

**CONVENIENCE TRANSLATION INTO
ENGLISH OF FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

AK FİNANSAL KİRALAMA A.Ş.

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Ak Finansal Kiralama A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Ak Finansal Kiralama A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statement of profit and loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing, and Savings Finance Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861, as well as the regulations, communiqués, circulars, and announcements issued by the Banking Regulation and Supervision Agency ("BRSA"); and to the extent not regulated by them, the "BRSA Accounting and Financial Reporting Regulations", which incorporate the provisions of the Turkish Financial Reporting Standards.

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent 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 Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for financial lease receivables</p> <p>The Company has total gross financial lease receivables of 19,694,180 thousand TL, which represent a significant portion of the Company's total assets in its financial statements as of 31 December 2023, and total impairment provisions of 312,789 thousand TL related to these receivables. Explanations and footnotes regarding the impairment provisions for financial lease receivables are presented in notes 2.3, 4, and 22 of the financial statements issued as of 31 December 2023.</p> <p>According to the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing, and Savings Finance Companies" published in the Official Gazette dated 24 December 2013, and numbered 28861, the Company recognizes provision for impairment of financial lease receivables in accordance with the "TFRS 9 Financial Instruments Standard" ("TFRS 9"). TFRS 9 is a complex accounting standard that requires a significant degree of judgment and interpretation in practice. These judgments and interpretations are key in developing financial models used to measure expected credit losses on financial lease receivables measured at amortized cost. Additionally, 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 losses on loans.</p>	<p>Within the scope of our audit procedures, we evaluated the Company's policies, procedures, and management principles regarding the classification of financial lease receivables by their characteristics and the determination of impairment calculations in accordance with relevant legislation.</p> <p>We evaluated and tested, together with our financial risk experts, the methods used in the Company's models for determining provisions for significant financial lease receivables to ensure compliance with the policies, procedures, and principles established by the Company and in accordance with TFRS 9 principles. We also assessed the calculations contained in these models with our financial risk experts. The approaches used in the models, including segmentation, lifetime expected default probabilities, default loss rates, and the reflection of macroeconomic expectations, were independently reviewed by our relevant experts.</p> <p>We conducted loan review procedures for a sample of selected credits to determine whether the classification of financial lease receivables according to current regulations is reasonable, to ascertain whether they are impaired, and to verify whether impairment provisions for these receivables have been established in a timely manner and in accordance with legislative provisions.</p>



Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for financial lease receivables (Continued)</p> <p>Provisions for expected losses on financial lease receivables are allocated collectively for similar financial lease receivables as of the balance sheet date, incorporating management's best estimates and past loss experience. For significant financial lease receivables, the provisions are evaluated on an individual basis.</p> <p>The reason for our focus on this area during our audit is the complexity involved in determining provisions for expected credit losses, including past loss experience, current conditions, and the creation and weighting of forward-looking macroeconomic scenarios; the size of the existing financial lease receivables; and the importance of correctly classifying these receivables based on their characteristics (stages) under current regulations and determining the provision for these receivables. The accurate and timely identification of default in financial lease receivables and other judgments and estimates made by management significantly impact the amount of provision for impairment recognized in the balance sheet, and therefore, this area has been considered a key audit matter.</p>	<p>Furthermore, we verified the consistency and reasonableness of provisions established for individually assessed financial lease receivables impaired according to the Company's practice using supportable data. We also assessed whether the key assumptions and other judgments underlying impairment calculations, which are based on discussions with the Company's management, are reasonable.</p> <p>We checked the consistency and adequacy of the notes to the financial statements relating to financial lease receivables and their impairment in the Company's financial statements.</p>



4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Two differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023. Accordingly, the accompanying financial statements are not intended to present fairly the financial position, results of operations, changes in equity and cash flows of the Company in accordance with IFRS.

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

Gökçe Yaşar Temel, SMMM
Independent Auditor

Istanbul, 1 February 2024

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AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

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

	ASSETS	Notes	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH BALANCES AND CENTRAL BANKS	3	462,061	2,286,895	2,748,956	71,920	2,263,172	2,335,092
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)		2,173,017	-	2,173,017	60,032	-	60,032
III.	DERIVATIVE FINANCIAL ASSETS	7	-	13,576	13,576	-	16,548	16,548
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		-	-	-	-	-	-
V.	FINANCIAL ASSETS MEASURED AT AMORTISED COST		6,822,866	12,566,568	19,389,434	3,590,202	8,050,775	11,640,977
5.1	Factoring Receivables		-	-	-	-	-	-
5.1.1	Discounted Factoring Receivables (Net)		-	-	-	-	-	-
5.1.2	Other Factoring Receivables		-	-	-	-	-	-
5.2	Savings Financing Receivables		-	-	-	-	-	-
5.2.1	From the Savings Fund Pool		-	-	-	-	-	-
5.2.2	From the Equity		-	-	-	-	-	-
5.3	Finance Loans		-	-	-	-	-	-
5.3.1	Consumer Loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Commercial Installment Loans		-	-	-	-	-	-
5.4	Lease Receivables (Net)	4	6,781,275	12,290,391	19,071,666	3,454,928	8,096,500	11,551,428
5.4.1	Financial Lease Receivables		9,875,532	13,728,733	23,604,265	4,796,421	8,902,111	13,698,532
5.4.2	Operating Lease Receivables		8,043	-	8,043	-	-	-
5.4.3	Unearned Income (-)		(3,102,300)	(1,438,342)	(4,540,642)	(1,341,493)	(805,611)	(2,147,104)
5.5	Other Financial Assets Measured at Amortized Cost		-	-	-	-	-	-
5.6	Receivables under Follow-up	4	125,194	505,363	630,557	210,388	163,774	374,162
5.7	Expected Credit Loss (-)	4	(83,603)	(229,186)	(312,789)	(75,114)	(209,499)	(284,613)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	PROPERTY AND EQUIPMENT (Net)	8	1,185,895	-	1,185,895	9,132	-	9,132
VIII.	INTANGIBLE ASSETS (Net)	6	21,037	-	21,037	8,952	-	8,952
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSET	24	112,084	-	112,084	-	-	-
XI.	DEFERRED TAX ASSET	24	-	-	-	15,558	-	15,558
XII.	OTHER ASSETS	9	2,042,819	1,631,851	3,674,670	1,078,474	1,483,148	2,561,622
	SUB TOTAL		12,819,779	16,498,890	29,318,669	4,834,270	11,813,643	16,647,913
XIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	8	25,835	-	25,835	25,835	-	25,835
13.1	Held for sale		25,835	-	25,835	25,835	-	25,835
13.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		12,845,614	16,498,890	29,344,504	4,860,105	11,813,643	16,673,748

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

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

	LIABILITIES	Notes	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	BORROWINGS	10	7,184,637	14,265,926	21,450,563	3,321,627	9,561,777	12,883,404
II.	FACTORING LIABILITIES		-	-	-	-	-	-
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASE PAYABLES (Net)	15	967	-	967	82	-	82
V.	SECURITIES ISSUED (Net)	11	2,898,396	-	2,898,396	715,365	-	715,365
VI.	FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	7	-	238,078	238,078	-	107,514	107,514
VIII.	DERIVATIVE FINANCIAL LIABILITIES	13	42,272	-	42,272	22,519	-	22,519
8.1	PROVISIONS		-	-	-	-	-	-
8.2	Restructuring Provisions	13	37,632	-	37,632	22,519	-	22,519
8.3	Reserve for Employee Benefits		-	-	-	-	-	-
8.4	General Loss Provisions	13	4,640	-	4,640	-	-	-
IX.	Other Provisions		-	-	-	65,904	-	65,904
X.	CURRENT TAX LIABILITY		146,251	-	146,251	-	-	-
XI.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	12	846,271	764,727	1,610,998	143,146	741,770	884,916
XIII.	OTHER ASSETS		11,118,794	15,268,731	26,387,525	4,268,643	10,411,061	14,679,704
	MEDIUM TOTAL		-	-	-	-	-	-
13.1	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.2	Held for Sale Purpose		-	-	-	-	-	-
XIV.	Related to Discontinued Operations	16	2,956,979	-	2,956,979	1,994,044	-	1,994,044
14.1	SHAREHOLDERS' EQUITY	16	373,400	-	373,400	373,400	-	373,400
14.2	Paid-in capital	16	(13,393)	-	(13,393)	(13,393)	-	(13,393)
14.2.1	Capital Reserves		-	-	-	-	-	-
14.2.2	Share Premium		-	-	-	-	-	-
14.2.3	Share Cancellation Profits		(13,393)	-	(13,393)	(13,393)	-	(13,393)
14.3	Other Capital Reserves		(4,418)	-	(4,418)	(4,418)	-	(4,418)
14.4	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	-	-	-
14.5	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1,638,455	-	1,638,455	968,183	-	968,183
14.5.1	Profit Reserves		84,109	-	84,109	75,474	-	75,474
14.5.2	Legal Reserves		-	-	-	-	-	-
14.5.3	Status Reserves		1,554,346	-	1,554,346	892,709	-	892,709
14.5.4	Extraordinary Reserves		-	-	-	-	-	-
14.6	Other Profit Reserves		962,935	-	962,935	670,272	-	670,272
14.6.1	Income or Loss		-	-	-	-	-	-
14.6.2	Prior Periods' Income or Loss		962,935	-	962,935	670,272	-	670,272
	TOTAL LIABILITIES		14,075,773	15,268,731	29,344,504	6,262,687	10,411,061	16,673,748

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

AK FİNANSAL KİRALAMA A.Ş.

OFF-BALANCE SHEET ITEMS FOR THE PERIOD 31 DECEMBER 2023 AND 2022

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

	OFF-BALANCE SHEET ACCOUNTS	Notes	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	RISK ASSUMED FACTORING TRANSACTIONS		-	-	-	-	-	-
II.	FACTORING TRANSACTIONS WHERE THE RISK IS NOT ASSUMED		-	-	-	-	-	-
III.	SAVINGS FINANCING CONTRACT TRANSACTIONS		-	-	-	-	-	-
IV.	GUARANTEES RECEIVED		8,708,243	86,211,393	94,919,636	8,725,554	54,841,577	63,567,131
V.	GUARANTEES GIVEN	14	3,804,520	1,339,516	5,144,036	987,589	1,670,845	2,658,434
VI.	COMMITMENTS	14	1,159,723	1,081,558	2,241,281	713,205	1,506,796	2,220,001
6.1	Irrevocable Commitments		-	-	-	-	-	-
6.2	Revocable Commitments		1,159,723	1,081,558	2,241,281	713,205	1,506,796	2,220,001
6.2.1	Lease Commitments		1,159,723	1,081,558	2,241,281	713,205	1,506,796	2,220,001
6.2.1.1	Financial Leasing Commitments		625,334	1,081,558	1,706,892	713,205	1,506,796	2,220,001
6.2.1.2	Operating Lease Commitments		534,389	-	534,389	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS		244,300	6,869,672	7,113,972	917,065	5,474,665	6,391,730
7.1	Derivative Financial Instruments for Hedging Purposes	7	-	-	-	-	560,949	560,949
7.1.1	Fair Value Hedge Transactions		-	-	-	-	560,949	560,949
7.1.2	Cash Flow Hedging Transactions		-	-	-	-	-	-
7.1.3	Transactions for Hedging Net Investment in Foreign Countries		-	-	-	-	-	-
7.2	Trading Transactions	7	244,300	6,869,672	7,113,972	917,065	4,913,716	5,830,781
7.2.1	Dated Trading Transactions		-	-	-	-	-	-
7.2.2	Swap Trading Transactions		244,300	6,869,672	7,113,972	917,065	4,913,716	5,830,781
7.2.3	Trading Options Transactions		-	-	-	-	-	-
7.2.4	Futures Trading Transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	ENTRUSTED ASSETS		13,693	-	13,693	2,380	-	2,380
	OFF-BALANCE SHEET TOTAL		13,930,479	95,502,139	109,432,618	11,345,793	63,493,883	74,839,676

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD 31 DECEMBER 2023

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

INCOME AND EXPENSE ITEMS		Notes	Audited Current Period 31 December 2023	Audited Prior Period 31 December 2022
I.	OPERATING INCOME		3,402,632	1,311,526
	FACTORING INCOME		-	-
1.1	Interest Received from Factoring Receivables		-	-
1.1.1	Discounted		-	-
1.1.2	Other		-	-
1.2	Fees and Commissions Received from Factoring Receivables		-	-
1.2.1	Discounted		-	-
1.2.2	Other		-	-
	FINANCE LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME	17	3,402,632	1,311,526
1.5	Financial Lease Income		3,188,602	1,237,761
1.6	Operational Lease Income		74,364	-
1.7	Fees and Commissions Received from Lease Transactions		139,666	73,765
	SAVING FINANCE INCOME		-	-
1.8	Dividends Received from Savings Financing Receivables		-	-
1.9	Fees and Commissions Received from Savings and Financing Activities		-	-
II.	FINANCIAL EXPENSES (-)	18	(2,837,220)	(998,772)
2.1	Dividends Given to the Savings Fund Pool		-	-
2.2	Interest on Funds Borrowed		(2,358,826)	(878,349)
2.3	Interest on Factoring Payables		-	-
2.4	Financial Lease Expense		(306)	(182)
2.5	Interest on Securities Issued		(478,088)	(120,241)
2.6	Other Interest Expenses		-	-
2.7	Fees and Commissions Given		-	-
III.	GROSS INCOME/(LOSS) (I+II)		565,412	312,754
IV.	OPERATING EXPENSE (-)	19	(298,105)	(133,381)
4.1	Personnel Expenses		(119,776)	(55,871)
4.2	Provision Expense for Employment Termination Benefits		(2,180)	(869)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(34,152)	(18,300)
4.5	Other		(141,997)	(58,341)
V.	GROSS OPERATING INCOME/ (LOSS) (III+IV)		267,307	179,373
VI.	OTHER OPERATING INCOME	21	11,209,160	5,713,413
6.1	Interest Received from Banks		94,957	90,406
6.2	Interest Received from Marketable Securities Portfolio		494,997	86,469
6.3	Dividend Income		-	-
6.4	Trading Gains on Securities		-	-
6.5	From Derivative Financial Transactions		194,918	339,653
6.6	Foreign Exchange Gains		10,280,687	5,002,140
6.7	Other		143,601	194,745
VII.	PROVISIONS	22	(157,953)	(92,183)
7.1	Specific Provisions		-	-
7.2	Expected Loss Provisions		(154,460)	(92,183)
7.3	General Loss Provisions		-	-
7.4	Other		(3,493)	-
VIII.	OTHER OPERATING EXPENSES (-)	21	(10,152,358)	(4,952,966)
8.1	Impairment of Marketable Securities		-	-
8.2	Impairment of Fixed Assets		-	-
8.3	Trading Losses on Securities		-	-
8.4	Loss from Derivative Financial Transaction		(301,447)	(137,524)
8.5	Foreign Exchange Loss		(9,850,911)	(4,815,442)
8.6	Other		-	-
IX.	NET OPERATING INCOME/EXPENSE (V+...+VIII)		1,166,156	847,637
X.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XI.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XII.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XIII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (IX+X+XI+XII)		1,166,156	847,637
XIV.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	24	(203,221)	(177,365)
14.1	Current Tax Provision		(41,412)	(120,690)
14.2	Deferred Tax Income Effect (+)		(161,809)	(56,675)
14.3	Deferred Tax Expense Effect (-)		-	-
XV.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XII±XIV)		962,935	670,272
XVI.	INCOME FROM DISCONTINUED OPERATIONS		-	-
16.1	Income from Non-current Assets Held for Sale		-	-
16.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
16.3	Income from Other Discontinued Operations		-	-
XVII.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
17.1	Expenses for Non-current Assets Held for Sale		-	-
17.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
17.3	Expenses for Other Discontinued Operations		-	-
XVIII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVI- XVII)		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
XXI.	NET INCOME/(LOSS) (XV+XX)		962,935	670,272
	Earning/(Loss) per share (in TL full)	23	0,0258	0,0180

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

AK FİNANSAL KİRALAMA A.Ş.**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AT 31 DECEMBER 2023 AND 2022**

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

	Notes	Audited Current Period 31 December 2023	Audited Prior Period 31 December 2022
I. Period (Loss)/ Profit		962,935	670,272
II. Other Comprehensive Expenses		-	-
2.1 Not Reclassified Through Profit or Loss		-	-
2.1.1 Property and Equipment Revaluation Increase/Decrease		-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease		-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss		-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-	-
2.2 Reclassified Through Profit or Loss		-	-
2.2.1 Foreign Currency Conversion Differences		-	-
2.2.2 Valuation and/or Reclassification Income/Expense of Financial Assets Measured at Fair Value through Other Comprehensive Income		-	-
2.2.3 Cash Flow Hedge Income/Loss		-	-
2.2.4 Hedge Income/Expense from Hedge of Investment in Foreign Operation		-	-
2.2.5 Other Items of Other Comprehensive Income to be Reclassified to Profit or Loss		-	-
2.2.6 Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss		-	-
III. Total Comprehensive Expense (I+II)		962,935	670,272

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 31 DECEMBER 2023 AND 2022

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

STATEMENTS OF CHANGES IN EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						
	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/(Loss)	Net Profit or Loss for the Period	Total Equity
PRIOR PERIOD (1 January – 31 December 2022) (Audited)														
I. Prior Period End Balance (31 December 2021)	373,400	-	-	(13,393)	-	(764)	-	-	-	-	744,175	-	224,008	1,327,426
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances (I+II)	373,400	-	-	(13,393)	-	(764)	-	-	-	-	744,175	-	224,008	1,327,426
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	670,272	670,272
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase Through Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Inflation Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease due to Other Changes	-	-	-	-	-	(3,654)	-	-	-	-	-	-	-	(3,654)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	224,008	-	(224,008)	-
11.1 Distributed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Amounts Transferred to Reserves	-	-	-	-	-	-	-	-	-	-	224,008	-	(224,008)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (31 December 2022)	373,400	-	-	(13,393)	-	(4,418)	-	-	-	-	968,183	-	670,272	1,994,044

1. Fixed assets accumulated revaluation gains/losses
2. Remeasurement of defined benefit plans' accumulated gains/losses
3. Other (Investments accounted by equity method's accumulated balances of other comprehensive income or expense that will not be reclassified subsequently to profit or loss and other comprehensive income or expense that will be reclassified subsequently to profit or loss),
4. Foreign currency translation differences
5. Accumulated revaluation of financial assets available for sale and/or classification gains/losses,
6. Other (Gains/Losses from cash flow hedge, Investments accounted by equity method's accumulated balances of other comprehensive income or expense that will not be reclassified subsequently to profit or loss and other comprehensive income or expense that will be reclassified subsequently to profit or loss).

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 31 DECEMBER 2023 AND 2022

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

STATEMENT OF CHANGES IN EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						
	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/(Loss)	Net Profit or Loss for the Period	Total Equity
CURRENT PERIOD (1 January – 31 December 2023) (Audited)														
I. Balance at the End of Prior Period (31 December 2022)	373,400	-	-	(13,393)	-	(4,418)	-	-	-	-	968,183	-	670,272	1,994,044
II. Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Error Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balance (I+II)	373,400	-	-	(13,393)	-	(4,418)	-	-	-	-	968,183	-	670,272	1,994,044
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	962,935	962,935
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase Through Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Inflation Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease due to Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	670,272	-	(670,272)	-
11.1 Distributed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Amounts Transferred to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	670,272	-	(670,272)	-
Balance at the End of the Period (31 December 2023)	373,400	-	-	(13,393)	-	(4,418)	-	-	-	-	1,638,455	-	962,935	2,956,979

1. Fixed assets accumulated revaluation gains/losses
2. Remeasurement of defined benefit plans' accumulated gains/losses
3. Other (Investments accounted by equity method's accumulated balances of other comprehensive income or expense that will not be reclassified subsequently to profit or loss and other comprehensive income or expense that will be reclassified subsequently to profit or loss),
4. Foreign currency translation differences
5. Accumulated revaluation of financial assets available for sale and/or classification gains/losses,
6. Other (Gains/Losses from cash flow hedge, Investments accounted by equity method's accumulated balances of other comprehensive income or expense that will not be reclassified subsequently to profit or loss and other comprehensive income or expense that will be reclassified subsequently to profit or loss).

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2023

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

	Notes	Audited Current Period 31 December 2023	Audited Prior Period 31 December 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I.1 Operating Profit Before Changes in Operating Assets and Liabilities		453,508	673,859
I.1.1 Interest Received/Lease Income		3,704,103	1,351,918
I.1.2 Interest paid/Lease Expenses		(2,837,220)	(998,772)
I.1.3 Leasing Expenses		-	-
I.1.4 Dividend received		-	-
I.1.5 Fees and Commissions received		139,666	73,765
I.1.6 Other income		10,500,832	5,638,319
I.1.7 Collections from previously written-off doubtful receivables		115,489	94,735
I.1.8 Payments to personnel and service suppliers		(94,043)	(41,760)
I.1.9 Taxes paid	24	(65,905)	(111,141)
I.1.10 Other		(11,009,414)	(5,333,205)
I.2 Changes in Operating Assets and Liabilities		(1,255,423)	127,433
I.2.1 Net (Increase)/Decrease in Factoring Receivables		-	-
I.2.2 Net (Increase)/Decrease in Financing Loans		-	-
I.2.3 Net (Increase)/Decrease in Lease Receivables		(7,599,640)	(3,857,432)
I.2.4 Net (Increase)/Decrease in Savings Finance Receivables		-	-
I.2.5 Net (Increase)/Decrease in Other Assets		(3,487,159)	(1,068,336)
I.2.6 Net increase/(decrease) in factoring payables		-	-
I.2.7 Net increase/(decrease) in lease liabilities		-	-
I.2.8 Net increase/(decrease) in funds borrowed		8,818,993	4,970,011
I.2.9 Net increase/(decrease) in overdue payables		-	-
I.2.10 Net increase/(decrease) in other payables		1,012,383	83,190
I. Net Cash Flow from Operating Activities		(801,915)	801,292
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Acquired Subsidiaries and Associates and Joint Ventures		-	-
2.2 Disposal of Subsidiaries and Associates and Joint Ventures		-	-
2.3 Purchased movable and immovable assets	5	(1,176,149)	(8,758)
2.4 Disposed Movable and immovable assets		-	-
2.5 Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.6 Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchased Financial Assets Measured at Amortized Cost		-	-
2.8 Financial Assets Measured at Amortized Cost		-	-
2.9 Other	6	(14,037)	(4,973)
II. Net cash flows from investing activities		(1,190,186)	(13,731)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash Provided From Loans And Securities Issued		6,642,393	2,372,441
3.2 Cash Outflow From Loans And Securities Issued		(4,264,988)	(1,647,114)
3.3 Issued Capital Instruments		-	-
3.4 Dividend Payments		-	-
3.5 Payments Related to Financial Lease		(5,542)	(2,862)
3.6 Other		-	-
III. Net Cash (Arising From)/Provided By Financing Activities		2,371,863	722,465
IV. Effect of foreign currency conversion differences on cash and cash equivalents		30,680	29,942
V. Net (Decrease)/Increase in Cash and Cash Equivalents		410,442	1,539,968
VI. Cash and Cash Equivalents at the Beginning of the Period		2,334,515	794,547
VII. Cash and Cash Equivalents at the End of the Period	3	2,744,957	2,334,515

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF PROFIT DISTRIBUTION AT 31 DECEMBER 2023 AND 2022

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

	Audited Current Period 31 December 2023	Audited Prior Period 31 December 2022
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 Current Year Income (*)	1,166,156	847,637
1.2 Taxes and Duties Payable	(203,221)	(177,365)
1.2.1 Corporate Tax (Income Tax)	(41,412)	(120,690)
1.2.2 Income Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	(161,809)	(56,675)
A. NET INCOME FOR THE YEAR (1.1 – 1.2)	962,935	670,272
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	-	-
1.5 Other Statutory Reserves (-) (**)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]	962,935	670,272
1.6 First Dividend to Shareholders (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 Dividends to Personnel (-)	-	-
1.8 Dividends to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	-
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
II. DISTRIBUTION OF RESERVES	-	-
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends to Shareholders (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 Dividends to Personnel (-)	-	-
2.5 Dividends to Board of Directors (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 To Owners of Ordinary Shares (TL)	-	-
3.2 To Owners of Ordinary Shares (%)	0,0258	0,0180
3.3 To Owners of Privileged Shares (TL)	-	-
3.4 To Owners of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 To Owners of Ordinary Shares (TL)	-	-
4.2 To Owners of Ordinary Shares (%)	-	-
4.3 To Owners of Privileged Shares (TL)	-	-
4.4 To Owners of Privileged Shares (%)	-	-

(*) Authorized body for profit distribution of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(**) The Banking Regulation and Supervision Agency has opined that income amounts related to deferred tax assets cannot be classified as cash or internal sources and therefore, the portion of the period profit arising from these assets should not be subject to dividend distribution or capital increase. As of 31 December 2023, the Company has a deferred tax expense of 161,809 TL arising from deferred tax assets (31 December 2022: 56,675 TL deferred tax expense).

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

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

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 license obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226, on 26 January 2005, the shares of the Company 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.

The parent of the Company is Akbank and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.Ş., and as at 31 December 2023, the Company employs 73 employees (31 December 2022: 64 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 2023 have been approved on 1 February 2024 by the Company management. The General Assembly and regulatory bodies have the right to change the approved financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Basis Of Presentation Of Financial Statements

Company prepares its financial statements in thousands of Turkish Lira (TL) and in accordance with 'Accounting Practices for Financial Leasing, Factoring and Financing Companies and Regulations for Financial Statements' published by Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 24 December 2013, numbered 28861 and in accordance with Regulations, communiqués, circulars and statements issued by the BRSA; and in matters not regulated by these in accordance with "BRSA Accounting and Financial Reporting Legislation". The financial statements of financial leasing, factoring finance and saving financing companies are prepared and disclosed to the public in accordance with the formats determined by the BRSA for these companies. And in accordance with Turkish Accounting Standard 34 ("TAS 34") /Turkish Financial Reporting Standards ("TFRS").

The Public Oversight, Accounting and Auditing Standards Authority announced on 23 November 2023, that entities applying Turkish Financial Reporting Standards should prepare their financial statements for annual reporting periods ending on or after 31 December 2023, in accordance with the Financial Reporting Standard for High Inflation Economies (TAS 29). However, regulatory bodies authorized to regulate and supervise in their respective fields may determine different transition dates for the application of TAS 29 provisions. The Banking Regulation and Supervision Agency (BRSA), in line with this announcement by the Public Oversight, Accounting and Auditing Standards Authority, decided in its decision numbered 10744 dated 12 December 2023, that banks and financial leasing, factoring, financing, savings finance, and asset management companies should not be subject to the inflation adjustment required under TAS 29 for their financial statements as of 31 December 2023. In accordance with BRSA's decision numbered 10825 dated 11 January 2024, banks and financial leasing, factoring, financing, savings finance, and asset management companies are to transition to inflation accounting as of 1 January 2025.

The preparation of financial statements requires estimates and assumptions that affect the amounts of reported assets and liabilities or declared contingent assets and liabilities as of the balance sheet date and the amounts of income and expenses reported in the related period. These estimates are based on managements' best judgements and information; however, actual results may vary from these estimates.

The financial statements have been prepared on historical cost basis except for the derivative financial instruments and investment funds which are measured at fair value.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

Explanation for convenience translation into English:

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Two differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023. Accordingly, the accompanying financial statements are not intended to present fairly the financial position, results of operations, changes in equity and cash flows of the Company in accordance with IFRS.

2.2 Changes in Accounting Policies

2.2.1 Comparatives and changes in presentation of prior periods' financial statements

The Company's financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. The Company prepared its condensed balance sheet as of 31 December 2023 and the condensed statement of comprehensive income, condensed equity movement and condensed cash flow statement for the period between 1 January – 31 December 2023.

2.2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively by restating the prior period financial statements. There are no significant changes in accounting policies of the Company within the current period other.

2.2.3 Change in accounting estimates and errors

The effect of a change in an accounting estimate is recognized prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There are no significant changes in the accounting estimates within the current period of the Company. Material prior period errors are corrected retrospectively and financial statements of previous period are restated.

2.2.4 Amendments in standards and interpretations

New and Revised standards and interpretations

The accounting policies used in the preparation of the financial statements for the accounting period ending as of 31 December 2023 have been applied consistently with those used in the previous year, except for the new and revised TFRS standards and TFRYK interpretations valid as of 1 January 2020, which are summarised below. The effects of these standards and interpretations on the financial status and performance of the Company are explained in the relevant paragraphs.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

a) *Standards, amendments, and interpretations applicable as of 31 December 2023:*

Explanations regarding the effects of the new Turkish Accounting Standards (TAS/TFRS) on the financial statements:

- a. The title of the TAS/TFRS,
 - b. Confirmation that any changes in accounting policies have been made in accordance with the relevant transitional provisions,
 - c. Explanation of the change in accounting policy,
 - d. Explanation of any transitional provisions, if applicable,
 - e. Explanation of the potential effects of transitional provisions on future periods, if applicable,
 - f. As far as possible, correction amounts for each affected financial statement item should be presented for each current and prior period:
 - i. Should be presented for each affected financial statement item, and
 - ii. If the TAS 33, Earnings Per Share standard is applicable to the company, basic and diluted earnings per share amounts should be recalculated.
 - g. If possible, correction amounts for prior periods not presented and the retrospective application for any period or periods where it is not possible should be explained, including the events leading to this situation, and how and from which date the change in accounting policy was applied should be disclosed.
- **Narrow scope amendments to TAS 1, Practice Statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
 - **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
 - **Amendment to TAS 12 - International tax reform ;** The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
 - **TFRS 17, 'Insurance Contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

However, in its letter dated 6 April 2023, sent to the Association of Insurance, Reinsurance, and Pension Companies (TSRŞB), the Public Oversight, Accounting and Auditing Standards Authority (POA) has stated that it is deemed appropriate for insurance and reinsurance companies, pension companies, banks with investments/partnerships in these companies, and other companies with investments/partnerships in these companies to apply TFRS 17 in their consolidated and individual financial statements as of 1 January 2024.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

b) *Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023:*

- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- **Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- **Amendments to TAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- **TFRS 1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- **TFRS 2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The Public Oversight, Accounting and Auditing Standards Authority (POA) announced in its Board Decision published in the Official Gazette dated 29 December 2023, that certain entities will be required to comply with mandatory sustainability reporting as of 1 January 2024. In accordance with the "Board Decision on the Scope of Application of Turkey Sustainability Reporting Standards (TSRS) dated 5 January 2024," entities subject to sustainability reporting are listed for the purpose of determining the entities subject to sustainability reporting.

The new standards, amendments, and interpretations effective as of 1 January 2024, are not expected to have a significant impact on the Company's financial statements.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions

Preparation of the financial statements requires estimates and judgements about the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgements are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates. Estimates are reviewed regularly, adjusted if necessary, and are reflected in the income statement in the period in which they are realised.

Cash and Cash Equivalents

Cash and cash equivalents are reflected in the balance sheet at cost values. Cash and cash equivalents include cash on hand, bank deposits, and short-term investments with a maturity of 3 months or less that are easily convertible into cash, have high liquidity, and have insignificant risk of value fluctuations.

Related Parties

In these financial statements, entities with which the Company's shareholders and entities having direct and/or indirect capital relationships with the Company, senior management of the Company, and members of the Board of Directors, their families, and entities controlled or significantly influenced by them are considered 'related parties.' Transactions with related parties have been conducted during the period in accordance with market conditions and at market prices (Notes 25).

Leasing Transactions

(i) Lessor Position

In financial leasing, the leased asset is recognized in the financial statements as a receivable equal to the net lease investment. The financial income related to the financial lease is determined to yield a fixed periodic return on the net investment in the financial lease. The lease payments received are deducted from the gross lease investment amount, reducing both the principal and the unearned financial income.

The unearned financial income is the difference between the gross lease investment and the present value of the gross investment at the implicit interest rate in the lease. The implicit interest rate is the discount rate that equates the present value of the minimum lease payments plus the unguaranteed residual value to the total of the fair value of the leased asset and initial direct costs at the inception of the lease.

(ii) Lessee Position

The tangible fixed asset obtained through financial leasing is recognized on the balance sheet at the lower of the fair value of the asset at the beginning of the lease term, after deduction of tax advantages or incentives, or the discounted value of minimum lease payments at that date. Principal lease payments are recognized as liabilities and reduced as they are paid. Interest payments are expensed in the income statement throughout the financial lease term. Tangible fixed assets obtained through financial lease agreements are depreciated over the useful life of the asset.

Classification and Measurement of Financial Instruments

According to TFRS 9 standard, the classification and measurement of financial assets depend on the business model in which the financial asset is managed and whether the contractual cash flows represent solely principal and interest on the principal amount outstanding.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Financial Assets

The Company classifies and accounts for its financial assets as "Financial Assets at Fair Value through Profit or Loss," "Financial Assets at Fair Value through Other Comprehensive Income," or "Financial Assets Measured at Amortized Cost." These financial assets are recognized and derecognized in accordance with the provisions of the third section of the "TFRS 9 Financial Instruments" standard published in the Official Gazette (Repeated) dated 15 January 2019, by the Public Oversight Accounting and Auditing Standards Authority, regarding the classification and measurement of financial instruments. Financial assets are initially measured at fair value when first recognized in the financial statements. Transaction costs are included in or deducted from the fair value of financial assets, except for "Financial Assets at Fair Value through Profit or Loss."

The Company recognizes a financial asset in the statement of financial position only when it becomes a party to the contractual provisions of the financial instrument. Upon initial recognition of a financial asset in the financial statements, the Company considers the business model determined by management and the characteristics of the contractual cash flows of the financial asset. When there is a change in the business model determined by management, all financial assets affected by this change are reclassified, and the reclassification is applied prospectively. In such cases, there is no adjustment made to any previously recognized gains, losses, or interest for financial assets that have been recognized in the financial statements.

a. *Financial Assets at Fair Value Through Profit or Loss*

Financial assets classified as "Financial Assets at Fair Value Through Profit or Loss" are those managed under a business model aimed at both collecting contractual cash flows and realizing gains from the collection and sale of contractual cash flows, as well as those managed under other models not aimed at collecting contractual cash flows or only cash flows arising from principal and interest. These assets are acquired with the intention of earning profits from short-term fluctuations in market prices and similar factors, regardless of the reason for acquisition, or are part of a portfolio aimed at generating short-term profits. Financial assets at fair value through profit or loss are initially recognized at their fair values and subsequently measured at fair values upon initial recognition. Gains and losses arising from valuation are recognized in profit or loss accounts.

Financial assets consisting of derivative instruments that are not designated as effective hedging instruments are also classified as financial assets at fair value through profit or loss.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets that are held within a business model aimed at both collecting contractual cash flows and selling the financial asset but whose contractual terms result in cash flows consisting solely of principal and interest payments on specified dates are classified as financial assets at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are initially recognized at their acquisition cost, which includes transaction costs in addition to reflecting their fair value. Subsequently, these financial assets are measured at their fair value after initial recognition.

Upon initial recognition in the financial statements, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity instrument not held for trading purposes in other comprehensive income. If this election is made, dividends received from such investment are recognized in profit or loss in the financial statements.

c. Financial Assets Measured at Amortized Cost

Financial assets that are held within a business model aimed at collecting contractual cash flows and whose contractual terms result in cash flows consisting solely of principal and interest payments on specified dates are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at their acquisition cost, which includes transaction costs, and subsequently measured at amortized cost using the effective interest rate method after initial recognition. Interest income related to financial assets measured at amortized cost is recognized in the income statement.

d. Derivative Financial Assets

The Company primarily engages in derivative transactions such as foreign exchange swaps, interest rate swaps, cross-currency swaps, and forward foreign exchange contracts.

Derivative instruments of the Company are classified under "Financial Assets at Fair Value Through Profit or Loss" or "Financial Assets at Fair Value Through Other Comprehensive Income" in accordance with "TFRS 9 Financial Instruments" ("TFRS 9").

The receivables and payables arising from derivative transactions are recorded in off-balance sheet accounts based on the contract amounts.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

d. Derivative Financial Assets (Continued)

Derivative transactions are revalued at their fair values in subsequent periods after initial recognition. Depending on their classification, derivative instruments are presented either within the "Portion of Fair Value Changes of Derivative Financial Assets Recognized in Profit or Loss" or "Portion of Fair Value Changes of Derivative Financial Assets Recognized in Other Comprehensive Income" if their fair value is positive, or within the "Portion of Fair Value Changes of Derivative Financial Liabilities Recognized in Profit or Loss" or "Portion of Fair Value Changes of Derivative Financial Liabilities Recognized in Other Comprehensive Income" if their fair value is negative. Differences in fair value changes of derivative financial assets recognized in profit or loss are accounted for in the income statement under the commercial profit/loss item. The principles for accounting for derivative instruments for hedging purposes are explained in Note 7. The fair value of derivative instruments is determined by considering market prices or by using the discounted cash flow model. In case of inactive market conditions, observable inputs are adjusted considering appropriate assumptions and the activity level and depth in markets where these inputs are observed.

Assessments regarding whether contractual cash flows include only principal and interest payments on the principal amount outstanding

In line with this assessment, "Principal" is defined as the fair value of the financial asset upon initial recognition in the financial statements. "Interest" considers the costs for the time value of money, credit risk associated with the principal amount over a specified period, other basic credit risks, and costs for profit margin (such as liquidity risk and administrative costs).

In evaluating contractual cash flows that include only principal and interest payments, the Company considers the contractual terms of the financial asset. This assessment includes determining whether the contract contains a provision that could modify the timing or amount of cash flows arising from the contract. In conducting this assessment, the Company takes into account the following:

- Events that could modify the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Conditions restricting the Company's access to cash flows from specific assets
- Characteristics to be considered in measuring the time value of money (e.g., periodic resetting of interest rates)

The Company applies the procedures described above to fulfill the criteria for classification and measurement of all financial assets.

Upon initial recognition in the financial statements, each financial asset is classified as either measured at fair value through profit or loss or measured at amortized cost, reflecting the fair value or amortized cost, respectively.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Financial Asset Impairment

As of 1 January 2019, the Company, in accordance with the "Regulation on the Classification of Loans and the Principles and Procedures for Setting Aside Provisions for These", recognizes expected credit loss provisions for credit commitments and non-cash loans that are not subject to fair value changes in profit or loss, together with all financial assets measured at amortized cost and fair value through other comprehensive income by reflecting their amortized cost and fair value changes through other comprehensive income, in accordance with the provisions of TFRS 9.

Expected Credit Loss ("ECL")

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

The measurement of expected credit losses reflects:

- The time value of money
- Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions as of the reporting date

Since 1 January 2019, the Company has notified the Banking Regulation and Supervision Agency (BRSA) to apply the expected credit loss provision calculation model under the scope of TFRS 9, as defined in Article 6/A of the relevant regulation, for finance lease receivables. The new model is based on a "three-stage" impairment model relying on changes in credit quality after initial recognition:

Stage 1:

Financial assets that have not experienced a significant increase in credit risk since initial recognition or subsequent initial recognition in the financial statements. For these assets, the credit risk impairment provision is recognized based on the 12-month expected credit loss.

Stage 2:

In case of a significant increase in credit risk after initial recognition in the financial statements, the relevant financial asset is transferred to Stage 2. The credit risk impairment provision is determined based on the lifetime expected credit loss for the respective financial asset. The following key criteria are considered for the classification of a financial asset in Stage 2:

- Number of days past due being 30 days or more
- Restructuring of the credit account
- Placement of the credit on watchlist

Stage 3:

Stage 3 includes financial assets that have evidence of impairment as of the reporting date. For these assets, the lifetime expected credit loss will be recognized.

The Company conducts individual assessments for finance lease receivables classified as Stage 2 and Stage 3 with a total risk exceeding 5,000 TL, and accordingly, sets aside expected credit loss provisions. During this assessment process, the Company's management decides on the necessity of making additional provisions or reducing provisions.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Default Definition:

It refers to a delay of more than 90 days in payment of the debt. In addition, the assessment that the debtor will not be able to repay the debt is also included in the default definition, regardless of the number of days of delay.

Write-off Policy:

The complete write-off of a financial asset essentially applies to finance lease receivables that have defaulted and for which there is no expectation of recovery, as well as to finance lease receivables classified in the "Non-performing Receivables" accounts in cases where these expectations are legally documented or in situations where the provision rate is 100% for all follow-up receivables resulting from abuse and fraud.

Partial write-off transactions, on the other hand, refer to the removal from the financial statements of the portion of a financial asset for which there is a mutual agreement with the debtor to repay a specific amount, and after the payment of this amount, the remaining portion or the portion classified in the "Non-performing Receivables" accounts for which there are no reasonable expectations of recovery.

Significant Increase in Credit Risk

In the event that there is a significant increase in credit risk for financial assets, these assets are transferred to Stage 2. The expected loss (provision) amounts are calculated for loans in Stage 1 for one year, whereas for loans in Stage 2, the remaining entire term is taken into account.

Expected Credit Loss (ECL) Calculation -Inputs and Estimation Methodologies:

Expected Credit Loss (ECL) is calculated either over a 12-month period or over the lifetime of the financial asset, depending on whether there has been a significant increase in credit risk since initial recognition or if an asset is considered credit-impaired. Expected credit loss is calculated using components such as Default Amount, Default Rate, and Loss Given Default.

- **Default Amount:** It represents the amount of risk that the borrower would be required to pay in the event of default. It is calculated over the remaining term of the borrower and stored in the system. For non-cancelable commitment products, the calculated credit conversion rate (CCR) is used to add additional risk amount that could arise in the event of default to the default amount during calculations.
- **Default Rate:** It indicates the probability of default due to the borrower's failure to meet its obligations. Depending on whether there is an increase in the borrower's credit risk, a 12-month or lifetime estimation is made. Lifetime default rate calculation is performed by extrapolating past data using various functions to smooth out actual default rate figures over the long term.
- **Loss Given Default (LGD):** It is calculated as the ratio of the expected loss amount in the event of default to the default balance. Loss given default models include data such as product type, customer segment, collateral structure, and customer credit performance. The calculated LGD value remains constant throughout the remaining term of the customer.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Expected credit loss, default amount, default rate, and loss components in default are calculated for the remaining term. The calculated values are discounted to the reporting date on a monthly basis using the discount rate, original effective interest rate, or an approximate value of this rate. The expected credit loss value is calculated for all customers throughout the term.

However, for those with no significant increase in credit risk, the 12-month expected credit loss is considered, while for those with a significant increase in credit risk, the expected credit loss value calculated for the remaining term is taken into account.

Under TFRS 9, models for Default Amount, Default Rate, and Loss in Default have been developed. The models developed under TFRS 9 have a detailed segment structure. Loans with similar characteristics have been segmented to collectively recognize expected credit losses in the financial statements. When creating the segmentation structure, the following information about the loans is considered.

1. Customer type
2. Product type
3. Customer credit performance indicators
4. Collateral type
5. Collection period
6. Default amount

Additionally, under TFRS 9, a portion of the finance lease receivables is subject to individual assessment on a customer-by-customer basis in the calculation of expected credit losses. This calculation is performed by discounting the expected cash flows from the customer or collateral disposals to their present value at the effective interest rate.

Macroeconomic indicators are taken into account in determining the default rate component in the calculation of expected credit losses. Macroeconomic indicators vary by product for individual products and by segment for commercial products. Forward-looking macroeconomic forecasts are reflected in expected credit losses using multiple scenarios.

Forward-looking macroeconomic information is included in the risk parameters used in TFRS 9 calculations. When incorporating macroeconomic information, models and forecasts reflecting the relationships between model risk parameters and macroeconomic variables are taken into account. The primary macroeconomic indicators that form these forecasting models include Gross Domestic Product (GDP) growth rate. The macroeconomic forecasting models contain multiple scenarios, and the relevant scenarios are considered in the calculation of expected credit losses.

The calculation of expected credit losses is reviewed at least annually, and during the reporting period, the macroeconomic model used in the process has been updated.

- There have been no changes in the assumptions in the estimation techniques. The macroeconomic model used in the process has been redesigned. Indicator data used in the macroeconomic model has been changed, and additional indicators have been added to the data used.
- Model risk parameters and macroeconomic forecasting models have been updated with recent data.
- Expected credit loss calculation is performed considering 3 different scenarios: good, bad, and base.

Under TFRS 9, macroeconomic expectations directly affect provisions (Expected Credit Losses - ECL). This effect occurs through the movement of the Company's default rate, which is calculated on a credit-by-credit basis and for each term, either upward or downward. The main parameters of the default rate model are the "Growth Rate." Therefore, calculated provisions may change when considering forward-looking macroeconomic expectations.

Three scenarios are used for forward-looking expectations. The ultimate provisions are calculated by weighting the scenarios based on the probabilities assigned to each scenario.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Assets Held for Sale

Assets classified as assets held for sale (or as a group of assets held for sale) are measured at the lower of their carrying amount and fair value less costs to sell. For an asset to be classified as an asset held for sale, it must be in a condition where it is readily marketable and sale is highly probable, under commonly encountered and customary conditions for the sale of such assets. Additionally, the asset must be actively marketed at a price that is consistent with its fair value. Assets held for sale as of 31 December 2023, and 2022, are measured at their carrying amount.

Impairment losses on assets classified as held for sale and gains or losses arising from subsequent revaluations are recognized in the income statement (Note 8).

Interest Income and Expenses

Interest income and expenses are recognized on an accrual basis.

Borrowing Costs

All borrowing costs are recorded in the income statement in the periods they are incurred.

Foreign Currency Transactions

Foreign currency transactions are translated into Turkish Lira at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates determined by the Central Bank of the Republic of Turkey at the end of the period. Foreign exchange gains or losses arising from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Property, Plant, and Equipment

Property, plant, and equipment are presented at their net carrying amount after accumulated depreciation from their inflation-adjusted costs until 31 December 2004. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives of these assets are as follows:

Useful lives:

Furniture and fixtures	4-10 years
Vehicles	5 years
Plants, machinery and equipment	3-10 years
Special costs	The shorter of the project duration or useful life

Profits and losses resulting from the sale of tangible fixed assets are included in other operating income and expenses accounts.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Intangible assets

Intangible assets comprise acquired rights. These are recorded at cost and are amortized on a straight-line basis over their useful lives, starting from the date of acquisition.

Useful life:

Rights 3-15 years

Intangible assets are depreciated using the straight-line method over estimated useful lives ranging from 3 to 15 years.

In the event of impairment, the carrying value of non-current intangible assets is reduced to their recoverable amount.

Employee benefits

The Company accounts for its obligations related to severance pay and leave entitlements in accordance with "Turkish Accounting Standard for Employee Benefits" ("TAS 19") and classifies them under the "Provision for Employee Benefits" account on the balance sheet.

The Company, in accordance with the current Labor Laws in Turkey, is obligated to make a specific lump-sum payment to employees whose employment is terminated due to retirement, resignation, or reasons other than those specified in the Labor Law. The provision for severance pay is calculated at its present value using specific actuarial assumptions for the potential liabilities that may arise under this Law and is reflected in the financial statements (Note 6).

The Company is obliged to pay mandatory social security premiums to the Social Security Institution. As long as the Company pays these premiums, it has no other liabilities. These premiums are recognized as personnel expenses when they accrue.

Taxes calculated on corporate income

Income Taxes

Corporate income tax is calculated in accordance with the Tax Procedure Law, and tax expenses other than this tax are accounted for within operating expenses.

Offsetting current tax assets with current tax liabilities is done when there is a legal right to offset or when the assets and liabilities are associated with income taxes collected by the same tax authority (Notes 26).

In accordance with Article 298/A of the Tax Procedure Law, the conditions required for inflation adjustment in corporate income tax calculations were met as of the end of the 2021 calendar year. However, with the regulation made by Law No. 7352 dated 20 January 2022, the application of inflation adjustment in corporate income tax calculations has been postponed to 2023. Accordingly, financial statements prepared under the Tax Procedure Law for the years 2021 and 2022, including interim tax periods, were not subject to inflation adjustment, while financial statements as of 31 December 2023, will be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have been met. The profit/loss difference arising from inflation adjustment in the TPL financial statements will not affect the corporate income tax base.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Deferred tax

The Company calculates and accounts for deferred taxes in accordance with the "International Accounting Standard for Income Taxes" ("TAS 12") and related explanations by the Banking Regulation and Supervision Agency (BRSA) for taxable temporary differences arising between the carrying amount of an asset or liability and its tax base.

The Company recognizes deferred tax assets in its financial statements for tax losses that will be realized through future taxable profits.

The main items creating temporary differences consist of differences in the valuation of financial instruments, differences between the carrying amount of tangible assets and their tax value, provisions for doubtful debts, and provisions for employee benefits.

The Company has calculated deferred tax on the portfolio of receivables classified as impaired, which were existing before 1 January 2019, based on the assumption that they will be taxable in the future through collection and/or sale, and added to the corporate tax base. This practice has changed as of 1 January 2019, and expenses related to expected credit loss provisions calculated for Stage 3 are directly associated with corporate income tax and deducted from the tax base.

The deferred tax asset or liability is recognized in the financial statements based on estimated future increases or decreases in tax amounts that will be paid in future periods when the temporary differences reverse. The deferred tax asset is recognized in the financial statements if it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized (Note 24).

In cases where there is a legally applicable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset against each other.

Provisions

Provisions are recognized in the financial statements of the Company when, as a result of past events, the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic resources will be required to settle the obligation.

Contingent Liabilities and Assets

Contingent liabilities, which do not represent a high probability of outflow of resources, are not recognized in the financial statements but are disclosed in the notes. Contingent assets are also not recognized in the financial statements but are disclosed in the notes if it is probable that an inflow of economic benefits will arise.

Capital and Dividends

Ordinary shares are classified as equity. Dividends distributed on ordinary shares are recorded when declared.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)

Accounting for Revenue and Expenses

Income and expenses are accounted for on an accrual basis.

Financial lease income

In finance leases, the leased asset is recognized in the financial statements as a receivable equal to the net investment in the lease. The finance income relating to the finance lease is determined in such a way as to provide a constant periodic return on the net investment in the lease. Lease payments received are deducted from the gross investment in the lease, reducing both the principal and the unearned finance income. The unearned finance income represents the difference between the gross investment in the lease, calculated at the implicit interest rate in the lease, and the present value of the gross investment. The implicit interest rate is the discount rate that, at the commencement of the lease, equalizes the aggregate of the minimum lease payments and the unguaranteed residual value to the fair value of the leased asset and any initial direct costs.

Financial liabilities

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

Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Events after the balance sheet date

Events that occur after the balance sheet date and could affect the Company's financial position as of the balance sheet date (adjusting events) are reflected in the accompanying financial statements. Non-adjusting events are disclosed in the notes if they are considered significant.

In preparing the financial statements, the Company's management is required to make assumptions and estimates that affect the amounts of assets and liabilities reported as of the balance sheet date, as well as the income and expense amounts for the reporting period. While these assumptions and estimates are based on the best information available to the Company's management regarding current events and transactions, actual results may differ from these assumptions and estimates. Assumptions and estimates are regularly reviewed, necessary adjustments are made, and they are reflected in the income statement for the period in which they occur.

Earnings per share

Earnings per share is calculated by dividing the Company's net income for the period by the weighted average number of shares outstanding during the period. In Turkey, companies can increase their capital by distributing past years' profits to existing shareholders ("Bonus Shares"). Bonus shares are considered as issued shares in the calculation of earnings per share. Therefore, the weighted average number of shares used in these calculations has been determined taking into account the past effects of share distributions. Earnings per share is calculated by dividing the Company's net income for the period by the weighted average number of shares outstanding during the period (Note 23).

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.3 Critical Accounting Judgements, Estimates and Assumptions (Continued)****Accounting Treatment of Revenues and Expenses**

Significant accounting assessments and estimates used in the preparation of financial statements are explained below:

Recognition of Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that the related tax benefit will be realized. The amount of future taxable profits and the amount of probable tax benefits are based on the Company's medium-term business plan prepared by Management and subsequent estimates. The business plan is based on Management's reasonable expectations under current conditions. The Company calculates deferred tax for the portfolio of receivables for which it is assumed that they will be taxable through collection and/or sale in the future, added to the corporate tax base (Note 24).

Segment Reporting of Financial Information

A segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the same entity. The results of a segment are reviewed regularly by the highest authority of the entity that is able to make decisions about the segment's activities, and the segment's performance is measured and its financial information is available.

Since the Company's activities are entirely based on financial leasing activities and are conducted in a single geographic region, Turkey, segment reporting has not been performed.

2.4 Classifications

In order to facilitate the determination of financial position and performance trends, the current period financial statements of the Company are prepared comparatively with the prior period. Comparative information is reclassified when necessary to ensure comparability with the presentation of the current period's financial statements.

3 – CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Banks	2,749,904	2,335,741
- <i>Time deposits</i>	2,295,062	2,291,295
- <i>Demand deposits</i>	454,842	44,446
Expected credit loss provision	(948)	(649)
	2,748,956	2,335,092

As of 31 December 2023, the Company's time deposits are short-term, with effective interest rates weighted at approximately 4.28%, 1.89%, and 37% for US Dollars, Euros, and Turkish Lira, respectively. (31 December 2022: US Dollars 1.74%, Euros 1.08%, and Turkish Lira 17%).

As of 31 December 2023, and 31 December 2022, there are no restrictions on bank deposits.

The cash and cash equivalents used in preparing the cash flow statement do not include interest accrued on time deposits. As of 31 December 2023, the total amount of cash and cash equivalents is 2,744,957 TL (31 December 2022: 2,334,515 TL).

AK FİNANSAL KİRALAMA A.Ş.**NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023**

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

4 - FINANCE LEASE AND NON-PERFORMING LOANS

	31 December 2023	31 December 2022
Gross finance lease receivables	23,544,368	13,674,896
Invoiced lease receivables	59,897	23,636
Gross finance lease receivables	23,604,265	13,698,532
Operating lease receivables	8,043	-
Unearned finance income (-)	(4,540,642)	(2,147,104)
Expected credit loss – Stage 1 (-)	(62,143)	(60,318)
Expected credit loss – Stage 2 (-)	(6,388)	(70,795)
Finance lease receivables	19,003,135	11,420,315
Impaired lease receivables	630,557	374,162
Expected credit loss – Stage 3 (-)	(244,258)	(153,500)
Net finance lease receivables	19,389,434	11,640,977

At 31 December 2023 and 31 December 2022 the finance lease receivables according to their interest type are as follows:

	31 December 2023	31 December 2022
Fixed rate	22,324,468	12,633,915
Floating rate	1,219,900	1,040,981
	23,544,368	13,674,896

As of 31 December 2023 and 31 December 2022 the leasing receivables have the following collection schedules:

Year Ending	Finance Lease Receivables	
	Gross	Net
	31 December 2023	31 December 2023
31 December 2024	10,028,632	7,533,125
31 December 2025	7,184,904	5,823,457
31 December 2026	4,164,090	3,658,426
31 December 2027	1,665,704	1,516,679
31 December 2028 and after	570,935	531,936
	23,604,265	19,063,623

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

4 - FINANCE LEASE AND NON-PERFORMING LOANS (Continued)

Year Ending	Finance Lease Receivables	
	Gross	Net
	31 December 2022	31 December 2022
31 December 2023	5,536,783	4,504,252
31 December 2024	3,658,791	2,987,065
31 December 2025	2,500,192	2,197,100
31 December 2026	1,402,668	1,300,693
31 December 2027 and after	600,098	562,318
	13,698,532	11,551,428

Finance lease receivables can be analysed as follows:

31 December 2023	Gross exposure	Provision(-)	Net exposure
Stage 1	18,793,601	(62,143)	18,731,458
Stage 2	270,022	(6,388)	263,634
Stage 3	630,557	(244,258)	386,299
Total	19,694,180	(312,789)	19,381,391

31 December 2022	Gross exposure	Provision(-)	Net exposure
Stage 1	11,179,943	(60,318)	11,119,625
Stage 2	371,485	(70,795)	300,690
Stage 3	374,162	(153,500)	220,662
Total	11,925,590	(284,613)	11,640,977

The Company has conducted individual assessments for financial lease receivables classified as Stage 2 and Stage 3 with total risk exceeding 5,000 TL as of 31 December 2023, and has reduced the expected credit loss allowances by an amount of 189,183 TL. (31 December 2022: increased by 53,717 TL).

As of 31 December 2023, the amount of financial lease receivables arising from "sale-leaseback" transactions is 4,321,390 TL (31 December 2022: 2,057,020 TL).

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.

As of 31 December 2023, collaterals amounting to TL 257,767. (31 December 2022: TL 296,553) has been obtained for impaired finance lease receivables amounting to TL 630,557 (31 December 2022: TL 374,162).

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

4 - FINANCE LEASE AND NON-PERFORMING LOANS (Continued)

Reconciliation of impairment allowance account for losses on finance lease receivables by stage as of 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
Beginning of the period – 1 January	284,613	317,272
Provision recognised in the period	154,108	91,642
- Provisions related to finance lease receivables	154,108	91,642
- Provisions for other financial assets measured at amortized cost	-	-
Provisions cancelled during the period (-)	(115,489)	(94,735)
- Provisions related to finance lease receivables	(115,489)	(94,735)
- Provisions for other financial assets measured at amortized cost	-	-
Provisions for non-performing receivables written off during the period (-)	(10,443)	(29,566)
End of the period – 31 December	312,789	284,613

Industrial concentration for the gross finance lease receivables as of 31 December 2023 and 2022 are as follows:

	31 December 2023	%	31 December 2022	%
Steel and mining	4,417,064	19	2,103,828	15
Construction	2,647,993	11	1,502,599	11
Textile	2,622,661	11	2,030,311	15
Production	2,269,132	10	1,530,038	11
Automotive	1,663,311	7	1,290,369	9
Energy and natural resources	1,634,290	7	1,449,206	11
Transportation	1,461,023	6	905,312	7
Petroleum and related chemistry	876,757	4	516,654	4
Food	791,223	3	328,587	2
Chemistry	689,075	3	358,894	3
Tourism	616,915	3	310,327	2
Printing and paper products	583,689	2	247,857	2
Financial institutions	404,398	2	252,002	2
Health	276,656	1	187,310	1
Agriculture	164,468	1	105,536	1
Wholesale and retail trade	154,129	1	71,503	1
Other	2,271,584	9	484,563	3
	23,544,368	100	13,674,896	100

Lease receivable consists of leases to be collected during the lease period. In accordance with the lease agreements with the lessees, the ownership of the leased items is delivered to the lessees at the end of the lease term.

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

4 - FINANCE LEASE AND NON-PERFORMING LOANS (Continued)

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. Assets related to such contracts 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 2023 and 31 December 2022.

Movements in expected credit loss which belongs to finance leases for the periods ended 31 December 2023 and 31 December 2022 are as follows:

Expected Credit Losses	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2022	60,318	70,795	153,500	284,613
Transfers;				
- Balance change in Stage 1	(7,568)	-	-	(7,568)
- Transfer from Stage 1 to Stage 2	(168)	1,845	-	1,677
- Transfer from Stage 1 to Stage 3	(83)	-	9,262	9,179
- Balance change in Stage 2	-	(10,631)	-	(10,631)
- Transfer from Stage 2 to Stage 1	9	(35)	-	(26)
- Transfer from Stage 2 to Stage 3	-	(43,175)	70,409	27,234
- Balance change in Stage 3	-	-	8,357	8,357
New financial assets originated or purchased and recoveries	22,643	657	15,686	38,986
Write-offs (except change of balance)	(13,008)	(13,068)	(2,513)	(28,589)
Financial assets derecognised during the period other than write-offs	-	-	(10,443)	(10,443)
Provision at 31 December 2023	62,143	6,388	244,258	312,789

Expected Credit Loss	Stage 1 12 aylık ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2021	57,391	65,769	194,112	317,272
Transfers;				
- Balance change in Stage 1	(14,688)	-	-	(14,688)
- Transfer from Stage 1 to Stage 2	(62)	37	-	(25)
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Balance change in Stage 2	-	21,929	-	21,929
- Transfer from Stage 2 to Stage 1	-	-	-	-
- Transfer from Stage 2 to Stage 3	-	(77)	1,627	1,550
- Balance change in Stage 3	-	-	13,774	13,774
New financial assets originated or purchased and recoveries	24,929	5	547	25,481
Write-offs (except change of balance)	(7,252)	(7,288)	(36,574)	(51,114)
Financial assets derecognised during the period other than write-offs	-	(9,580)	(19,986)	(29,566)
Provision at 31 December 2022	60,318	70,795	153,500	284,613

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

5 - PROPERTY AND EQUIPMENT

	1 January 2023	Inflows	Outflows	Transfer	31 December 2023
Cost					
Leased Properties	9,003	4,473	-	-	13,476
Furniture and Fixtures	624	102	-	-	726
Vehicles (*)	9,718	1,175,888	(429)	-	1,185,177
Special costs	827	159	-	-	986
Plant, Machinery and Equipment	380	-	-	-	380
	20,552	1,180,622	(429)	-	1,200,745
Accumulated Depreciation (-)					
Leased Properties	8,556	4,314	(647)	-	12,223
Furniture and Fixtures	544	20	-	-	564
Vehicles (*)	1,142	402	(687)	-	857
Special costs	798	28	-	-	826
Plant, Machinery and Equipment	380	-	-	-	380
	11,420	4,764	(1,334)	-	14,850
Net book value	9,132				1,185,895

(*) Includes vehicles used in operating lease transactions.

	1 January 2022	Inflows	Outflows	Transfer	31 December 2022
Cost					
Leased Properties	6,587	2,416	-	-	9,003
Furniture and Fixtures	537	87	-	-	624
Vehicles	1,047	8,671	-	-	9,718
Special Costs	827	-	-	-	827
Plant, Machinery and equipment	380	-	-	-	380
	9,378	11,174	-	-	20,552
Accumulated Depreciation (-)					
Leased Properties	6,312	2,244	-	-	8,556
Furniture and Fixtures	535	9	-	-	544
Vehicles	644	498	-	-	1,142
Special Costs	780	18	-	-	798
Plant, Machinery and Equipment	380	-	-	-	380
	8,651	2,769	-	-	11,420
Net book value	727				9,132

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

6 – INTANGIBLE ASSETS

	1 January 2023	Inflows	Outflows	31 December 2023
Cost				
Rights	15,303	14,037	-	29,340
	15,303	14,037	-	29,340
Accumulated Amortisation (-)				
Rights	6,351	1,952	-	8,303
	6,351	1,952	-	8,303
Net book value	8,952			21,037
	1 January 2022	Inflows	Outflows	31 December 2022
Cost				
Rights	10,330	4,973	-	15,303
	10,330	4,973	-	15,303
Accumulated Amortisation (-)				
Rights	5,289	1,062	-	6,351
	5,289	1,062	-	6,351
Net book value	5,041			8,952

7 - DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Derivatives held-for-trading

	Nominal amount	Fair value	
31 December 2023		Assets	Liabilities
Forward contracts	-	-	-
Currency swap contracts	6,230,826	-	(238,078)
Interest rate swap contracts	883,146	13,576	-
Total	7,113,972	13,576	(238,078)
	Nominal amount	Fair value	
31 December 2022		Assets	Liabilities
Forward contracts	-	-	-
Currency swap contracts	5,830,781	1,386	(107,514)
Interest rate swap contracts	-	-	-
Total	5,830,781	1,386	(107,514)

AK FİNANSAL KİRALAMA A.Ş.**NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023**

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

7 - DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)*Derivatives held for hedging purposes*

		Fair value	
31 December 2023	Nominal amount	Assets	Liabilities
Derivatives used for fair value hedging purposes:			
Currency swap contracts	-	-	-
Interest rate swap contracts	-	-	-
Total	-	-	-

31 December 2022	Nominal amount	Fair value	
		Assets	Liabilities
Derivatives used for fair value hedging purposes:			
Currency swap contracts	-	-	-
Interest rate swap contracts	560,949	15,162	-
Total	560,949	15,162	-

Information on derivative financial assets and liabilities held for hedging purposes is presented below with Turkish currency and foreign currency breakdowns:

Derivative financial liabilities held for hedging purposes

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Derivatives Used For Fair Value Hedging Purposes	-	-	-	15,162
	-	-	-	15,162

Information regarding the transactions for which hedge accounting is in progress is given below:

Information regarding fair value hedge accounting:

As of 31 December 2023, the Company does not have any transactions within the scope of hedge accounting for fair value risk (31 December 2022: 15,162 TL).

Information on cash flow hedging transactions:

As of 31 December 2023 and 31 December 2022, there are no cash flow hedging transactions.

Information regarding discontinued hedging relationships due to the termination, expiration, sale of the hedging instrument, cessation of hedge accounting, or negative effectiveness test is provided below:

Information on fair value hedging relationships:

As of 31 December 2023 and 2022, there are no fair value hedging relationships.

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

8 – ASSETS HELD FOR SALE

	31 December 2023	31 December 2022
Assets held for sale	25,835	25,835
	25,835	25,835

9 – OTHER ASSETS

	31 December 2023	31 December 2022
Leasing Assets:	3,230,478	2,416,868
- <i>Leased investments</i>	1,575,298	1,259,229
- <i>Leasing Advances</i>	1,516,476	1,081,973
- <i>Other Receivables related to leasing transactions</i>	138,704	75,666
Prepaid Expenses:	104,990	78,994
- <i>Credit and Issuance comission expenses</i>	87,180	71,276
- <i>Operating lease expenses</i>	8,126	-
- <i>Other prepaid expenses</i>	9,684	7,718
Deferred VAT	323,907	50,197
Other	15,295	15,563
	3,674,670	2,561,622

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

10 - FUNDS BORROWED

Details regarding Company's borrowings as of 31 December 2023 and 2022 are as follows:

	31 December 2023			31 December 2022		
Short term borrowings			12,583,693			6,471,467
Long term borrowings			8,866,870			6,411,937
			21,450,563			12,883,404
	31 December 2023			31 December 2022		
	Effective interest rate(%)	Original currency	TL	Effective interest rate (%)	Original currency	TL
Domestic banks						
Fixed rate borrowings:						
EUR	6.49	9,399	306,155	2.99	8,186	163,182
USD	-	-	-	-	-	-
TL	36.28	7,184,637	7,184,637	21.83	3,221,592	3,221,592
Floating rate borrowings:						
EUR	6.56	21,207	690,804	2.26	9,866	196,675
USD	-	-	-	-	-	-
TL	-	-	-	12.50	100,035	100,035
			8,181,596			3,681,484
Domestic banks						
Fixed rate borrowings:						
EUR	5.08	107,859	3,513,372	2.10	87,462	1,743,556
USD	5.86	176,903	5,207,709	5.33	226,151	4,228,642
TL	-	-	-	-	-	-
Floating rate borrowings:						
EUR	7.87	102,959	3,353,779	3.86	128,383	2,559,309
USD	9.19	40,563	1,194,107	7.70	35,854	670,413
			13,268,967			9,201,920
Total borrowings			21,450,563			12,883,404

11 – SECURITIES ISSUED AND LEASE CERTIFICATES (SUKUK)

	31 December 2023	31 December 2022
Securities Issued	1,827,421	540,403
Lease Certificates (Sukuk)	1,070,975	174,962
Total	2,898,396	715,365

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

11 – SECURITIES ISSUED AND LEASE CERTIFICATES (SUKUK) (Continued)

ISIN Code	Issue Date	Nominal Value	Interest Rate	Maturity	Security Type
TRDEMVK82415	18/07/2023	200,000,000	40.00	01/08/2024	Sukuk
TRDEMVK12479	04/08/2023	200,000,000	28.00	30/01/2024	Sukuk
TRDEMVK82423	15/11/2023	200,000,000	35.00	14/02/2024	Sukuk
TRDEMVK82514	23/11/2023	185,000,000	39.50	22/02/2024	Sukuk
TRDEMVK82416	21/11/2023	200,000,000	47.00	20/02/2024	Sukuk
TRFAKFK22411	15/08/2023	181,800,000	28.00	02/02/2024	Bond
TRFAKFK22429	01/09/2023	352,850,000	36.00	16/02/2024	Bond
TRFAKFK32410	14/09/2023	250,000,000	38.00	12/03/2024	Bond
TRFAKFK32428	19/09/2023	58,300,000	40.00	12/03/2024	Bond
TRSAKFKE2429	11/01/2024	57,050,000	47.00	15/10/2024	Bond
TRFAKFK62417	13/12/2023	500,000,000	47.50	07/06/2024	Bond
TRFAKFK42419	19/12/2023	309,060,000	46.50	17/04/2024	Bond

12 – OTHER LIABILITIES

i) Other payables

	31 December 2023	31 December 2022
Miscellaneous payables	939,725	395,607
Advances (*)	639,021	473,611
Advance Insurance Commissions	26,178	13,204
Tax Payable and Liabilities	6,074	2,494
Total other liabilities	1,610,998	884,916

(*) Received advances represent amounts collected from financial leasing customers under financial leasing contracts currently in progress.

13 - PROVISIONS

i) Provision for Employee Benefits

	31 December 2023	31 December 2022
Employee bonus provisions	17,500	10,495
Unused leave provision	10,413	4,485
Termination benefits provision	9,719	7,539
	37,632	22,519

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NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

13 – PROVISIONS (Continued)

i) Reserve for Employee Benefits (Continued)

Severance pay provision is allocated in accordance with the following explanations:

The amount to be paid as severance pay is equivalent to one month's salary for each year of service, capped at the severance pay ceiling. The severance pay obligation is not legally subject to any funding requirement, and there is no funding condition.

The provision for severance pay is allocated by calculating the present value of the probable obligation that the company require to pay upon the retirement of employees. TAS 19 requires the use of actuarial valuation methods for the calculation of the entity's obligations. In this context, the following actuarial assumptions have been used in the calculation of total obligations:

	31 December 2023	31 December 2022
Discount Rate (%)	3.00	0.50
Employee turnover rate (%)	94.92	95.37

The fundamental assumption is that the severance pay ceiling, applicable for each year of service, will increase annually by the inflation rate. Thus, the applied discount rate will reflect the real rate adjusted for the expected effects of inflation. The company's severance pay liability is calculated based on the severance pay ceiling, which is determined every six months. As of 1 January 2024, the applicable ceiling is 35,058.58 TL (full TL amount) (as of 1 January 2023: 19,982.83 TL (full TL amount)).

The movements of the severance pay provision throughout the year are as follows:

	2023	2022
Beginning of the Period – January 1	7,539	3,016
Amounts paid within the period	(1,186)	-
Current period provision	3,366	870
Actuarial Loss	-	3,653
End of the Period - 31 December	9,719	7,539

ii) Other provisions

	31 December 2023	31 December 2022
Provision for lawsuits	4,640	-
Other	-	-
	4,640	-

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NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

14 - CONTINGENT ASSETS AND LIABILITIES

In the course of its operations, the Company makes certain commitments that give rise to contingent assets and liabilities that are not recognized in the financial statements. A summary of significant commitments and contingent liabilities is summarised in the table below:

Derivative instruments:

	31 December 2023		31 December 2022	
	Nominal Orjinal amount	Nominal TL	Nominal Orjinal amount	Nominal TL
Forward and Swap Purchase Transactions				
US Dollar	108,755	3,201,548	119,412	2,232,796
EUR	-	-	-	-
TL	244,300	244,300	917,065	917,065
Total Purchases	353,055	3,445,848	1,036,477	3,149,861

Forward and Swap Purchase Transactions

US Dolar	15,000	441,573	15,000	280,475
EUR	99,053	3,226,551	148,553	2,961,394
TL	-	-	-	-
Total Sales	114,053	3,668,124	163,553	3,241,869

Letters of guarantee given:

The Company has collateral and given letters of guarantees amounting to TL 3,867,014 (31 December 2022: TL 1,162,667) to courts, customs and related to the loans used by the Company within scope of Hermes. As of 31 December 2023, a letter of guarantee amounting to TL 62,494 (December 31, 2022: TL 175,078) 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 1,094,497 (31 December 2022: TL 1,133,165). The Company has letters of credit for import of the equipment subject to finance leases in the amount of TL 182,525 (31 December 2022: TL 362,602) and finance lease commitments in the amount of TL 2,241,281 (31 December 2022: TL 2,220,001) for the leased asset imports.

15 – PAYABLES FROM LEASES

	31 December 2023	31 December 2022
Payables from leases	967	82
	967	82

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

15 – PAYABLES FROM LEASES (Continued)

The breakdown of the Company's long-term liabilities arising from lease transactions as of 31 December 2023 and 2022, according to their maturities, is as follows:

	31 December 2023	31 December 2022
2023	-	47
2024	155	35
2025	344	-
2026	234	-
2027	234	-
	967	82

16 - SHAREHOLDERS' EQUITY

As of 31 December 2023 and 31 December 2022, the shareholders of the Company and their share capitals with historical amounts are as follows:

	31 December 2023		31 December 2022	
	Amount	Share (%)	Amount	Share (%)
Akbank T.A.Ş.	373,400	100	373,400	100
Hacı Ömer Sabancı Holding A.Ş.	-	-	-	-
Tursa Sabancı Turizm ve Yatırım Hizm. A.Ş.	-	-	-	-
Exsa Export Sanayi Mamul. Satış ve Araş. A.Ş.	-	-	-	-
Ak Yatırım Menkul Değerler A.Ş.	-	-	-	-
Paid-in capital	373,400		373,400	
Share capital adjustment differences	(13,393)		(13,393)	
	360,007		360,007	

Profit reserves, retained earnings

Share capital of the Company consists of 37,340,000,000 shares with a nominal value of 1 kuruş (TL) each (31 December 2022: 37,340,000,000 number of shares).

As of 31 December 2023, the Company's registered capital ceiling is TL 373,400 (31 December 2022: TL 373,400).

Share capital differences represent the difference between the restatement effect of cash and cash equivalent contributions to share capital and the inflation restatement effect.

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.

	31 December 2023	31 December 2022
Legal reserves	84,109	75,474
	84,109	75,474

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

17 – LEASE INCOME

	31 December 2023	31 December 2022
Financial Lease Income	3,188,602	1,237,761
Operational Lease Income	74,364	-
Fees and Commissions Received from Lease Transactions	139,666	73,765
	3,402,632	1,311,526

18 – FINANCING EXPENSES

	31 December 2023	31 December 2022
Interest on Funds Borrowed	2,358,826	878,349
Interest on Securities Issued	478,088	120,241
Financial Lease Expense	306	182
	2,837,220	998,772

19 - OPERATING EXPENSES

The operating expenses for the years ended 31 December 2023 and 2022, are as follows:

	31 December 2023	31 December 2022
Personnel Expenses	119,776	55,871
Other Service Expenses	68,687	41,696
Banking Commission Expenses	48,965	11,590
Operating Lease Expenses	11,851	-
Audit and consultancy expenses	9,522	4,968
Depreciation expenses (Notes 5, 6)	6,716	3,743
Office management expenses	5,941	3,103
Communication expenses	4,306	1,044
Non-deductable expenses	3,448	1,218
Legal expenses	3,231	2,078
Provision Expense for Employment Termination Benefits	2,180	869
Vehicle expenses	1,164	1,862
Marketing expenses	1,474	555
Legal Expenses	1,290	832
Tax, stamp, duty and fee expenses	1,016	261
Travel expenses	837	459
Other	7,701	3,232
	298,105	133,381

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

20 - FEES FOR SERVICES RENDERED BY THE INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRM

	1 January- 31 December 2023	1 January- 31 December 2022
Independent audit fee for the reporting period	1,299	404
Fees for tax advisory services	-	-
Fee for other assurance services	-	-
Fee for other non-audit services	-	-
Total	1,299	404

21 - OTHER OPERATING INCOME/EXPENSES

	31 December 2023	31 December 2022
Interest Received from Marketable Securities Portfolio	494,997	86,469
Foreign Exchange Gains/(Loss)	429,776	186,698
Interest Received from Banks	94,957	90,406
From Derivative Financial Transactions	(106,529)	202,129
Other ^{(*)(**)}	143,601	194,745
	1,056,802	760,447

(*) Other operating income includes a reversed amount related to unused provisions of TL 115,489 (31 December 2022: TL 95,044), service expenses passed on to customers amounting to TL 15,699 (31 December 2022: TL 14,822), insurance brokerage commission income of TL 2,437 (31 December 2022: TL 55,736), and proceeds from the sale of tangible assets amounting to TL 1,175 (31 December 2022: TL 23,075).

(**) Tangible asset sale proceeds consist of profits from the sale of fixed assets acquired for unrecoverable financial lease receivables, proceeds from the transfer of fixed assets subject to financial lease contracts, and profits from the sale of operational fixed assets.

22 - PROVISION EXPENSES

	31 December 2023	31 December 2022
Provisions for expected credit losses	154,460	92,183
Other	3,493	-
	157,953	92,183

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

23 – EARNING PER SHARE

	31 December 2023	31 December 2022
Number of shares in the beginning of the period	37,340,000,000	37,340,000,000
Number of shares at the end of the period	37,340,000,000	37,340,000,000
	31 December 2023	31 December 2022
Net Profit or Loss for the Current Period	962,935	670,272
Each with a nominal value of 1 kr		
Weighted average number of shares	37,340,000,000	37,340,000,000
Earning per share (in TL full)	0.0258	0.0180

24 – TAX ASSETS AND LIABILITIES

According to Law No. 7316 published in the Official Gazette dated 22 April 2021, the corporate tax rate was increased to 25% for the tax period starting from 1 January 2021, and this rate was set at 23% for the 2022 tax period. With the publication of Law No. 7394 in the Official Gazette dated 15 April 2022, the corporate tax rate for banks, consumer finance companies, factoring and financial leasing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital markets institutions, insurance and reinsurance companies, and pension companies was permanently increased to 25%. This change was implemented for tax returns filed after 1 July 2022, and a 25% rate was applied to corporate profits for periods starting from 1 January 2022. However, with Law No. 7456 published in the Official Gazette dated 15 July 2023, this rate was increased to 30%, and this change will be applicable for tax returns filed after 1 October 2023, and a 30% rate will be applied to corporate profits for periods starting from 1 January 2023. The financial statements as of 31 December 2023 used a 30% rate for corporate tax.

The determination of net corporate income is based on the provisions of the Income Tax Law regarding commercial profits.

The corporate tax base is calculated by adding non-deductible expenses and additional items to corporate profits, considering exemptions (such as participation exemption, investment deduction exemption, real estate sales gain exemption, etc.) and deductions (such as R&D deduction). Corporate tax returns must be filed and the tax paid to the relevant tax office from the first day of the fourth month following the end of the accounting period until the 30th day of that month.

Corporate taxpayers calculate provisional tax amounts based on the tax bases calculated as described above for each quarterly period. They declare and pay the provisional tax amount by the 17th day of the second month following the relevant period. The total of provisional taxes paid during the year and taxes withheld during the year can be offset against the corporate tax calculated on the corporate tax return. If there is a tax refund due after offsetting, the amount can be refunded in cash or offset against other tax liabilities of the company upon request.

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

24 - TAX ASSETS AND LIABILITIES (Continued)

In Turkey, except for dividend payments made to corporate income taxpayers, dividend payments are subject to withholding tax at a rate of 15%. The addition of profit to the capital is not considered as profit distribution and is not subject to withholding tax.

If the investment deduction exemption is benefited under Temporary Article 61 of the Income Tax Law, the exempted amount is subject to withholding tax at a rate of 19.8%.

The statute of limitations is five years, calculated from the beginning of the year following the calendar year in which the tax liability arose. During this period, tax audits can be conducted by authorized tax inspectors for full or limited tax examinations.

The Law No. 7532, which amends the Tax Procedure Law and the Corporate Tax Law, was enacted on 20 January 2022. It was decided that financial statements, including interim accounting periods for the fiscal years 2021 and 2022 and the temporary tax periods of 2023, will not be subject to inflation adjustment regardless of whether the conditions for inflation adjustment under Article 298 (bis) are met. Inflation adjustment will be applied to the financial statements dated 31 December 2023, and the resulting profit/loss difference due to the inflation adjustment will be shown in the profit/loss account of past years and will not be subject to taxation.

Losses reported in the corporate tax return can be deducted from the current period's corporate income for more than five years, provided that certain conditions are met. However, the current year's corporate loss cannot be offset against profits from previous years.

The Company has paid current corporate income tax as of 31 December 2023 and 2022.

Corporate Tax

	31 December 2023	31 December 2022
Corporate income tax	41,412	120,690
Negative: Prepaid tax	(153,496)	(54,786)
Taxes payable/(receivable), net	(112,084)	65,904

The taxes reflected in the income statements for the periods ending on December 31, 2023, and 2022, are summarized as follows:

	31 December 2023	31 December 2022
Tax expense for current period (-)	(41,412)	(120,690)
Deffered tax expense (-)	(161,809)	(56,675)
Total tax expense (-)	(203,221)	(177,365)

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

24 - TAX ASSETS AND LIABILITIES (Continued)

The reconciliation of the expected tax expense calculated on the profit before tax using the year-end tax rate with the tax expense recognized in the financial statements is presented below:

	31 December 2023	31 December 2022
Period profit before taxes	1,166,156	847,637
Expected tax expense calculated based on the period tax rate	(349,847)	(211,909)
Non-deferred tax-deductible expenses/income/exemptions, net	146,626	34,544
Total tax expense	(203,221)	(177,365)

Deferred Taxes

As of 31 December 2023 and 2022, the breakdown of deferred tax assets and liabilities arising from temporary differences subject to deferred taxation, using the prevailing tax rates, is as follows:

	Total temporary differences		Deferred tax assets/ liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred tax assets:				
Valuation differences of derivative financial instruments	238,078	107,514	71,423	26,878
Provision for receivables	92,511	163,795	27,753	40,949
Exchange rate loss	142,727	-	42,818	-
Other temporary differences	42,272	21,754	12,682	5,438
Deferred tax assets	515,588	293,063	154,676	73,265
Financial lease income discounts	(320,574)	(190,375)	(96,172)	(47,594)
Derivative financial instruments valuation variances	(13,576)	(16,548)	(4,073)	(4,137)
Operating lease CT-SCT	(634,824)	-	(190,447)	-
Other temporary differences	(34,116)	(23,905)	(10,235)	(5,976)
Deferred tax liabilities	(1,003,090)	(230,828)	(300,927)	(57,707)
Deferred tax assets, net	(487,502)	62,235	(146,251)	15,558

The Company uses a tax rate of 30% (31 December 2022: 25%) in calculating deferred taxes, taking into account the periods in which deferred tax assets are realized or deferred tax liabilities are settled.

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NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

24 - TAX ASSETS AND LIABILITIES (Continued)

The deferred tax assets movement table as of 31 December 2023 and 2022 is as follows:

	2023	2022
Beginning of the period – 1 January	15,558	72,233
Current period deferred tax income/(expense).	(161,809)	(56,675)
Total deferred tax directly recognized in equity.	-	-
Other	-	-
End of the period - 31 December	(146,251)	15,558

25 - TRANSACTIONS WITH RELATED PARTIES

Balance Sheet Items	31 December 2023	31 December 2022
Receivables from banks – (Banks)		
<i>Shareholders</i>		
Akbank T.A.Ş.	848,219	1,233,844
<i>Other group companies(*)</i>		
Akbank A.G.	443,399	-
	1,291,618	1,233,844

Finance lease receivables, net – (Leases)

	31 December 2023	31 December 2022
<i>Shareholders</i>		
Akbank T.A.Ş.	-	-
<i>Other group companies(*)</i>		
Jec II Enerji A.Ş.	97,479	72,065
Jec III Enerji A.Ş.	38,652	31,881
Sabancı Ageas Sağlık Sigorta A.Ş.	3,785	4,970
Aksigorta A.Ş.	1,919	3,198
Sabancı Üniversitesi	1,746	2,851
Hacı Ömer Sabancı Holding A.Ş.	-	31,901
	143,581	146,866

(*) “Other group companies” consist of group companies of Akbank T.A.Ş..

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

25 - TRANSACTIONS WITH RELATED PARTIES (Continued)

	31 December 2023	31 December 2022
Financial liabilities – (Borrowings)		
<i>Shareholders</i>		
Akbank T.A.Ş.	2,318,019	2,041,578
<i>Diğer grup şirketleri (*)</i>		
Akbank A.G.	756,854	179,414
	3,074,873	2,220,992

Trade payables – (Miscellaneous payables)

	31 December 2023	31 December 2022
<i>Other group companies (*)</i>		
Aksigorta A.Ş.	107,572	31,645
Jec II Enerji A.Ş.	3,962	2,534
Jec III Enerji A.Ş.	2,527	1,629
Sabancı Dijital Tek. Hizm. A.Ş.	559	12
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
Avivasa Emeklilik ve Hayat A.Ş.	38	25
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	2	-
Hacı Ömer Sabancı Holding A.Ş.	5	-
Sabancı Ageas Sağlık Sigorta A.Ş.	78	-
	114,760	35,862

Income Statement Items

	31 December 2023	31 December 2022
Interest income from finance leases – (Leasing Income)		
<i>Other group companies (*)</i>		
Hacı Ömer Sabancı Holding A.Ş.	4,392	2,505
Jec II Enerji A.Ş.	6,132	4,951
Jec III Enerji A.Ş.	2,555	2,218
Sabancı Ageas Sağlık Sigorta A.Ş.	1,606	301
Sabancı Üniversitesi	632	736
Aksigorta A.Ş.	615	916
Sabancı Dijital Tek. Hizm. A.Ş.	-	87
	15,932	11,714

(*) “Other group companies” consist of group companies of Akbank T.A.Ş..

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

25 - TRANSACTIONS WITH RELATED PARTIES (Continued)

Income from operating leases – (Lease Income)	31 December 2023	31 December 2022
<i>Shareholders</i>		
Akbank T.A.Ş.	41,574	-
<i>Other group companies (*)</i>		
Hacı Ömer Sabancı Holding A.Ş.	9,531	-
Ak Yatırım Menkul Değerler A.Ş.	3,735	-
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	2,196	-
Ak Portföy Yönetimi A.Ş.	2,081	-
Temsa Skoda Sabancı Ulaşım Araçları A.Ş.	1,914	-
Enerjisa Başkent Elektrik Perakende Satış A.Ş.	1,785	-
Enerjisa Toroslar Elektrik Perakende Satış A.Ş.	1,764	-
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	1,394	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	1,065	-
Enerjisa Müşteri Çözümleri A.Ş.	671	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	651	-
Stablex Bilişim Teknoloji A.Ş.	516	-
Enerjisa Enerji. A.Ş.	472	-
Çimsa Çimento San ve Tic A.Ş.	122	-
Hacı Ömer Sabancı Vakfı İktisadi İşletmesi	96	-
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	60	-
Başkent Elektrik Dağıtım A.Ş.	60	-
	69,687	-
Interest income from banks – (Other operating income)		
<i>Shareholders</i>		
Akbank T.A.Ş.	39,656	77,475
	39,656	77,475
Interest expense on borrowings – (Finance expenses)		
<i>Shareholders</i>		
Akbank T.A.Ş.	571,333	343,621
<i>Other group companies (*)</i>		
Akbank A.G.	28,912	10,107
	600,245	353,728

(*) “Other group companies” consist of group companies of Akbank T.A.Ş..

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

25 - TRANSACTIONS WITH RELATED PARTIES (Continued)

Commission income – (Other operating income)	31 December 2023	31 December 2022
<i>Other group companies (*)</i>		
Aksigorta A.Ş.	8,801	6,068
Hacı Ömer Sabancı Holding A.Ş.	-	204
Sabancı Ageas Sağlık Sigorta A.Ş.	-	50
Jec II Enerji A.Ş.	-	511
Jec III Enerji A.Ş.	-	245
	8,801	7,078
Commission expenses – (Other operating expenses)	31 December 2023	31 December 2022
<i>Shareholders</i>		
Akbank T.A.Ş.	554	341
<i>Other group companies (*)</i>		
Ak Yatırım Menkul Değerler A.Ş.	6,808	1,479
	7,362	1,820
Staff Expenses	31 December 2023	31 December 2022
<i>Shareholders</i>		
Akbank T.A.Ş.	1,877	533
	1,877	533
Derivative Financial Transaction Losses - (Other Operating Expenses)	31 December 2023	31 December 2022
<i>Shareholders</i>		
Akbank T.A.Ş.	51,266	16,664
	51,266	16,664
Payments made to the board of directors and senior management personnel		
	31 December 2023	31 December 2022
Compensation and similar benefits paid to the board of directors and senior management	16,475	6,473
	16,475	6,473

(*) “Other group companies” consist of group companies of Akbank T.A.Ş..

AK FİNANSAL KİRALAMA A.Ş.**NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023**

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

25 - TRANSACTIONS WITH RELATED PARTIES (Continued)**Off-Balance Sheet Items**

Collaterals given	31 December 2023	31 December 2022
Obtained for the purpose of using for borrowings from other parties	1,156,991	1,308,243
Obtained for the purpose of using for law courts	13	67
	1,157,004	1,308,310

Derivative Financial Instruments

31 December 2023	Nominal amount	Fair Values	
		Assets	Liabilities
<i>Derivative financial instruments held for trading:</i>			
Forward transactions			
Akbank T.A.Ş. (Shareholder)	-	-	-
Money swap transactions			
Akbank T.A.Ş. (Shareholder)	-	-	-
Cross currency swap transactions			
Akbank T.A.Ş. (Shareholder)	1,050,111	-	(51,266)
<i>Derivative financial instruments held for fair value hedges:</i>			
Cross currency swap transactions			
Akbank T.A.Ş. (Shareholder)	-	-	-
Total	1,050,111	-	(51,266)

(*) "Other group companies" consist of group companies of Akbank T.A.Ş..

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

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26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**a. Capital risk management**

According to Article 12 of the "Regulation on the Establishment and Operation Principles of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013, the Company's shareholders' equity must be kept in accordance with the standard ratio determined in the regulation.

b. Financial Risk Management

The Company is exposed to various financial risks through its operations. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the volatility of financial markets and minimizing the impact of potential adverse effects on the Company's financial performance. The Company utilizes derivative financial instruments to hedge its exposure to various risks.

Financial risk management is implemented within the framework of policies approved by the Company's Board of Directors.

Company's Finance Management carries out the duties of providing funds to the Company, managing the excess liquidity, balancing the open position and interest rate risk in close cooperation with the other departments of the Company. In addition, fluctuations that may occur in operating results are kept to a minimum.

c. Credit risk

Credit risk is the risk that the counterparty may be unable to meet the terms of the agreements. The Company is exposed to credit risk due to financial lease transactions. This risk is managed by mainly limiting the aggregate risk to any individual counterparty and by obtaining collaterals from these counterparties and periodic follow-up of collections from customers. The Company's exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

The Company tries to manage its credit risk by limiting transactions with certain parties and by constantly evaluating the reliability of the parties with which it has relations. In accordance with company procedures, all customers are subject to credit review and necessary guarantees are received.

The company regularly monitors the performance of its loan customers with aging reports and actual loss calculations. In addition, the Company's doubtful credit risk is minimized by constantly examining the loans. Overdue loans are followed up by the Receivables Follow-up Department.

The geographical distribution of the Company's assets and liabilities as of 31 December 2023 and 2022, is as follows:

31 December 2023	Assets	(%)	Liabilities	(%)
Türkiye	29,167,714	99%	16,008,469	55%
European Countries	12,078	0%	9,767,675	33%
Other	164,712	1%	3,568,360	12%
	29,344,504	100%	29,344,504	100%

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	Assets	(%)	Liabilities	(%)
Türkiye	16,476,202	99%	7,438,762	45%
European Countries	122,884	1%	7,852,164	47%
Other	74,662	0%	1,382,822	8%
	16,673,748	100%	16,673,748	100%

As of 31 December 2023 and 2022, the Company regularly monitors the performance of its credit customers through aging reports and calculations of realized losses. Overdue loans are tracked by the Credit Monitoring and Receivable Tracking Department.

Credit risk is the risk of financial loss resulting from one party's failure to fulfill its obligation on a financial instrument, causing the other party to suffer financially. The Company manages credit risk by limiting transactions with certain parties and continuously evaluating the reliability of counterparties. All customers undergo credit review stages according to Company procedures, and necessary collateral is obtained. Additionally, loans are continuously reviewed to minimize the Company's exposure to doubtful credit risk.

The maximum credit risk exposure of the Company as of 31 December 2023 and 2022, is disclosed in Note 4.

d. Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices.

There has been no major change to the Company's risk management policies compared to previous year.

e. 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. A diversified funding base is used and stringent risk limits are utilized to manage and review liquidity risk. In addition, management ensures the continuity of sufficient financing resources to finance current and future debt requirements and to prevent unexpected changes in demand.

The tables below analyses the assets and liabilities of the Company in relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. Also the Company's unearned and undue interests to be collected and paid related to its assets and liabilities are included to the table below.

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2023				Demand	Total
	Up to 3 months	3 months- to 1 year	1 year to- 5 years	Over 5 years		
Funds borrowed	6,409,326	9,133,205	9,969,700	230,712	-	25,742,943
Securities issued	1,161,857	1,543,931	192,608	-	-	2,898,396
Other liabilities	1,610,998	-	-	-	-	1,610,998
Total liabilities	9,182,181	10,677,136	10,162,308	230,712	-	30,252,337

The cash inflows and outflows to be incurred in accordance with the derivative financial instruments:

Cash inflows	680,336	1,349,999	1,271,589	-	-	3,301,924
Cash outflows (-)	(767,284)	(1,379,613)	(1,323,819)	-	-	(3,470,716)
Cash inflows/outflows, net	(86,948)	(29,614)	(52,230)	-	-	(168,792)

	31 December 2022				Demand	Total
	Up to 3 months	3 months- to 1 year	1 year to- 5 years	Over 5 years		
Funds borrowed	1,805,131	5,833,667	6,843,022	80,924	-	14,562,744
Securities issued	220,125	495,240	-	-	-	715,365
Other liabilities	884,916	-	-	-	-	884,916
Total pasifler	2,910,172	6,328,907	6,843,022	80,924	-	16,163,025

The cash inflows and outflows to be incurred in accordance with the derivative financial instruments:

Cash inflows	1,502,486	512,039	1,128,640	-	-	3,143,165
Cash outflows (-)	(1,556,051)	(500,565)	(1,117,497)	-	-	(3,174,113)
Cash inflows/(outflows), net	(53,565)	11,474	11,143	-	-	(30,948)

AK FİNANSAL KİRALAMA A.Ş.

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

f. 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. As of 31 December 2023 and 2022, assets and liabilities denominated in foreign currencies are shown in the table below.

31 December 2023	US Dollar	TL Equivalent	Euro	TL Equivalent	Other TL Equivalent
Assets					
Cash and cash equivalent	51,174	1,506,474	23,827	776,130	4,291
Finance lease receivables (*)	71,020	2,090,699	313,116	10,199,421	271
Other assets	10,316	303,677	40,774	1,328,170	4
Total Assets	132,510	3,900,850	377,717	12,303,721	4,566
Liabilities					
Borrowings	217,466	6,401,816	241,424	7,864,110	-
Other liabilities	5,803	170,824	18,132	590,620	3,283
Total liabilities	223,269	6,572,640	259,556	8,454,730	3,283
Net balance sheet position	(90,759)	(2,671,790)	118,161	3,848,991	1,283
Derivative financial instruments:					
- Net foreign currency position arising from trading securities	93,755	2,759,975	(99,053)	(3,226,551)	-
- Net foreign currency position arising from fair value hedges	-	-	-	-	-
Net total foreign currency position (**)	-	-	-	-	-
Liabilities	(2,996)	(88,185)	19108	622,440	1,283

(*) Foreign currency non-performing finance lease receivables amounting to 505,363 TL, which are not subject to valuation, are not considered in the exchange rate risk table. Within the assets, the total amount of 13,576 TL for Trading and Derivative Financial Assets for Hedging Purposes is not taken into account. Among the liabilities, the total amount of 238,078 TL for Trading and Derivative Financial Liabilities for Hedging Purposes is not considered.

(**) 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 (316,040) in USD, TL (435,037) in Euro, TL (46,307) in other currencies, and a total of TL 72,690.

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NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	US Dollar	TL Equivalent	Euro	TL Equivalent	Other TL Equivalent
Assets					
Cash and cash equivalent	54,034	1,010,344	62,236	1,240,675	12,153
Finance lease receivables (*)	95,014	1,776,592	317,014	6,319,650	258
Other assets	14,803	276,786	60,514	1,206,349	13
Total Assets	163,851	3,063,722	439,764	8,766,674	12,424
Liabilities					
Borrowings	262,005	4,899,055	233,897	4,662,722	-
Other liabilities	6,782	126,804	30,844	614,874	92
Total liabilities	268,787	5,025,859	264,741	5,277,596	92
Net balance sheet position	(104,936)	(1,962,137)	175,023	3,489,078	12,332
Derivative financial instruments:					
- Net foreign currency position arising from trading securities	104,412	1,952,321	(148,553)	(2,961,395)	-
- Net foreign currency position arising from fair value hedges	-	-	-	-	-
Net total foreign currency position (**)	(524)	(9,816)	26,470	527,683	12,332

(*) Foreign currency non-performing finance lease receivables amounting to TL 45,725 which are not subject to valuation are not taken into consideration in the foreign currency risk table. The total amount of TL 16,548 for Derivative Financial Assets for Trading Purposes and Fair Value Hedging Purposes within the assets was not taken into account. Among the liabilities, a total amount of TL 107,514 for Derivative Financial Liabilities for Trading Purposes and Hedging Purposes was not taken into account.

(**) 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 (47,826) in USD, TL 16,086 in Euro, TL 5,213 in other currencies, and a total of TL 58,699

The foreign currency rates used by the Company at 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
US Dollar	29,4382	18,6983
EUR	32,5739	19,9349
CHF	34,9666	20,2019
GBP	37,4417	22,4892
JPY	0,207467	0,141301

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NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2023 and 2022 the sensitivity analysis of the Company's profit before tax, with other variables held constant, to a 10% change in US Dollar and EUR is as follows:

Foreign currency sensitivity

	USD		EUR	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 December 2023				
Profit/loss and shareholders' equity	(12,403)	12,403	89,009	(89,009)

	USD		EUR	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 December 2022				
Profit/loss and shareholders' equity	(982)	982	52,768	(52,768)

g. Interest rate risk

The Company is exposed to interest rate risk arising from the effect of changes in interest rates to which interest bearing assets and liabilities are subject. The interest rate risk arising from financial assets and liabilities with fixed or floating interest rates is monitored by calculating the maturity mismatch within the scope of asset-liability management practices and performing stress tests.

According to the analyzes made by the Company as of 31 December 2023, in case of 0.5% increase/decrease in TL and foreign currency interest rates, assuming that all other variables remain fixed, there is a decrease/increase of TL 46,271 in the profit of the company due to interest-sensitive assets and liabilities. (31 December 2022: TL 10,227 increase/decrease).

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NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following tables analyze the Company's assets and liabilities according to the relevant maturity grouping, based on the period remaining to the interest rate changes in the contract at the balance sheet date:

	31 December 2023					Total
	1 to 3 months	3 months to 1 year	1 to 5 years	5 years and above	Non- Interest	
Banks and cash values	2,294,113	-	-	-	454,843	2,748,956
Financial leasing receivables	3,099,955	5,093,192	10,729,366	81,220	377,658	19,381,391
Operating leasing receivables	-	-	-	-	8,043	8,043
Property and equipment	-	-	-	-	1,185,895	1,185,895
Intangible assets	-	-	-	-	21,037	21,037
Assets held for sale	-	-	-	-	25,835	25,835
Other assets	-	-	-	-	3,674,670	3,674,670
Derivative financial assets	-	-	-	-	13,576	13,576
Current tax assets	-	-	-	-	112,084	112,084
Deferred tax assets	-	-	-	-	-	-
Total assets	5,394,068	5,093,192	10,729,366	81,220	5,873,641	27,171,487
Derivative financial liabilities	89,263	30,933	117,882	-	-	238,078
Funds borrowed	5,439,970	7,155,395	8,646,418	208,780	-	21,450,563
Payables from leases	-	-	-	-	967	967
Issued securities	1,161,857	1,543,931	192,608	-	-	2,898,396
Provisions	-	-	-	-	42,272	42,272
Other liabilities	-	-	-	-	1,610,998	1,610,998
Current due tax	-	-	-	-	-	-
Total liabilities	6,691,090	8,730,259	8,956,908	208,780	1,654,237	26,241,274
Net repricing position	(1,297,022)	(3,637,067)	1,772,458	(127,560)	4,219,404	930,123
Derivative financial instruments cash inflows/(outflows), net	(86,948)	(29,614)	(52,230)	-	-	(168,792)

	31 December 2022					Total
	1 to 3 months	3 months to 1 year	1 to 5 years	5 years and above	Non-Interest	
Banks and cash values	2,290,645	-	-	-	44,447	2,335,092
Financial leasing receivables	2,111,500	3,054,572	6,267,456	94,285	113,164	11,640,977
Property and equipment	-	-	-	-	9,132	9,132
Intangible assets	-	-	-	-	8,952	8,952
Assets held for sale	-	-	-	-	25,835	25,835
Other assets	-	-	-	-	2,561,622	2,561,622
Derivative financial assets	-	-	-	-	16,548	16,548
Deferred tax assets	-	-	-	-	15,558	15,558
Total assets	4,402,145	3,054,572	6,267,456	94,285	2,795,258	16,613,716
Derivative financial liabilities	67,689	13,056	26,769	-	-	107,514
Funds borrowed	2,016,413	6,279,414	4,587,577	-	-	12,883,404
Payables from leases	-	-	-	-	82	82
Issued securities	220,125	495,240	-	-	-	715,365
Provisions	-	-	-	-	22,519	22,519
Current due tax	-	-	-	-	884,916	884,916
Other liabilities	-	-	-	-	65,904	65,904
Total liabilities	2,304,227	6,787,710	4,614,346	-	973,421	14,679,704
Net repricing position	2,097,918	(3,733,138)	1,653,110	94,285	1,821,837	1,934,012
Derivative financial instruments cash inflows/(outflows), net	(53,565)	11,474	11,143	-	-	(30,948)

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

**26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)*****Fair value of financial instruments***

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

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

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

The table below shows the comparison of the book value and fair value of the financial instruments carried with their values other than their fair values in the financial statements.

	<i>Net book value</i>		<i>Fair value</i>	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial lease receivables, net	19,071,666	11,551,428	18,601,773	11,373,415
Funds borrowed	21,450,563	12,883,404	19,333,703	11,594,619
Securities issued	2,898,396	715,365	2,560,134	769.603

As of 31 December 2023, the discount rates used in calculating the fair values of the USD, EUR and TL loans borrowed are respectively 5.53%, 6.98% and 46.72% (As of 31 December 2022, USD, Euro and TL borrowed rates are respectively). The discount rates used in calculating the fair value of loans and securities issued are 6.03%, 3.98% and 26.15%, respectively).

As of 31 December 2023, the discount rates used in calculating the fair values of US Dollar, Euro and TL financial lease receivables are 8.56%, 8.25% and 49.71%, respectively. (As of 31 December 2022, the discount rates used in calculating the fair values of US Dollar, Euro and TL financial lease receivables are 7.73%, 6.34% and 37.51%, respectively).

As of 31 December 2023, the discount rate used in the calculation of the fair value of TL-denominated securities issued is 45.61%. (As of 31 December 2022, the discount rate used in the calculation of the fair value of TL-denominated securities issued was 23.41%).

NOTES RELATED TO FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(Amounts are Thousand Turkish Lira ("TL") unless otherwise stated.)

**26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The fair value of financial assets and liabilities is determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same 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 stock 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.

Hierarchy of financial instruments carried at fair value:

31 December 2023	Level 1	Level 2	Level 3
Derivative financial assets	-	13,576	-
Total assets	-	13,576	-
Derivative financial liabilities	-	238,078	-
Total liabilities	-	238,078	-
31 December 2022	Level 1	Level 2	Level 3
Derivative financial assets	-	16,548	-
Total assets	-	16,548	-
Derivative financial liabilities	-	107,514	-
Total liabilities	-	107,514	-

27 - SUBSEQUENT EVENTS

None.

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