	396
Taxes and duties other than on income	618	280
Communication expenses	576	438
Other	3,321	2,611
	44,676	**40,105**

NOTE 21 - FOREIGN EXCHANGE GAINS/LOSSES

	31 December 2021	31 December 2020
Foreign exchange gains on finance lease receivables	2,215,406	1,041,537
Foreign exchange losses on borrowings and debt securities issued (-)	(2,662,891)	(1,128,396)
Other foreign exchange losses, net (-)	657,289	163,113
Foreign exchange losses/gains, net	**209,804**	**76,254**

NOTE 22 - NET TRADING, HEDGING AND FAIR VALUE LOSS

	31 December 2021	31 December 2020
Trading, hedging and fair value gains	131,276	119,014
Trading, hedging and fair value losses (-)	(266,290)	(154,209)
	(135,014)	**(35,195)**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

A number of transactions were entered into with related parties in the normal course of business.

a) Balances with related parties

	31 December 2021	31 December 2020
Due from banks		
Shareholders		
Akbank T.A.Ş.	782,168	548,385
	782,168	**548,385**
Net finance lease receivables		
Other group companies (*)		
Aksigorta A.Ş.	4,319	-
Sabancı Dijital Tek. Hizm. A.Ş.	1,262	3,325
	5,581	**3,325**
Other financial assets measured at amortized cost - private sector treasury bond		
Shareholders		
Akbank T.A.Ş.	-	40,247
	-	**40,247**
Borrowings		
Shareholders		
Akbank T.A.Ş.	1,353,102	902,236
Other group companies (*)		
Akbank A.G.	279,472	90,265
	1,632,574	**992,501**
Trade payables		
Other group companies (*)		
Aksigorta A.Ş.	23,339	26,370
Sabancı Dijital Tek. Hizm. A.Ş.	170	-
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
	23,526	**26,387**

(*) "Other group companies" consist of Akbank T.A.Ş. and Hacı Ömer Sabancı Holding A.Ş. group companies.

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties

Interest income from finance leases

	1 January - 31 December 2021	1 January - 31 December 2020
Other group companies (*)		
Sabancı Dijital Tek. Hizm. A.Ş.	565	1,031
Sabancı University	27	-
Aksigorta A.Ş.	5	-
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	1	742
	598	**1,773**

Interest income on bank deposits

Shareholders		
Akbank T.A.Ş.	36,911	14,846
	36,911	**14,846**

Interest expense on borrowings

Shareholders		
Akbank T.A.Ş.	155,340	74,922
Other group companies (*)		
Akbank A.G.	6,861	5,077
	162,201	**79,999**

Commission income

Other group companies (*)		
Aksigorta A.Ş.	3,078	3,381
Sabancı Universtiy	5	-
	3,083	**3,381**

(*) "Other group companies" consist of Akbank T.A.Ş. and Hacı Ömer Sabancı Holding A.Ş. group companies.

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties (Continued)

	1 January - 31 December 2021	1 January - 31 December 2020
Commission expense		
Shareholders		
Akbank T.A.Ş.	184	186
Other group companies (*)		
Ak Yatırım Menkul Değerler A.Ş.	-	31
	184	**217**
Personnel expense		
Shareholders		
Akbank T.A.Ş.	-	34
	-	**34**
Gain on derivative instruments		
Shareholders		
Akbank T.A.Ş.	49,252	111,276
	49,252	**111,276**
Losses on derivative instruments		
Shareholders		
Akbank T.A.Ş.	26,824	91,237
	26,824	**91,237**
Remuneration of top management		
Remuneration of top management	3,796	3,339
	3,796	**3,339**

(*) "Other group companies" consist of Akbank T.A.Ş. and Hacı Ömer Sabancı Holding A.Ş. group companies.

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties (Continued)

Off-balance sheet items

Guarantee obtained from	**31 December 2021**	**31 December 2020**
Shareholders Akbank T.A.Ş.		
Obtained for the purpose of using		
for borrowings from other banks	1,288,806	973,759
Obtained for the purpose of using for law courts	78	1,433
	1,288,884	**975,192**

Finance lease commitments

Shareholders		
Akbank T.A.Ş.	-	6,756
	-	**6,756**

Derivative financial instruments

As of 31 December 2021, there are no derivative transactions with related parties.

31 December 2020	**Contract/notional amount**	**Assets**	**Fair values Liabilities**
Derivative financial instruments held for trading:			
Forward transactions			
Akbank T.A.Ş. (Shareholder)	70,470	-	(1,624)
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	251,962	-	(8,080)
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	118,027	-	(12,734)
Derivative financial instruments held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	29,570	-	(15,789)
Total	**470,029**	**-**	**(38,227)**

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

NOTE 24 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 31 December 2021 and 2020.

Legal Proceedings

The Company has provided for a total provision of TL 4,301 against certain open legal cases as of 31 December 2021 (31 December 2020: TL 951).

Commitments under derivative instruments

	31 December 2021		31 December 2020	
	Nominal Original amount	Nominal TL	Nominal Original Amount	Nominal TL
Forward and Swap Purchase Transactions				
US Dollar	39,207	508,803	67,917	498,547
Euro	13,142	192,956	3,284	29,584
TL	761,918	761,918	220,555	220,555
Total Purchase	**814,267**	**1,463,677**	**291,756**	**748,686**
Forward and Swap Sale Transactions				
US Dollar	13,600	176,488	8,611	63,208
Euro	96,674	1,419,393	59,904	539,610
TL	-	-	229,683	229,683
Total Sales	**110,274**	**1,595,881**	**298,198**	**832,501**
Grand Total		**3,059,558**		**1,581,187**

Guarantees given

The Company has collateral and given letters of guarantees amounting to TL 239,240 (31 December 2020: TL 237,966) to courts, customs and related to the loans used by the Company within scope of Hermes. As of 31 December 2021, a letter of guarantee amounting to TL 229.726 (December 31, 2020: TL 202.771) was given from Akbank T.A.Ş. for the loans used by the Company within the scope of Hermes.

The external guarantee provided for the borrowings from Europe Investment Bank is amounting to TL 1,059,080 (31 December 2020: TL 770,988). The Company has letters of credit for import of the equipment subject to finance leases in the amount of TL 394,810 (31 December 2020: TL 114,961) and finance lease commitments in the amount of TL 1,656,044 (31 December 2020: TL 763,110) for the leased asset imports.

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

NOTE 25 - EARNINGS/(LOSS) PER SHARE

Basic earnings per share ("EPS") are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from profit reserves such as retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares, which are shown in the table below:

	31 December 2021	**31 December 2020**
Net income/(loss) for current year	224,008	154,966
Weighted average number of ordinary shares with a nominal value of Kr 1	37,340,000,000	37,340,000,000
Earnings/(Losses) per share (full TL)	**0.0060**	**0.0042**

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 26 - SUBSEQUENT EVENTS

None.

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